

MINUTES OF THE OPERATIONS COMMITTEE MEETING

7:00 P.M.

October 26, 2022

Councilman James King brought the meeting to order with the following committee members present: Charles Anderson, City Manager; Berley Mears, Director of Public Works; Frank Raskauskas and Chris Derbyshire, P.E. George, Miles and Buhr.

Councilman King turned the meeting over to City Manager, Charles Anderson.

Mr. Anderson asked if there was anyone present for public comment; there were none.

Mr. Anderson read into the record a public comment that was submitted by Dan Cannon of 411 Nylon Boulevard, Seaford, DE:

Perspective on Newly Established Public Comment in Seaford. In June, the Delaware General Assembly (GA) UNANIMOUSLY passed a law which mandated "that meetings of public bodies (which includes Seaford's Operations Committee) ...MUST provide an opportunity for public comment." Of course, for all other municipalities this public comment legislation was no big deal. However, to the best of my knowledge, Seaford had remained the only municipality in the State of Delaware not allowing public comment at its meetings until forced to do so by Delaware's GA. This lack of public comment in Seaford was UN-AMERICAN and the antithesis of the spirit of governance of, by and for the people. FYI. Other municipalities in Delaware likely consider citizen input as a vital enhancement to and/or check on the actions/activities of elected and appointed officials supposed to be responsive and responsible to citizens. In contrast Seaford rejection of public comments on dubious decision making has NOT worked out well for Seaford. For example, over the last 6-7 years the City of Seaford has been found guilty of at least six (6) violations of the FOIA laws, violations of several election laws, an attempt to establish an illegal right-to-work law and most recently an attempt to establish an illegal fetal remains law. There were no opportunities for citizens to address Seaford's Mayor and City Council (M&CC) with public comment about these SNAFUs (and others) at considerable cost to Seaford's reputation not to mention its bank accounts. At this point, the success of public comment in Seaford will strongly depend on elected and unelected officials respecting the new law by showing good faith acceptance and utilization of this form of public input. Public Input Regarding EDU Recommendation(s). The Estimated Dwelling Unit (EDU) value(s) used by Seaford has been a subject of discussion/scrutiny for several years. As part of the on-going planning for WWT upgrades, Seaford's engineering firm (GMB) gave consideration to EDU values. Initially these values were pegged at 300+ gallons/day, but GMB's Judy Schwartz revised this value down to 225 gallons/day if my memory serves me well. Such a revision was based on less water

usage in light of a plethora of new water saving appliances (toilets, dishwasher, washing machines, etc.). Ms. Schwartz, as a professional engineer, was an excellent person to make such an evaluation/recommendation. Mr. Chris Sims is now recommending that the current EDU value be revised to 250 gallons/day. This is in significant conflict with GMB's/Ms. Schwartz's previous work. Such conflict could have significant impact on any revision of water & sewer rates to be proposed by Mr. Sims. I URGE YOU TO INVESTIGATE THIS DISPARITY. FURTHER I URGE YOU POSTPONE ANY RECOMMENDATION ON/REACTION TO PROPOSED CHANGES IN WATER & SEWER RATES UNTIL THE DISPARITY IS OBJECTIVELY RESOLVED. Please note that I would have made this memorandum a matter of public comment as mandated by Delaware's General Assembly had I not been with my family on a long-ago scheduled vacation. Finally, I strongly encourage you to have all citizens of Seaford bring their positive and/or negative opinions, observations, and recommendations into the forum of public comment for the betterment of our city.

With no further comments, Mr. Anderson presented New Business #1, Mr. Chris Simms with Smart Utility Management to present proposed water and sewer utility billing revisions that would potentially reduce the Equivalent Dwelling Unit (EDU) values from the current 300 gallons per day to 250 gallons per day. Mr. Simms stated that due to efficiency improvements in low-flow fixtures and collection systems over the years, the city would like to consider updating its EDU definition to a more modern value. Currently the City's EDU value is defined at 1 EDU is equal to the consumption of 300 gallons of water/ sewer per day; Seaford would like to take the first step and consider the impacts from reducing 1 EDU to 250 gallons per day. Currently the city has water meters on commercial and industrial properties only, therefore adjusting the EDU rate to 250 gallons per day will affect approximately 1,200 metered customers and no residential customers since they are not metered. Reducing the EDU value will increase the total water and sewer charges for this class by approximately \$215,000. The average increase for the class is 10.6 %, any customers that consume less than 7,500 gallons every month will see no increase and any customer that utilizes more than the 7,500 gallons will see an increase of up to 20%. The other option is to increase rates by the same 8.7% cost of living adjustment for social security benefits in 2023. Currently the net operating income for the combined water and sewer funds is estimated to be just under \$100,000 for 2023. The rate of return for the amount is equivalent to 0.6% which is significantly below the industry standard of 4-5% for municipal utilities. If Seaford were to adopt a policy utilizing a conservative 4.0% return on system equity the retail rates would need to be increased by a total of \$705,000 which represents a 17.6% increase from current rates. This type of increase should be implemented over a 3–5-year time period to avoid rate shock to the city's customers.

Mr. Simms also stated that reducing the EDU to 250 gallons per day has a much higher impact on metered commercial customers, ex: hospitals, etc., the city could limit the impact to those larger customers by separating the retail rates for the commercial customers to be separate from the residential customers. Fixed rate for a commercial customer could be increased so that the small commercial customers that use less than 7,500 gallons per month will pay more than a residential

customer that also utilizes less than 7,500 gallons per month. This will have the effect of increasing those commercial customers rates by the same percentage so that the larger customers are not shocked by large rate increases as the city works towards more equitable rates over the coming years.

Mr. Simms then presented the monthly bill increases for the different options. Option one is the 250 gallons/day EDU change only; current retail rate is \$75.91 and there would be no monthly bill increase with a 5.4% change. The second option is the 2023 Social Security cost of living adjustment; an 8.7% rate change which includes a \$6.60 monthly bill increase equaling \$82.51 monthly and the third option would be for a 4.0% minimum return on equity; which includes a 17.6 % increase and a monthly bill increase of \$13.37 totaling \$89.28 monthly.

Mr. Simms stated that even with the discussed rate changes, Seaford is still substantially lower in their rate class than majority of the other municipalities and/or surrounding service areas.

Chair James King asked what commercial properties typically use more than 7500 gallons a day.

Mr. Simms stated hospitals and/or medical facilities, schools, manufacturing, etc. Currently Seaford has 450 business that are commercial.

Mr. King also asked if there could be an option added between the 8.7 % and 17.6% rate increase, to provide another option for Council to choose from since there was a significant gap in percentages between the two.

Mr. Simms stated that he can give another option to Council for a rate that is in between the 8.7 and 17.6 %.

Mr. Anderson thanked Mr. Simms for the information and presentation he provided. Mr. Simms will come to the November 22nd Council meeting to present the same information to Council for their discussion and determination.

With no further questions or comments, Chair James King adjourned the Operations Committee Meeting at 8:06 p.m.

Shannon Passwaters, Secretary