

FEBRUARY 23, 2015

Minutes of the monthly meeting of the Municipal Services Commission held February 23, 2015 at the office of the Commission, 216 Chestnut Street. The meeting was called to order at 4:00 P.M. with Robert S. Appleby, President, Commissioner, presiding.

Attendance Report:

Present: Robert S. Appleby, President, Commissioner (via telephone)
Daniel F. Knox, Commissioner
Dr. Roy J. Sippel, Commissioner
Pamela A. Patone, Secretary

Also in attendance: Hick Rowland, Commissioner effective April 1, 2015, Jay Guyer, Water Supervisor and Scott Blomquist, Electric Supervisor, Mary Jane Stubbs, Business Manager/Treasurer,

MINUTES

With the concurrence of all the Commissioners the minutes of the January 26, 2015 regular monthly meeting were approved.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported the wire purchased for the Airport Plaza loop project has been delivered. He indicated the crew had 40 feet of hand digging that is necessary due to conflicts with other utilities. He advised that he would like to purchase some pulling equipment that he had budgeted to rent. He indicated that this would save money on all underground installation. He went on to report that the Wilmington Road Substation Cable Trough project is complete and came under budget. He continued by reporting that there is no update on the Centerpoint metering project. Supervisor Blomquist reported that he signed the quote and issued a purchase order for Wanex Electrical Services to begin the design of the solar array at the Penn Farm. He went on to report that Keystone had tied in the capacitors into the SCADA system which has allowed him to trend the data to enable him to adjust the capacitors in the system.

Supervisor Blomquist reported that in the capital projects for the upcoming year he was planning an aerial to underground conversion for Penn Valley, specifically Booker Circle which would cost \$92,000 for the Commission infrastructure. He advised that he and Assistant Granger met with Comcast and they were receptive to the plan and asked for the design to be forwarded to them. He indicated that Verizon was not responsive. The Commissioners inquired about the plan if Verizon did not respond. Supervisor Blomquist reported that the poles in the back yards were Verizon poles, therefore, Verizon could remain on those poles and the Commission would stop the tree trimming. He indicated that currently the Commission does the tree trimming because the electric is the highest utility on the pole. Secretary Patone advised that the last underground project Verizon came in at the last minute with their conduit and management believed that might be what happens with this project.

Supervisor Blomquist advised that he continues to work on obtaining quotes for the line truck he believed the figure will be closer to \$225,000 but he would like to keep the budget at \$250,000. Commissioner Sippel inquired whether the truck was customized. Supervisor Blomquist indicated that the truck is standard, with the exception of the head ache bar (for tree trimming) and the color. He identified pulling equipment which consists of pulleys and sheaves that have been rented in the past and he is requesting that he be approved to purchase now so that he could complete the Airport Plaza loop project without the need to rent. Supervisor Blomquist went on to discuss the quotes and manufacturers of the pneumatic mole and locator listed on the capital budget.

Supervisor Blomquist reported that there were no outages in the past month. He indicated that Assistant Supervisor Granger received the energy audit report for the administrative and utility building. Mr. Rowland inquired regarding the energy audits. Secretary Patone explained that the University of Delaware provided energy audits at a reduced rate for municipalities and the fee was paid for with green energy funds. She indicated that an assessment was done of the electric and gas usage at the City facilities and recommendations made on steps to promote energy efficiency. She advised that the block heaters for the diesel trucks and some lighting items were noted as areas that could be improved upon at the utility building. Supervisor Blomquist advised that a few sites remain to be audited. Lastly, Supervisor Blomquist reported that the Commission staff assisted the City staff with building a structure over the salt bins utilized by public works. Commissioner Knox questioned how much the Wilmington Road cable trough was under budget. Supervisor Blomquist indicated that because the budget was developed utilizing a traffic rated trench but a pedestrian rated trench was purchased it resulted in an approximate savings of \$10,000. Commissioner Knox questioned whether the savings on this budget could be utilized to purchase the underground pulling equipment. Secretary Patone indicated that staff was requesting approval to purchase the pulling equipment but she did not want staff to spend money saved on one budgeted project for an unapproved capital item without Commissioner approval.

WATER DEPARTMENT

Supervisor Guyer reported that the water department continues to flush Riverbend hydrants. He advised that he had no updates from Mr. Bob Schulte of DNREC regarding the remediation plan of the Seeds of Greatness Site. He went on to report that it appeared that Mumford & Miller were beginning to work on the final punch list for the DelDOT Washington Street project. He went on to report Assistant Supervisor Jaeger and Yard Person Jay Jones continue to work on the mapping system and will begin to enter field notes regarding main inverts, offsets and main materials. He indicated that he has not received any further communication from Delaware Greenways. Supervisor Guyer reported that water operators continue to assist with the meter reading functions and replacing of meter ERT's as necessary; in addition they began a meter audit which included visiting all commercial meter sites.

Supervisor Guyer reported that the Commission's largest water customer Nixon Uniform requested the 4 inch compound water meter be tested for accuracy. He advised that since the meter had 161 million gallons pass through it, the test was performed. He reported that the meter tested to be 99.8% accurate. He advised that Nixon found that their internal meters were not

recording usage in their office and boiler areas and they were taking measures to correct this, but the Commission's metering was accurate. He went on to report that all the piping inside the building at the Cross Roads Well has been completed and the concrete piers were poured for the pipe support. In addition, he indicated that the painting inside the building was completed. Supervisor Guyer indicated that he would be working with Bob Cannon regarding the pump motor design and specifications. He also reported that he had reached out to Tom Clayton of the Trustees to be able to work within an already existing utility easement to install the 6 inch main back to the School Lane treatment facility.

Supervisor Guyer updated the Commissioners on Mr. John DiMondi's property at 426-438 West 7th Street where he has applied for a driveway permit from DelDOT in an area where the water main was buried shallow in order to avoid the sewer main in that area. He reported that DelDOT has advised that the Commission would need to sign off on the approval to allow Mr. DiMondi to have a driveway in that location. Supervisor Guyer, Assistant Supervisor Jaeger and Secretary Patone have been investigating the issue with Pennoni Associates, DelDOT and Mr. DiMondi. Supervisor Guyer indicated that there may be an engineered solution that would allow the driveway at that location without encasing the main in concrete which causes a maintenance problem. He advised that he would continue to do research on this issue. Commissioner Appleby questioned the possibility of encasing the main even with the other solution. Supervisor Guyer believed that encasing the main is something that has been avoided in the past due to significant maintenance issues. Commissioner Knox questioned how deep the main was and how long was the main that was buried shallow. Supervisor Guyer advised that the main had 8 inches of cover for approximately 120 feet.

Supervisor Guyer reported that he has been working on year end reports for DNREC water use, DNREC Tier II chemical report and the DRBA water audit report. He went on to report that on February 8, 2015 there was a water outage due to a 6 inch water main break at 154 Casimir Drive that resulted in customers being without water for one hour and 10 minutes. He advised that he has been working with the City engineer Dave Athey and Jeff Bergstrom regarding possible conflicts between the road paving project and the water main on 14th Street. He went on to report that the list of other paving projects within the City has been provided to him and he is reviewing for any other possible conflicts. Supervisor Guyer reported that he completed the paperwork for the Homeland Security Grant.

Supervisor Guyer reported that he continues to work on the PFC contamination solution. He has ordered the Model 12 GAC filter system which will take 5 months to be delivered. He has met with Pennoni Associates and Carew Associates regarding the piping, sump pit and pad. He advised that he has concerns regarding the possible destabilizing of the soil and the need for proper shoring to place the sump pit close to the existing site. He advised that he met with Brandywine Construction and discussed obtaining a quote from them to provide the shoring of the area while the pit is put in place. He also is obtaining a quote from Keystone regarding the SCADA needed for the new system. He advised that the preliminary timeline for completion is August 2015. Secretary Patone reminded the Commissioners that although May 2015 was previously discussed as a completion date, the Commission decided to switch to a Model 12 vessel which would delay the completion and would result in a few more months of rental expense. Supervisor Guyer reported that the January PFC testing results were less than the EPA

provisional health advisory limits and they were forwarded to the State of Delaware Office of Drinking Water.

Supervisor Guyer reported that Councilman Cochran inquired of him regarding the concerns regarding possible antenna attachments to the Gray Street Water Tank. Supervisor Guyer advised that he continues to prefer that the antennas not be attached to the water infrastructure but if Verizon were to place the antennas on the railings and place equipment outside the fenced area that it was possible that operations could operate in harmony with the antenna. Secretary Patone and Supervisor Guyer reported that they both advised Councilman Cochran that the Commission had not yet made a decision on this issue. Secretary Patone and Supervisor Guyer indicated that Councilman Cochran advised them that Council was supportive and wanted to make sure the Commission's concerns were addressed by Verizon. Mr. Rowland inquired whether City Council would be receiving rental revenue for the attachments. Secretary Patone advised a decision had not yet been determined. Commissioner Knox indicated that he is noticing antenna on water tanks and after reviewing the other municipalities revenues he questioned the potential revenue for the Verizon attachments. Secretary Patone communicated that Verizon is just one carrier, she advised that it was possible that the Gray Street Tank could have other carriers request to attach to the tank at a later date and increase the revenue possibilities. She indicated that staff calculated that space could possibly allow three carriers on the tank. Secretary Patone also indicated that she did not believe that Verizon had offered the market rate for the rental based on her research and if the Commission approved moving forward with negotiations she would anticipate a higher rental figure. She went on to report that based on her research revenue related to water tank attachments went to the Water Department not to the City's general fund. She reminded the Commissioners that in 2010 when Clear Wire had begun negotiations for attachments to the Gray Street Tank that the Commission agreed to have all revenue flow through to the City after all expenses incurred by the Commission were paid. She advised that the Clear Wire negotiations fell through and the Commission had the opportunity to proceed with the same arrangement or develop a different arrangement.

Supervisor Guyer went on to report that he and Supervisor Blomquist met with the consultant hired by the State of Delaware to perform penetration testing on the SCADA system and gave him an understanding of the Commission's systems. He went on to report that Delaware Technical and Community College sponsored a group water operator of the year award and Supervisor Guyer and Assistant Supervisor Jaeger would be nominating the Commission's water operators for this award. Supervisor Guyer drafted a letter to the Water Supply Coordinating Council (WSCC) requesting that the Commission's demand projection be increased to .7mgd.

Commissioner Appleby thanked the Supervisors for their attendance and they left the meeting.

FINANCIAL REPORT

Secretary Patone reported that due to the cold the Commission was unable to disconnect service due to non-payment in the month of February. She advised that on the Collections report the receivables have decreased from last year which was anticipated because revenues have also decreased. She went on to report that staff continues to monitor Reach Academy and Family Foundation Academy and both are current.

She reported the financial statements for the month ending January 31, 2015 show the Total Assets of \$14,318,252 with "Cash" increasing \$117,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$184,000), (\$15,000) from Water Operations and (\$169,000) from Electric Operations. She reported that kWh used have declined over the past 2 years 2%, the budget had projected a 1% increase in electric consumption therefore the budget vs actual is down 3%. She reported that expenses appear to be within budget other than the purchase of water line item is over budget due to the water contamination issue. She reminded the Commissioners that the budget was passed with a deficit because electric rates charged by DEMEC were increased unexpectedly in March 2014. She advised that the plan was to adjust rates according to the Cost of Service Study results which should be ready by the March 2015 meeting. She went on to report that the current deficit is not as large as the budgeted deficit due to the elimination of the meter reader position, the water operator vacancy, administrative office vacancy and less preventive repairs and maintenance due to the water system contamination. Commissioner Knox questioned the operations line item being under budget approximately \$300,000. Secretary Patone indicated that a large portion was the salaries and benefits related to the meter reader and water operator but also the water department material costs for repairs and maintenance not being performed.

Secretary Patone advised that in "Control Procedures" Supervisor Guyer opened and reviewed the bank statements for January.

Secretary Patone indicated that the past few months she has been working with Utility Financial Solutions on the Cost of Service Study. She discussed with the consultants the 2 commercial solar accounts and 1 residential account that have been placed in service since the last cost of service study and how these systems may be subsidized within the current rate structure, she also reminded the consultants that capitalized labor should be addressed when developing the rate recommendations. Secretary Patone reported that she provided the consultants with information regarding the balloon payment of the DEMEC bond that would be due in June 2019. She also reminded the Commissioners that they had adopted a \$2.7M reserve based on the last study. Commissioner Appleby questioned whether the consultants would present the report in person. Secretary Patone indicated that the expectation was that they would present via telephone conference call. Commissioner Appleby recommended that the Commission have two meetings in March.

The Commissioners questioned a few of the invoices and Treasurer Stubbs was able to provide them with a description of the purchases.

Upon motion made and unanimous approval, the Commissioners accepted the financial report for the month of January and approved the payment of the January bills.

Commissioner Appleby thanked Ms. Stubbs for her attendance and she left the meeting.

SECRETARY'S REPORT

Secretary Patone reported that the February DEMEC meeting was cancelled due to inclement weather. She advised that she had attended a DEMEC audit committee meeting on February 11, 2015. She reported that the committee reviewed several policies that would be presented to the Board at the next meeting. She advised that some of the policies already existed and were being formalized and other policies were being reviewed for approval. She indicated that the Committee recommended that the accounting policies, specifically the fuel inventory be discussed with the auditor prior to approval. She advised that a meeting with the auditor was held later that week and the policy was altered to reflect the discussion. Commissioner Appleby asked Secretary Patone to explain to the Commissioners the results of Beasley operations. Secretary Patone reported that during the extreme cold weather that both Beasley I and Beasley II were unable to perform when called upon by PJM. She explained that the problem was not lack of fuel as it was last year. She reported that eventually they were able to come on line. She advised that the problem was a result of lines freezing.

OLD BUSINESS

Secretary Patone reported that the Commission was in the process of designing a solar array that would be built on the Penn Farm. She indicated that the system would be paid for with Green Energy money and the electric staff would install the system.

Secretary Patone reported that final project costs for the Carbon Filtration System are still being accumulated. She reminded them of the possible \$500,000 USDA grant. She advised that there was no further information on the grant to date.

Secretary Patone reported that upon the Commissioners request she inquired of Verizon the rental rate for the antenna attachments. Verizon communicated that \$2,000 per month was the market rate for the antenna attachments to the water tank. She advised that speaking with consultants she understood the market rate was at least \$3,000 per month. She indicated that Councilman Cochran expressed support to the Commission to have any concerns addressed with Verizon and she understood that he expressed this at the Council meeting. She also had explained to Councilman Cochran the Commissioners had not yet voted on this topic. The Commissioners discussed the aesthetics of the water tank and the possibility of inquiring whether the citizens in the area would oppose to the appearance. Secretary Patone reminded the Commissioners that Artesian Water Company experienced significant community concerns about attachments on water tanks. She indicated that the citizens in the area of Artesian Water Company's tank protested against having the antennas placed on the tank. She understood that the push was for no antennas on tanks in residential areas and only in industrial areas. In addition, Secretary Patone reported that a carrier that had antennas on one of Artesian Water Company's tanks had an employee fall from the tank which resulted in OSHA making visits to the location and resulted in extra workload for the utility. Secretary Patone reminded the Commissioners that Council President Ratchford had expressed her belief that citizens were experiencing reception issues with cell phones and that the antennas would improve reception. She went on to report that some municipalities were having monopoles built instead of attaching to water tanks. She advised that the Commission staff developed guidelines in 2010 on

attachments to the water tank. Commissioner Sippel indicated that attachments to the water tanks could cause increased workload, costs and problems for staff. Secretary Patone reviewed responses from other municipalities that ranged from not allowing any attachments to the water tanks to allowing numerous attachments. A discussion continued regarding the potential issues surrounding allowing attachments to the water tanks. Secretary Patone indicated that the Commissioners could vote to not allow any attachments or to allow both Secretary Patone and City Administrator Bill Barthel to pursue negotiations with Verizon.

Upon motion made and unanimous approval, the Commissioners voted to disallow any antenna attachments to the Gray Street Tank.

NEW BUSINESS

Secretary Patone reviewed a preliminary draft of the operating budget without revenues as the cost of service study has not yet been completed. She reviewed the assumptions that were used in developing the expense budget. She went on to report that cost to run a credit report for purposes of determining a new customer's deposit has increased and the \$5.00 fee is no longer sufficient to cover the cost. She advised that she is recommending an increase in the application fee to \$7.00. She reminded the Commissioners that health insurance costs and pension costs are a significant amount of the expense budget and are not available at the time the budget is developed, therefore, assumptions based on past history are utilized. The Commissioners discussed the appropriation to City Council and the restrictions based on the Governor's Memorandum of Understanding. Secretary Patone advised the Commissioners that maintenance support agreements for mapping, SCADA and other computer costs have increased 4-6% over the past year. She advised that due to increased Lead and Copper testing requirements in addition to the PFC testing requirements have resulted in a significant increase in lab costs. She went on to report that as the water department needs to excavate for water main breaks the spoils from the excavation need to be disposed of in the landfill which is an increased cost.

Secretary Patone presented a preliminary capital budget. She advised that the current line truck is a 1993 vehicle and it had been on the 5 year plan. She indicated that the Commission only has one line truck. She advised that the Booker Circle underground conversion was identified due to the fact that it is smaller than Van Dyke Village. She advised that the electric lines are attached to Verizon poles in the backyards of the homes. She advised that staff is requesting approval to purchase the pulling equipment now instead of waiting till the next fiscal year. She went on to report the need for the electric locator and pneumatic mole. Secretary Patone reviewed the carry over project from water that may not be complete by year end and the GAC system. She reported she and Supervisor Guyer had not yet met to review the list of the equipment on the water department's capital schedule. Secretary Patone reported the billing office's current copier is 7 years old and the folding machine is 11 years old. She advised both machines have been needing maintenance on a monthly basis and are in need of replacement. She asked the Commissioners whether there were any areas that they would like to offer input as staff continues to develop the final budgets.

Upon motion made and unanimous approval, the Commissioners voted to approve the purchase of the pulling equipment.

Secretary Patone reported that nominations for President, Secretary and Treasurer are not necessary in advance of the April meeting; however, she had listed it as a new business line item so that the Commissioners would be prepared to discuss. There being no nominations at this time the meeting proceeded.

Secretary Patone reported that City Administrator Bill Barthel was in the process of renegotiating a lease with Crown Castle for space on the monopole at 100 Municipal Blvd. She reported that City Administrator Bill Barthel indicated that the City Solicitor and he were not sure why the Board of Water and Light were listed on the lease as the landlord/owner. She went on to report that City Administrator Bill Barthel advised that he had the City Solicitor Dan Losco perform a title search that revealed that the Commission has no ownership of the land. She advised that the parcel search for the property did list Mayor & Council as the owner but she was not sure whether there was an agreement that might exist that gave the Commission rights on the land as the previous surface water system existed at this location. Secretary Patone asked the Commissioners whether she should investigate the issue further. The Commissioners indicated that no further research needed to be done on this issue.

EXECUTIVE SESSION

Upon motion made and unanimous approval, the Commissioners voted to go into Executive Session to discuss the personnel budget.

Upon motion made and unanimous approval, the Commissioners voted to return to General Session.

GENERAL SESSION

Upon motion made and unanimous approval, the Commissioners voted to approve the personnel budget with one adjustment.

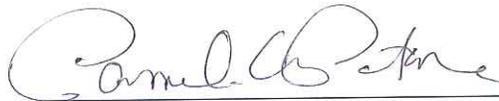
FEBRUARY MEETING

The Commissioners set the date of the next monthly meeting to be March 23, 2015 at the office of the Commission, 216 Chestnut Street, New Castle, DE 19720.

ADJOURNMENT

By motion made and unanimous approval, the Commissioners voted to adjourn.

Approved 3-23-15
Date


Pamela A. Patone