

MAY 21, 2015

Minutes of the monthly meeting of the Municipal Services Commission held May 21, 2015 at the office of the Commission, 216 Chestnut Street. The meeting was called to order at 4:00 P.M. with Dr. Roy Sippel, Commissioner, presiding.

Attendance Report:

Present: Dr. Roy J. Sippel, Commissioner, President
Daniel F. Knox, Commissioner
Hick Rowland, Commissioner
Pamela A. Patone, Secretary

Also in attendance: Ryan Jaeger, Assistant Water Supervisor, Scott Blomquist, Electric Supervisor

MINUTES

With the concurrence of all the Commissioners the minutes of the April 27, 2015 regular monthly meeting were approved.

TREASURER'S REPORT

Treasurer Mary Jane Stubbs was absent due to illness and Secretary Patone presented the report. Secretary Patone reported a total cash balance of \$2,824,242.54 which included escrow and deposit amounts of \$420,840.33 leaving operating cash balance of \$2,403,402.21. She went on to report investments in the amount of \$1,033,792.95. She communicated the April 2015 invoices were sent in advance for the Commissioners review. Secretary Patone answered the Commissioners questions regarding the disbursements.

Upon motion made and unanimous approval, the Commissioners accepted the treasurer's report for the month of April and approved the payment of the April bills.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported the Commission was notified by Jeff Bergstrom, City Building inspector that Parkway Gravel had received a permit from the Army Corp of Engineers to perform the remediation for the wetlands and the repairs of the causeway. Supervisor Blomquist indicated Nick Ferrara wanted to meet to discuss how electric and water could be provided to the lots owned by Parkway Gravel on the front side of South Heron Circle. On May 7, 2015, Secretary Patone, Supervisor Guyer and Supervisor Blomquist met Nick Ferrara, Joe Corrado and their operation supervisor. Supervisor Blomquist explained the temporary electric feed to Riverbend is not designed to provide electric to the lots indicated. He advised that he shared the approved plans with Parkway Gravel and highlighted the infrastructure that needs to be installed in order to provide a permanent feed to the lots discussed. Commissioner Rowland clarified that the cost for the electric infrastructure needed would be at the cost of the developer Parkway Gravel, Secretary Patone confirmed. Assistant Supervisor Jaeger indicated the water system in

the area of the lots mentioned is installed and Parkway Gravel would just need to tie the lots into the system. He went on to report the work on the causeway would require a plan to be submitted addressing how the current water services would be provided while the water main under the causeway was being repaired and/or replaced. Secretary Patone advised Parkway Gravel was discussing the possibility of having the residents live in temporary housing during the work or possibly running a temporary line that would provide the proper pressure for fire protection and water service, in addition she reported the cost for the repairs and design are the developer's cost and the work would need to be inspected by the Commission. She went on to report Parkway Gravel inquired regarding companies capable of performing the primary terminations. Secretary Patone provided a list of several companies who are capable of performing the terminations.

Supervisor Blomquist reported one other area for discussion is the current plan shows the design feed from Dobbinsville Substation to the PMH-9 in Riverbend and on to Centerpoint was designed to be direct buried. He advised the Commissioners the current method is to have everything installed in conduit and manholes. He went on to report this method would make a better situation for repairs and maintenance in the future. Supervisor Blomquist estimated the conduit and manholes for the portion from Dobbinsville to Riverbend would cost approximately \$51,000. The Commissioners directed Secretary Patone to move forward with discussions with Parkway Gravel regarding including conduit into the plan. Commissioner Rowland inquired whether the flushing of the water would have to continue if the Parkway Gravel lots are attached to the water system. Assistant Water Supervisor Jaeger indicated the flushing would have to continue due to the system loop not being complete. Assistance Water Supervisor Jaeger also reported the plan did not provide an exclusive easement for the utilities and this issue needed to be addressed. Secretary Patone advised there are notes on the plan that acknowledged the need for a utility easement; however, it was not shown where the easement would be located.

Supervisor Blomquist reported for the Airport Plaza loop the last manhole was installed and the rest of the wire pulled. He indicated the electric crew was splicing and the termination on the one side were complete, however, the side near Seeds of Greatness Church needed to be reconfigured, therefore, an outage would need to be taken on Tuesday May 26, 2015 and once the reconfiguration was complete the terminations would be done and the remaining step would be the testing. Supervisor Blomquist reported the 700 Centerpoint classification was being changed from a large commercial to a medium commercial therefore; he would be making changes to the totalizing meter before installation and set up in the billing system. He went on to report the quote for the solar project materials was received and the total cost including engineering fees, not including internal labor equals \$57,124.06. He advised the estimate was for one array at roughly 25KW and it did not include any costs for security cameras. He went on to report if all three arrays were constructed this year the cost would be approximately \$160,000 for 75KW. A discussion ensued regarding the advantages and disadvantages of installing all three arrays at this time.

Supervisor Blomquist reported Secretary Patone, Assistant Electric Supervisor Granger and he had a meeting on May 7th to meet with the residents of Booker Circle to give a brief description of the aerial to underground project and answer any questions. He advised several families were represented and the staff answered all the questions. He indicated a follow up meeting would take place closer to the start date of the project. Commissioner Sippel inquired regarding any

permit requirements. Supervisor Blomquist indicated the installation in the front would be within the road right of way, he advised they would not be disturbing more than 5,000 square feet, therefore, a soil and erosion plan would not be required, he went on to report the service line drop has been an easement. Commissioner Knox questioned whether Comcast and Verizon will be participating in the project. Supervisor Blomquist advised Comcast would participate but Verizon had not committed to participating.

Supervisor Blomquist reported a faulty lightening arrestor on May 3rd at Jacquette Square which resulted in 6 homes without power for a short period of time. He went on to report Delmarva Power will be replacing 3 poles in New Castle and the Commission electric crews will move the Commission's circuits from the old pole to the new pole. He advised the electric crews would be performing tree trimming on Delaware Street near Carrie Downie. He went on to report the Dobbinsville Substation experienced a second window broken. Supervisor Blomquist is investigating the security system currently in place and other options. He went on to report Assistant Supervisor Granger continues to work on the mapping system. Assistance Supervisor Jaeger advised he had trained Code Enforcement John Lloyd to work on the tree inventory within the mapping software. Supervisor Blomquist indicated Secretary Patone, Assistant Secretary Granger and he met with the University of Delaware and the SEU to review the recommended improvements for the Trolley Barn and Police Station. Secretary Patone indicated she would review the recommendations with City Administrator Bill Barthel. She would like to recommend the low cost recommendations be implemented within the Green Energy Funds and the higher cost items be addressed by the Mayor & Council. She went on to report she is working within the billing system to be able to prepare electric and water invoices to all City locations to show the managers at each site the consumption in an effort to promote conservation. Supervisor Blomquist reported the Bellanca Museum parking lot lights were complete and the electric usage flows through the electric meter as per the landlord Trustees of the Common. He advised the tenant Friends of Bellanca were concerned about the electric usage. Supervisor Blomquist indicated Chris Castagno was aware of the metering at the beginning of the project and he felt that Mr. Castagno communicated to the tenant. Secretary Patone advised the Commission staff would be improving communications in the future.

WATER DEPARTMENT

Assistant Supervisor Jaeger reported the water department won the On-Site Professional and Group Operator Team of the Year award and he shared with the Commissioners the framed certificate. He went on to report Riverbend was addressed earlier in the meeting. He advised he had no updates from Mr. Bob Schulte of DNREC regarding the remediation plan of the Seeds of Greatness Site. He reported Mumford & Miller completed the items on the punch list and the billing information had been sent to accounting to bill DelDOT. Commissioner Knox questioned the amount and the timing of recording the receivable. Secretary Patone indicated she believed the invoice was approximately \$28,000 and it was recorded as of March 31, 2015.

Assistant Water Supervisor Jaeger reported Delaware Greenways (DG) had a meeting with Supervisor Guyer and Secretary Patone regarding the Penn Farm water. Secretary Patone advised the Delaware Greenways is trying to maintain a sustainable farm addressing irrigation needs and understanding the cost of water. Secretary Patone indicated the items discussed at the

meeting were agricultural rates, untreated well water from existing wells and drilling irrigation well. She advised her research suggested irrigation wells were not common or preferred by other municipalities and the Commission has fought against allowing them, she indicated she was not aware of any cost saving ideas that would allow the Commission to provide a lower rate for irrigation that would not result in the customer base subsidizing the Penn Farm. She reported Supervisor Guyer investigated with DNREC the idea of utilizing a current well as irrigation or agricultural instead of drinking water. She reported DNREC advised the well classification is determined when it is drilled and the current Commission wells were classified as drinking water wells. She advised DG planned to review their options and possibly bring proposals to the Commissioners for consideration.

Assistant Supervisor Jaeger advised he and Supervisor Guyer met with Jeff Rice from Echologics Technologies to obtain a quote to perform testing on the Delaware Street water mains from 3rd Street to the Wharf and all of Dobbinsville. He advised there is a possibility of an Innovative Technology grant for this project which would allow the costs to be covered. Commissioner Rowland questioned the timing the City would be performing the street repairs and expressed concern whether it would be held up by the grant. Secretary Patone expressed staff and the Office of Drinking Water would meet and discuss the requirements and timing.

Assistant Supervisor Jaeger reported the Variable Frequency Drive Controller was received and installed. He advised the Penn Farm Utility easement on the Penn Farm would be utilized for the piping necessary. He went on to report another section of the Utility Building curbing was completed. He updated the Commissioners on Mr. John DiMondi's property at 426-438 West 7th Street. He indicated Pennoni Associates completed an engineered solution to be incorporated into the DelDOT Entrance Permit that will protect the 8" water main and the solution was provided to DelDOT for review. He advised DelDOT expressed other concerns with the permit unrelated to the Commission.

Assistant Supervisor Jaeger reported there were no planned or unplanned outages for April 2015. He advised the Consumer Confidence Report and Self Sufficiency report were in process. In addition, he advised the Lead and Copper Sampling plans need to be updated and submitted to the Office of Drinking Water by December 31, 2015. He advised the blacktop repairs needed in front of 154 Casimir Drive and 16 Hewlett Avenue due to water main breaks this past winter could not be done due to difficulty in obtaining a roller. He reported the roller that is normally borrowed from the City is not operational and the 3 local rental companies did not have a roller available when the Supervisors inquired. He advised Supervisor Guyer is requesting to purchase a new Honda 9HP engine for the City roller and 4 new tires on the trailer. Secretary Patone reminded the Commissioners, she was given authority to provide labor to the City but any costs for materials for City expenses should be brought to the Commissioners. Supervisor Blomquist indicated Police Chief Tjaden believes he may be able to obtain a roller for free from the military surplus. A discussion ensued regarding rental of a roller, repair of the City roller and obtaining a free roller.

Upon motion made and unanimous approval, the Commissioners voted to give Secretary Patone authority to rent a roller, repair the City roller or obtain a free roller based on the information the staff accumulates.

Assistant Supervisor Jaeger advised the forms for the Sub-Grant Process were completed and submitted for review. He updated the Commissioners on work related to road repairs and equipment repairs. He asked Secretary Patone to update on the USDA grant. Secretary Patone advised the grant application had been reviewed by the State of Delaware office and submitted to the National office for review. She indicated that she does not have information on the timing of approval. Assistant Supervisor Jaeger provided a timeline on the PFC contamination project. He showed pictures of the shoring done by Brandywine Construction for the wet well and the well will be delivered on May 28th. He reported he authorized Brandywine Construction to provide the grading for the site, which would eliminate the cost of renting the equipment on a separate day, therefore, the supervisors had the inspection performed the same day by Pennoni Associates. He went on to explain all the soil is used for the berms and no soil needed to be removed from the site. He went on to report Supervisor Blomquist reviewed the electrical plans for the project. He confirmed an updated budget has been provided to the Commissioners. He then advised the last sample sent to the lab was received with a temperature that exceeded the required temperature therefore, a new sample will be sent.

Assistant Supervisor Jaeger advised Stephen Finney was hired as a water operator. Secretary Patone reported Stephen is from New Castle, he is a journeyman electrician and he has construction experience and some knowledge of SCADA and is scheduled to begin on June 1st. Assistant Supervisor Jaeger went on to update the Commissioners regarding the activities of the State of Delaware water reporting agencies. He then discussed some concerns regarding the pumping activity of School Lane and the suggested solutions staff are discussing if they experience a problem with the pump.

Commissioner Sippel asked the supervisors to review an article regarding solar systems and the net metering which can result in a subsidy by the rest of the customers. Secretary Patone reminded the Commission the State mandated allowing solar panels and net metering. She advised that one way to address the subsidizing is to unbundle the rate structure.

The Commissioners thanked the Supervisors for their attendance and they left the meeting.

FINANCIAL REPORT

Secretary Patone reported in Collections the two delinquent commercial accounts from the prior month made payment and the 30-60 day receivables decreased.

She reported the financial statements for the month ending April 30, 2015 show the Total Assets of \$14,257,653 with "Cash" increasing \$43,000 from the previous month. She advised the cash should begin to decrease over the next three to four months due to the costs for the filtration system.

In "Revenue and Expenses" the "Change in Net Assets" is an approximate excess of net assets in the amount of \$25,000, \$25,000 from Water Operations and -0- from Electric Operations. She indicated the excess is similar to the same time last year. She reported the actuary provided the pension funding report and staff is accumulating the information for the yearend financial statement audit work.

SECRETARY'S REPORT

Secretary Patone reported the regular monthly DEMEC meeting would be on May 26th. She advised the DEMEC staff reported finding damage during the Beasley unit inspections. She went on to report the damage was to the nozzle assembly. She advised GE made a firm recommendation to DEMEC that the unit was safe to operate for up to another 1000 hours. GE provided cost estimates to replace the nozzle with a new or remanufactured assembly on-site for \$600,000 assuming a part can be found or to ship to Houston Texas for repair at a cost of \$351,800 with an estimated completion date of June 15th. She advised the joint owners unanimously voted on May 12th to send the unit to Houston. Commissioner Knox asked whether DEMEC was locked into utilizing GE. Secretary Patone communicated she knew the warranty was no longer in affect but she was not aware whether other vendors were considered. She indicated GE is currently reviewing the nozzle assembly in Houston and is finding some erosion and will be making further repair recommendations. She went on to report the Audit Committee requested break downs by generation facility to better understand the gross margin for each unit. She then advised the DEMEC staff asked their attorney to give an opinion on whether more than one alternate could be selected for the DEMEC board. She advised the DEMEC attorney David Swayze in a memorandum to Patrick McCullar and Kimberly Schlichting dated May 20, 2015 advised "it is therefore consistent with best practices as well as Board custom and practice, that each member in fact appoint one "alternate director" who, ideally will be adequately prepared through holding that office to act in the absence of the director," She communicated that her read of the memo indicates that an alternate is not mandatory and the by-laws do not explicitly indicate "one" alternate director, however, the attorney's recommendation was for one alternate for best practices. Commissioner Sippel volunteered to act as the alternate director.

Upon motion made and unanimous approval, the Commissioners voted to appoint Dr. Roy Sippel as the DEMEC alternate director.

Lastly, for the DEMEC report Secretary Patone reported Mayor Donald Reese, Council President Linda Ratchford, Councilperson Teel Petty and she attended the May 14, 2015 DEMEC Joint Community Briefing which explained the history of DEMEC, the benefits of Public Power, the fact that electric costs over the past 5 years have decreased but in the next 5 years will be increasing due to the retirement of old coal facilities due to environmental regulation CO2 emissions, increased capacity costs, increased costs due to renewable requirements and the proposed capacity performance penalties.

OLD BUSINESS

Secretary Patone advised the DEMEC alternate item was addressed under the Secretary's Report

NEW BUSINESS

Secretary Patone indicated the City equipment issue was addressed under the Water Department report. She also reported the Riverbend update was provided under the Electric Department report. She then reminded the Commissioners the solar project was previously approved in concept but the cost needed to be accumulated. Supervisor Blomquist provided the estimate for one array and all three arrays. Secretary Patone explained the City of Newark's program that promotes community involvement in the Municipals solar program. She explained the program allowed individuals who may not be able to participate in solar because they rented their home or their house was unable to support the panels to buy panels or purchase solar power from the community project. Commissioner Sippel questioned the ability to place solar panels on historic homes within the City. Secretary Patone advised she recently attended a solar seminar geared toward municipalities and she understood the current government sentiment is the Historic groups should not be discouraging solar panels on historic buildings. Secretary Patone advised she was not aware whether there was legislation in this area. Commissioner Knox questioned the green energy funding. Secretary Patone explained the State Environmental charge is billed to each customer and then sent to DEMEC. She advised the funds must be used for renewable energy programs and currently the fund has approximately \$60,000. Further discussion of utilizing green energy funds in the future ensued.

Upon motion made and unanimous approval, the Commissioners voted to approve construction of one array for the Solar Project on the Penn Farm with an estimated budget of \$60,000.

Secretary Patone advised the operating budget for FYE 3-31-16 was approved with an estimated pension expense per the actuary in the amount of approximately \$223,000. She reported the actuary report reflected a minimum contribution of \$175,000, with a recommendation from the actuary to consider increasing the funding percentage from the current 75%. She advised per the April 1, 2015 report the actuary was recommending to increase the funding to \$200,000 to \$210,000. She reminded the Commissioners that several years ago the funding percentage had been closer to 80% but with investment value decline the percentage has decreased.

Upon motion made and unanimous approval, the Commissioners voted to fund the pension for fiscal year ending March 31, 2015 in the amount of \$200,000.

Secretary Patone reported Council President Linda Ratchford requested a meeting for May 5, 2015 with City Administrator Bill Barthel, and Councilperson John DiMondi. Secretary Patone, President Sippel and Mayor Don Reese were also in attendance. Secretary Patone explained that during the meeting she was asked to explain the history of the appropriation to the Mayor and Council and the Memorandum of Understanding between DEMEC and the Governor. Councilperson DiMondi inquired to the financial viability of the Water Department and Secretary Patone explained that three years ago water rates had been raised and the Water Department was doing well, although it still has negative cash balance the Department was reporting excess not deficits. She went on to report that Councilperson DiMondi expressed the Mayor and Council have a compelling need for an increase in the appropriation due to road infrastructure repairs and were requesting the Commission consider a change in the calculation from being based on the City's budget and have it based on the Commission's revenues. She

went on to explain the request was to be in the amount of 6% of the Commission's revenues which based on Councilperson DiMondi's request was approximately \$200,000 more each year. Commissioner Sippel reported Councilperson DiMondi suggested the Commission should be sold to Artesian Water Company, Commissioner Sippel indicated the Commission's water rates are less than Artesian Water Company rates and the City of New Castle customers would not benefit from a sale to Artesian Water Company. Commissioner Sippel expressed the differences in the two organization's fiscal year has created some issues with communication. He indicated that he saw this negotiation as an opportunity to work out an agreement between the two organizations. He went on to say the water filtration system will be more than \$1M and we believe the grant funding in the amount of \$500,000 will be moving forward but it is not yet conclusive. He expressed a desire to have the agreement memorialized so that both parties are aware of the agreement. He suggested that any payments need to be deferred until the grant award notification. He also advised the Commission would need to develop the communication to the Governor regarding the increase in the appropriation. Commissioner Knox suggested the electric and water rates would need to be adjusted to increase the appropriation in order to keep the reserve amount of \$2.7M that was approved by the Commissioners. Secretary Patone indicated the calculation should not be based on the Commission's total revenue which includes miscellaneous income and free and City service. Secretary Patone suggested the calculation should be based on the User Charges which reflects the rates billed for electric and water. She went on to report that the Town of Lewes Board of Public Works memorialized their payment to the General Fund in their Charter which is in the amount of 2-5%. A discussion ensued regarding the idea the Commission had memorialized the 10% of the City's budget previously in the Commission minutes and communication with City Council. Secretary Patone indicated each year she would have her audited financial statements with the user charges shortly after the March 31st fiscal year end and the amount could be provided to the Mayor & Council prior to their fiscal year end June 30th. Commissioner Knox suggested the Council is interested in some immediate assistance. Commissioner Rowland indicated based on Secretary Patone's analysis of the Governor's Memorandum of Understanding an additional \$37,500 could be given at this time and then the details of the agreement can be worked through. Secretary Patone indicated she felt the \$37,500 and the fact the Commissioners were willing to come to an agreement was a show of good faith. Secretary Patone inquired whether she should move forward with speaking to DEMEC regarding the possibility of increasing the appropriations and the communication to the Governor. The Commissioners directed Secretary Patone to accumulate information regarding the appropriation figures, the figures for the City electric and water service and communicate with DEMEC regarding the communication to the Governor

Upon motion made and unanimous approval, the Commissioners approved the increase of the City of New Castle appropriation from \$500,000 to \$537,500 for the fiscal year ending March 31, 2016.

Secretary Patone inquired how the Commissioners would like the information communicated. The Commissioners communicated in the interest of expediency she should communicate to Linda Ratchford and Bill Barthel the next day and a meeting will follow at a later date.

MAY MEETING

The Commissioners set the date of the next monthly meeting to be June 29, 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 6-29-15
Date


Pamela A. Patone