

JULY 21, 2014

Minutes of the monthly meeting of the Municipal Services Commission held July 21, 2014 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  
Daniel F. Knox, Commissioner  
Dr. Roy J. Sippel, Commissioner  
Pamela A. Patone, Secretary

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

Special Guest: Andy Patterson & Amanda Yantosh, Auditor, Horty & Horty

PRESENTATION OF MSC 2013/2014 AUDITED FINANCIAL STATEMENTS

Ms. Amanda Yantosh of Horty & Horty began the presentation with a review of the SAS 114 letter that is communication from the auditors to the Commissioners regarding the responsibilities of the auditor and management, the scope and timing of the audit, significant estimates used by management. Mr. Patterson reviewed details regarding realization of accounts receivable, depreciation and asset impairment. Secretary Patone explained that the Commission maintains an allowance of 2.6% of the electric accounts receivable balance that is monitored for accuracy on a monthly basis, in addition she explained that the fixed asset list is being reviewed by the accounting department to insure that it is up to date and is monitored for impairments. Commissioner Knox questioned Mr. Patterson on the amounts that might be utilized to assess reasonableness for the audit. A discussion ensued regarding materiality for audit purposes and internal accounting thresholds. Secretary Patone asked Mr. Patterson to provide his opinion on increasing the threshold to capitalize an expenditure as a fixed asset from \$1,000 to \$2,500. Mr. Patterson indicated that he had reviewed other organizations and the past capitalization of the Commission and advised that given the size of the Commission he would be comfortable if the Commissioners increased the threshold to \$2,500. Ms. Yantosh explained that as was discussed in last year's presentation the new GASB standards that relate to Pensions will be effective for the Commission the fiscal year ended March 31, 2016. This standard will require a liability to be recorded for the difference between the amount of the actuarially determined liability and the amount funded. She explained that it would also require significant disclosure requirements. Mrs. Yantosh went on to explain that the auditors did not identify any audit adjustments or uncorrected misstatements, however, Secretary Patone had provided two adjustments that she had noted after providing the trial balance and they were listed as audit adjustments found internally. Mr. Patterson advised that an unqualified opinion was issued on the Commission's financial report. Ms. Yantosh indicated that on the balance sheet cash had increased and accounts receivable had decreased since the previous year. Mr. Patterson reported that the average collection period had decreased significantly because the bills were being prepared and mailed earlier and a due date was put on the bills. He indicated that the result was a lower accounts



receivable balance and a reduction in credit risk. Secretary Patone reminded the Commissioners that the increase in cash was a proactive effort by the Commission to achieve a \$2.7M cash and investment minimum reserve based on the recommendation of the consultants Utility Financial Solutions. Mr. Patterson & Ms. Yantosh went on to report that the financial statements and net cash provided by operating activities were both in a net positive position. Ms. Yantosh noted that the actuary report was being reported on a fiscal year basis so that the financial statement disclosures would match up and provide for easier reporting for the new GASB standards. Lastly, Ms. Yantosh directed the Commissioners to the supplemental schedules by department where a discussion ensued regarding expense variances from year to year. There being no further questions, Mr. Patterson & Ms. Yantosh left the meeting.

## MINUTES

With the concurrence of all the Commissioners the minutes of the June 16, 2014 regular monthly meeting were approved without alteration.

## WATER DEPARTMENT REPORT

Assistant Supervisor Jaeger reported for Supervisor Guyer that flushing continues to be done in the Riverbend Subdivision. He advised that he has not received any updates from Mr. Bob Schulte of DNREC regarding the activity on the Seeds of Greatness Site. He reported that DelDOT's contractor Mumford & Miller had to lower the water main and has renewed or abandoned a few water services on South Street where they conflicted with the sewer service. Assistant Supervisor Jaeger indicated that DelDOT's contractor Grass Busters Landscaping continues to work on the trail and has paved several portions including the driveway to the Commission's new well location.

Assistant Supervisor Jaeger gave an update on the water mapping and the City Storm Water mapping projects. He went on to report that the Water Department has noted some issues with the 60W ERT's and they are working on trying to identify and correct the problem. Assistant Supervisor Jaeger went on to report that staff met with John Marciszewski of Echologics along with guests from the Office of Drinking Water. He indicated that Mr. Marciszewski made a presentation on how with the utilization of sensors which are placed on the water system they are able to predict the useful life of the water mains based on the sound waves sent through the sensors. Assistant Supervisor Jaeger advised that Heather Warren of the Office of Drinking Water had indicated that there was the possibility of grant money to cover the cost of a pilot program for this pipe evaluation project. Assistant Supervisor Jaeger advised that he and Supervisor Guyer evaluated Commissioner Appleby's inquiry from the previous meeting as to whether a consultant or engineer should be hired to develop a plan for the water system renewal and replacement program. He reported that both he and Supervisor Guyer feel equipped to manage the program with the ability to have an assessment done on the condition of the mains such as the Echologics testing. This testing would not require customers to be without service and it would not require any mains to be cut in order to determine which should be lined or replaced.



Assistant Supervisor Jaeger informed the Commissioners that the building has been erected for the Cross Roads Well, and the internal piping and electrical will begin soon. He advised that he and Supervisor Guyer met with Ronald Bounds of the Delaware State Police Critical Infrastructure Unit and identified some information that could be added to the report. He noted that some of the recommendations for security measures were fencing at some of the water sites. Commissioner Appleby questioned not having locks on the fire hydrants. Assistant Supervisor Jaeger indicated that none of the hydrants have locks, however, the specifications for all new hydrants is to have a check valve in the foot of the hydrant which would prevent backflow into the water system. He went on to report on water quality testing that the triennial Lead and Copper testing was performed and 2 locations showed elevated lead. He advised the results were not at a level that needed to be reported, however, second samples were taken to verify the results. He went on to report that on July 9, 2014 the samples for the PFOS and PFOA tests were sent to Eurofins Eaton Labs and the results are expected within 2-3 weeks. Secretary Patone reminded the Commissioners that the Basin Road Well site was placed out of service due to its proximity to the Artesian well that had detected elevated levels and that all three well sites were being tested.

#### ELECTRIC DEPARTMENT

Supervisor Blomquist reported that three manholes were delivered and set for the Airport Plaza project. He advised in addition several hundred feet of conduit has been installed. He indicated that the Bellanca Project has been completed. He went on to report that there is only one capacitor bank remaining to be installed for the 230 circuit. Supervisor Blomquist went on to report on the 25 The Strand project that Verizon had completed the transfer of their wire from aerial to underground for the 1 Packet Alley and the only wires that remain on 25 The Strand were wires that related to that location. He advised that he would be meeting with Mrs. Ollstein, the owner of 25 The Strand and her electrician because she plans to change the wiring in her home so that she can have her connection underground through the conduit that the Commission installed. He went on to report that lightning hit a line in Van Dyke which blew two fuses and caused an outage. He also reported that some trees located behind Booker Circle were burning on the lines and the Electric Department had to take an outage to clear the lines.

Supervisor Blomquist indicated that less maintenance has occurred in the past month due to the capital projects. Commissioner Knox asked whether there was a backlog of work orders from customer requests or preventive maintenance work orders. Supervisor Blomquist indicated that tree trimming would be the only preventive maintenance that is backlogged because it is an ongoing process. Assistant Supervisor Jaeger indicated that there are monthly and quarterly maintenance items done at all the water locations and substations but that they are not backlogged. A discussion ensued regarding maintenance that is done on the vehicles both preventive and repairs. Supervisor Blomquist reported that the mapping system is approximately 60-70% complete for the electric system. He went on to report that the lead test on the paint for the street lights showed negative and that the supplies for the project have been ordered. He advised that he expected to begin the project on August 14, 2014. Commissioner Appleby questioned that there have been a couple outages in Van Dyke recently due to trees. Supervisor Blomquist explained that the developments built in the 1960's & 1970's put the electric poles



and lines in the back yards for aesthetic reasons. He explained that this causes a significant problem for repairs and maintenance because homeowners have put in fences, sheds and other obstacles that prevent trucks and equipment from being able to get to the poles. He went on to explain that the repair work is then required to be done without equipment which extends the amount of time to restore power during an outage. Supervisor Blomquist indicated he would like the electric lines to be placed underground to allow for better maintenance. He advised that Booker Circle and Holcomb were other areas of concern, that he would like to have electric lines placed underground. He advised that he would continue to develop a plan.

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

### FINANCIAL REPORT

Secretary Patone reported in Collections that Tesla Industries, Inc's attorney had contacted her and they had agreed to pay the increased deposit amount. She went on to explain that she would be meeting with Zenith Products regarding their deposit amount.

She reported that the month ending June 30, 2014 report showed that "Cash" decreased \$366,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$109,000). She reminded the Commissioners that a deficit was budgeted due to the increase in rates for purchase of power through DEMEC and that a cost of service study was being planned for late summer.

Secretary Patone advised that in "Control Procedures" that Customer Service Manager Sandy Scott opened and reviewed the bank statements for June.

Secretary Patone reported that investment activity shows \$8,000 in dividend and interest income and an unrealized gain of \$9,000 for year to date which is better than the same time last year. She advised that she confirmed that Summit Financial would be available for a telephone call presentation of pension and investment activities in September.

Secretary Patone reported that as was discussed during the financial statement presentation, she would like the Commissioners to consider changing the capitalization policy from \$1,000 to \$2,500. A discussion ensued regarding the current and proposed policy.

Upon motion made and unanimous approval, the Commissioners voted to approve the change in the capitalization policy from \$1,000 to \$2,500 for fiscal year ending March 31, 2015.

Secretary Patone reported that the IRS notice regarding the Form 8038GC relates to the Pitney Bowes postage machine and she would be speaking to the account executive to better understand the form. Secretary Patone went on to report that she had provided an updated capital project summary with a total of \$612,899.82 updated from last month's because of the addition of the street light maintenance project.

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

## SECRETARY'S REPORT

Secretary Patone reported that she and Commissioner Appleby attended the DEMEC monthly meeting on July 15, 2014. She advised that DEMEC designated Kimberly Schliting as DEMEC's FOIA coordinator. She went on to report that three resolutions were approved, one was for a consultant for the LED street lighting program and one for the LED street lighting financing in addition to one resolution for the Smyrna solar project. She also informed the Commissioners that she has a meeting scheduled with DEMEC to discuss the design of a solar project for New Castle. She went on to report that the Audit Committee reported to the Board and had a Charter adopted for the Committee. Secretary Patone went on to report that the budgeted billing rate is below the actual energy cost for the fifth month in a row but that June is a new planning year and the bilateral contracts have a drop in capacity costs so the actual energy costs should be reduced. She went on to report that the Beasley unit 1 & unit 2 ran for 32 hours and 28 hours respectfully. She reported that DEMEC adopted a capitalization policy. She indicated that because the University of Delaware terminated the lease with The Data Center, DEMEC will no longer be negotiating the Data Center PPA. She indicated that the municipalities are being asked to provide confirmation that the municipality had complied with the Governor's Memorandum of Understanding.

Secretary Patone updated the Commissioners on her role with the City of New Castle's Tree Commission, press releases issued within the past month and all public relation programs. She reported that the Customer Satisfaction Survey has been completed and results are expected soon. She went on to report that Energize Delaware through the State of Delaware's Sustainable Energy Utility will be providing funding for home energy audits and will be putting a newsletter out in the August billing.

## OLD BUSINESS

Secretary Patone reported that staff will be meeting with Scott Lynch of DEMEC on the plan for a solar array.

Secretary Patone reported that Mr. Ronald Bounds will be presenting the vulnerability assessment for both the substations and the water systems at the August Commission meeting. She went on to report that the Commissioners had requested that she confirm that any permitting issues be addressed for the street light maintenance. She confirmed that Supervisor Blomquist worked with Jeff Bergstrom to insure that the paint on the street lights was not lead paint and there were no other permitting requirements necessary.

## NEW BUSINESS

Secretary Patone indicated she had been notified by David Williams of Morris James that there have been a few updates to the State of Delaware FOIA requirements. She is reviewing the current Commission's FOIA policy to identify any areas that may need to be updated. She noted that a FOIA coordinator should be identified and therefore, she is requesting the Commissioners designate Secretary Patone as the FOIA coordinator.



Upon motion made and unanimous approval, the Commissioners voted and approved to designate Secretary Pamela A. Patone as the Freedom of Information Act coordinator.

Secretary Patone provided a copy of the current Commission FOIA policy to review.

Commissioner Knox questioned whether Amazon had left Centerpoint Business Park. Secretary Patone advised that the smaller building that Amazon occupied has been vacated; however, the larger building is still occupied. Commissioner Appleby questioned whether Secretary Patone had a plan if the larger building was vacated. Secretary Patone advised she stays in contact with the landlords of the Business Parks to keep informed of vacancies.

Commissioner Appleby inquired regarding the Abex Property and owner Mr. Eric Mayer's taking soil from the substation area 4-5 years ago. Secretary Patone advised that previous Secretary Patterson informed her that when the parcel of land where the Dobbinsville Substation was to be constructed was being prepared, it was identified that the soil was contaminated and an engineer working with the City regarding a drainage issue at that time suggested that the soil could be used at the Abex site because it was the same soil. Secretary Patone understood that Mr. Mayer was interested in having the soil on his land at that time because he had areas where he needed to fill in and was looking to attract the Seeds of Greatness church to occupy his location. She advised that she was informed that Mr. Mayer had requested that the soil be sifted so that the roots would be removed. Secretary Patone indicated that the Commission had hired a contractor to sift the soil per Mr. Mayer's request. Secretary Patone advised that she understands that Mr. Mayer has since suggested that he may not want the soil on his property any longer. Secretary Patone advised the Commissioners that it is her understanding that Mr. Mayer took ownership of the soil when it was sifted and placed on his property and therefore, the Commission no longer had responsibility for the soil.

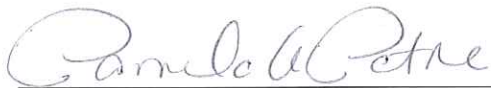
#### AUGUST MEETING

The Commissioners set the date of the next monthly meeting to be August 18, 2014 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 8-18-14  
Date

  
Pamela A. Patone