

AUGUST 22, 2013

Minutes of the monthly meeting of the Municipal Services Commission held August 22, 2013 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
Jay Guyer, Water Supervisor
Scott Blomquist, Electric Supervisor
Mary Jane Stubbs, Treasurer

Special Guest: Michael Malchione & Amanda Yantosh, Auditor, Horty & Horty
Joseph Bonasera, via telephone Summit Financial Corp

PRESENTATION OF MSC 2012/2013 AUDITED FINANCIAL STATEMENTS

Mr. Michael Malchione of Horty & Horty presented the 2012/2013 audited financial report to the Commissioners. He highlighted the fact that the new clarity standards made changes to the wording of the opinion. An unqualified opinion was issued on the Commission's financial report. Ms. Yantosh explained the new GASB standards and how they are presented in the financial statements. With the new standards for Pension disclosure Secretary Patone and the auditors reminded the Commissioners that the Pension liability will need to be recorded as a liability on the balance sheet for the next fiscal year and Secretary Patone is investigating the additional disclosures. Mr. Malchione discussed that the Management Representation Letter is signed by the Secretary presenting the representation that management has made to the auditors. He then reviewed the SAS 114 letter. He explained that the letter is communication from the auditors to the Commissioners. The auditors reported that no items of concern came to the auditor's attention. A few items of interest that Mr. Malchione noted was that if the Commission receives funds from Federal or State government the Commission would need to be sure whether they fell under the Single Audit requirements. He also reported that per management's request, Horty & Horty prepared a tax memorandum explaining that the Commission is excluded from reporting interest over \$10 on deposits per section 6049 but would be required to issue a Form 1099 on deposit interest if the amount of the interest paid during a calendar year exceeded \$600 under section 6041. Lastly, Mr. Malchione noted that management had advised him that after calendar year 2013 all water inventory with lead would no longer be able to be placed in service in the water system. Secretary Patone and Supervisor Guyer confirmed that any inventory with lead at year end that has not been placed in service will be disposed of and recorded as an expense on the financial statements. At this point Mr. Malchione & Ms. Yantosh left the meeting.

MINUTES

With the concurrence of all the Commissioners the minutes of the July 22, 2013 regular monthly meeting were approved without alteration.

WATER DEPARTMENT REPORT

Supervisor Guyer reported that Supervisor Blomquist had been approached by Mr. Joe George regarding electric service for 2 lots in Riverbend. The Supervisors researched ownership of the properties and referred the inquiry to Secretary Patone. Secretary Patone confirmed with Cecil Bank that the lots were still owned by the bank and they had not sold them and the bank was not requesting electric service. Supervisor Guyer reported that the flushing of the water system in Riverbend was done again this month to maintain the chlorine residual and billed to the owner Cecil Bank.

Supervisor Guyer continued to report that he had not yet received as-builts for Seeds of Greatness Church and there was some testing and certification for the backflow preventers that would need to be completed prior to finalizing the water service. He went on to report on the Washington Street Project that Mumford Miller had to reengineer a main on 7th street which had to be relocated over a culvert. He reported that the DelDOT Rt 273 Multi-Use Trail was awarded to Grass Busters Landscaping and is scheduled to start late September. In addition, Supervisor Guyer reported that the final plans for the 12" water main extension on Delaware Street were received signed and sealed from Whitman & Requardt on August 14, 2013. He indicated that he will begin the process of ordering materials.

Regarding the GIS system, Supervisor Guyer reported that the data points for mapping the water system were collected from West 3rd through 7th Street this past month and the new scheduled completion timeframe is the end of October. He then advised that the Commission has taken ownership of the final 2 commercial meters in the water system and they will be replaced within the next few months. In addition, he reported that numerous water meter bases are being replaced that have high throughput.

Supervisor Guyer advised that the fire service at 802 W. 13th Street and the three homes on Moore's and Brylgon Street were all complete in accordance with the Commission's standards. The water fountains at Dalby Alley and at the Tennis Courts were removed per the Trustees request and Commission approval.

Commissioner Knox acknowledged the new outage report and he believed it would be useful. Supervisor Guyer confirmed that this would be presented monthly for all planned and unplanned outages. He then communicated that AC Shultes performed tests on all the pumps and motors at all the well sites. A written report will be provided, however, a preliminary discussion has indicated that 2 of the pumps may need attention within the next year. He also advised that all

the circuit boards for the security panels at the well sites had to be replaced due to failure but were under warranty. Supervisor Guyer continued to report that he and Supervisor Blomquist and Secretary Patone received quotes for a new wide-format printer and regular size printer and upon inspection of a demonstration model he believes the printers would be able to suit the needs of the Operation Department. Secretary Patone reminded the Commissioners that both copiers are no longer supported for parts or technical support due to their age and there is limited use for the machines, therefore, they approved replacement on the capital budget previously. Supervisor Guyer reported that George O'Neal the supervisor for the Public Works Department thanked the Commission for the purchase of the 2 rear tires for the City's backhoe at a cost of \$1,300.

Supervisor Guyer advised the Commissioners that he has received a letter from the State of Delaware Office of Drinking Water regarding the test results of the minor detection of 1,4 Dioxane at two of the City's well sites. The letter confirmed that no action was required. He further indicated that tests would continue to be done for this contaminate in the future. Supervisor Guyer reported that safety training consisting of an OSHA 10 class and forklift training has been scheduled for September 4th & 5th. He advised that he continues to attend all WSSC, WRA, DEWARN & Water Operator Advisory Council meetings as scheduled.

ELECTRIC DEPARTMENT

Supervisor Blomquist indicated that the Seeds of Greatness Church electric system is complete except tying the fire pump to the transformer. He reported that there is one more pole that needs to be set on South Street but that he was given permission from DelDOT to submit for reimbursement even though the project is not complete.

Supervisor Blomquist reported that he prepared an estimate to provide electric service to the Pizza Hut site in the Airport Plaza and an estimate to install conduit from the PMH-9 switch by Seeds of Greatness to a point inside the entrance at Quigley Blvd. He advised that the conduit estimate was minimal cost and would allow for the installation of infrastructure at a later date if necessary. He advised he would like to complete the conduit installation before the DelDOT Rt 273 Multi-Use Trail is installed.

Supervisor Blomquist reported that on July 23, 2013 a tree was touching Delmarva Power's lines and it burnt to the point that it made contact with our circuit and tripped the 220 Breaker. Customers were without electric for approximately 2 hours while repairs were made. He advised that the Commission's electric crews are doing tree trimming throughout the system and the annual infrared testing will be completed soon. He went on to report that Bitronics visited the Wilmington Road Substation to review the issues with the ammeters. An external voltage on the CT circuit was found to have caused damage to the meters. Supervisor Blomquist had Cable Testing investigate the cause of the voltage issue. It was determined that a design error by Utility Engineers was the issue. Supervisor Blomquist is obtaining a quote to have all the relays tested and management will be discussing the findings with Utility Engineers.

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

PENSION INVESTMENT ALLOCATION RECOMMENDATION FROM JOSEPH BONASERA, SUMMIT FINANCIAL CORPORATION

Joe Bonasera made recommendations to switch the current bond funds within the Pension account to multi sector bond funds, which gives the managers of the funds the ability to invest in government, corporate and international bonds instead of restricting the managers to US bonds. The Commissioners directed Secretary Patone to follow Mr. Bonasera's recommendations.

FINANCIAL REPORT

Secretary Patone discussed the current investment holdings that the Commission has in Vanguard and Prudential and it was agreed that at the September meeting the Commissioners would review the investments. She reported that Pencader Charter School had a remaining balance of approximately \$20,000 and that she had been communicating to the Department of Education trying to receive payment. The Commissioners instructed Secretary Patone to have legal counsel pursue the collection of these funds and contact the State Senators and Representatives for their support.

She reported that the month ending July 31, 2013 reports showed that "Cash" increased \$124,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$119,000) which is better than the budgeted deficit of (\$150,000). She reported that the Water Department is reflecting an excess of approximately \$4,000 and Electric reflected a deficit of approximately (\$123,000).

She said in "Control Procedures" that Assistant Water Supervisor Ryan Jaeger reviewed the bank statements for July.

Secretary Patone indicated that as was reported by the Supervisors the standard copier and wide format copier would be purchased at \$17,897 per the capital budget for the utilities building and that the monthly service provider would be changed to KDI Office Technology. She also reported that she would be in touch with the Commission's third party engineers to discuss the ammeter design failure and the costs associated. She advised that Supervisor Blomquist will be recommending testing of the entire Wilmington Road substation.

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

SECRETARY'S REPORT

Secretary Patone reported that she and Commissioner Appleby attended DEMEC's Board meeting. She reported that three auditing firms submitted proposals for the audit and the Audit Committee would be reviewing and making a recommendation to the Board. She advised that both Beasley units ran for a total of 490 hours last month. She advised that the rate stabilization reserve will be utilized so that rates can remain at budgeted rates, however, in 2014 the estimated rate has increased and will affect the budget. The Board Paq software platform and IPAD system was approved by the board in an effort to deal with FOIA requests and excessive paper. Secretary Patone mentioned that this may be an efficient way for the Commissioners to communicate and would like to consider this option in the future. She indicated that the Board approved the DEMEC president to proceed with a Power Purchase Agreement with Bloom Energy in the City of Newark. Commissioner Knox questioned Secretary Patone whether DEMEC was required to get into the RGGI market for the CO2 emissions. Secretary Patone advised that she would find out the answer to this question.

Secretary Patone reported on administrative functions and press releases. She informed the Commissioners that there is a need to shorten the billing cycle because readings are performed on the 12th of each month, however the bills are not mailed until the 1st of the following month and then due upon receipt. She advised that the revision will be to continue with readings on the 12th but to print the bills on the 19th and due on the 1st of the following month. She also advised that the administrative office would be communicating to customers regarding the change.

OLD BUSINESS

Secretary Patone reported that she communicated to the landlord of the Airport Plaza Shopping Center that the Commission would not be prepared to provide electric service to the current Pizza Hut location within the timeline requested. Secretary Patone also advised that she and Supervisor Blomquist are investigating consultants to perform a feasibility study for the Airport Plaza Shopping Center. She then requested approval of the installation of conduit underground from the switch across from Seeds of Greatness Church for 500 feet past point of installation of DelDOT RT 273 Trail. It will be necessary to bore under the Sycamore tree. The estimated cost is \$20,000. The Commissioners agreed to proceed.

NEW BUSINESS

Pension investments discussed in beginning of meeting.

AUGUST MEETING

The Commissioners set the date of the next monthly meeting to be September 23, 2013 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 8-23-13
Date



Pamela A. Patone