

SEPTEMBER 22, 2014

Minutes of the monthly meeting of the Municipal Services Commission held September 22, 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: Jay Guyer, Water Supervisor and Ryan Jaeger, Assistant Water Supervisor

Special Guests: Joseph Bonasera, Summit Financial, Corp (via telephone)
Jason Denton, Summit Financial Corp (via telephone)
Peter Manning, Summit Financial Strategies (via telephone)

PRESENTATION OF PENSION VALUATION AND INVESTMENT REVIEW- JOSEPH BONASERA, JASON DENTON SUMMIT FINANCIAL CORP AND PETER MANNING SUMMIT FINANCIAL STRATEGIES.

Mr. Bonasera introduced Mr. Denton, the actuary and advised that he would present the key areas of the pension valuation. Mr. Denton reviewed the annual cost or cash contribution into the plan which has not changed significantly from the previous year. He reported that the cost amount in this valuation would be \$210,053. Mr. Denton explained how retirees and new hires affect the plan. He went on to explain the assets and liabilities of the plan and how they have increased in the past year. He reported that the plan is 75% funded. Secretary Patone requested that Mr. Denton discuss the GAAP requirement for disclosure of the pension liability. Mr. Denton indicated that EAN actuarial accrued liability calculated at the 7% interest rate is the liability figure subtracted from the plan assets for the disclosure. Commissioner Knox questioned whether the 75% funded is the target funding of the plan. Mr. Denton indicated that the funding is calculated to obtain 100% funding over the expected employees remaining years. Commissioner Appleby questioned the 7% being utilized. Mr. Denton reported that the plan has earned at least 7% over the past few years. Mr. Bonasera indicated that 8% for equities and 5% for bonds is typical and since the portfolio is 65% equities and 35% for bonds the 7% rate is reasonable.

Mr. Bonasera then reported on the investment results of the pension plan. He presented a Fiduciary Series 6-30-14 Investment Review. He reviewed each fund and its performance and concluded that the investments were in great shape. He went on to present a report that updated the Commissioners on the investment activity through August 2014. He reviewed the current economic conditions and its effect on investment returns. He advised that the funds in the pension plan were high quality. Commissioner Appleby questioned how the funds were comparing to the benchmarks. Mr. Bonasera reported that in some cases with the short term

comparison to benchmark some of the funds may be lower than the benchmark but they are beating the benchmark in the long term. Mr. Bonasera indicated that the standard deviation of a fund equates to the level of risk in the fund. He advised that if there is less risk there may be fewer earnings than the benchmark. Mr. Bonasera then reviewed the investment policy based on the portfolio allocations. He indicated that he was not recommending any changes to the portfolio.

Mr. Manning presented the investment activity review for the bond investments held outside of the pension plan. Mr. Manning began his report with a review of risk. Mr. Bonasera advised that the funds are earning over 1.6% return which is better than the .5% the banks are paying with savings accounts. Secretary Patone reminded the Commissioners that the Commission has Prudential bond funds with Prudential and the Oppenheimer and Pioneer bond funds are being held with Summit Financial Strategies. A discussion ensued that if interest rates were to spike the bond fund values would decrease. Mr. Manning indicated that if funds needed to be liquidated it would take 3 days to receive.

There being no further questions the telephone conference call was ended.

MINUTES

With the concurrence of all the Commissioners the minutes of the August 18, 2014 regular monthly meeting were approved without alteration.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported that he would like to move forward with the purchase of the remaining wire for the airport plaza loop project. He reported that the 25 The Strand project was complete as Mrs. Ollstein, the owner of the property had her electrician convert her electric service to underground. Supervisor Blomquist indicated that he had been approached by the City to assist with tree trimming for emergencies and special requests. He advised that unless the trees are near the distribution system he does not believe that the electric crew should trim the trees. A discussion ensued regarding the assistance that the Commission has provided to the City with tree trimming and removal. Supervisor Blomquist reported that DEMEC had suggested that possibly the solar installation that the Commission was interested in could be placed on a roof at a lower cost. He reported that after consideration there are not Commission building rooftops that would accommodate a 30KW system. He went on to report that the annual infrared testing was performed and there were no significant issues to address. He advised that he continues to draw the Van Dyke underground project. He indicated that 16 of the 28 street lights are complete with the sandblasting and repainting. He advised that he and Assistant Supervisor Granger participated in a DEMEC training regarding OSHA updates. He went on to report that he received an inquiry regarding the EIA 861 report. He advised that he has attempted to respond to the inquiry and will follow up. Supervisor Blomquist indicated that the banners that hang over Delaware Street have been provided to the Electric Department from Public Works and at times from individual citizens. Secretary Patone communicated that she believed that the determination of who/what/when etc. a banner could be hung over Delaware Street was being

done at the City office and that the Commission was involved just as the labor to hang the banner. She reported that after speaking with the City Administrator she understands that the City does not have a process for the banners. She went on to report that Supervisor Blomquist is developing the specifications for banner/signs that could be hung from a utility pole and then she will discuss with the City Administrator regarding the process.

WATER DEPARTMENT

Supervisor Guyer reported that the water department continues to flush Riverbend hydrants. He communicated that in cooperation with the billing department a standard flushing rate has been determined based on the average of the past three years and this rate will be charged moving forward in order to streamline billing. 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 DNREC was to be testing the wells on the Seeds of Greatness site for the PFC contaminants found in the City's wells. He reported that DelDOT's contractor Mumford & Miller had been finalizing some changes to curb boxes and then the final billing from the water department can be sent.

Supervisor Guyer reported that the City Storm Water mapping projects report was given to Jeff Bergstrom and he understood that Mr. Bergstrom would be getting an engineering group to shoot the elevations at the top of the catch basins and manholes. He went on to report that the Water Department has been assisting with the meter reading functions. He reported that Assistant Supervisor Jaeger attended a Smart Grid Summit which was paid by the Smart Grid group with the exception of a rental car. Supervisor Guyer informed the Commissioners that the exterior of the Cross Roads Well building is complete with the exception of gutters. He went on to report that the fall hydrant flushing has been cancelled for this year because the Commission is purchasing water from Artesian Water Company. He reported that the Homeland Security Grant meeting has been scheduled for October 7, 2014 but may be rescheduled. He went on to report that he will submit the lead and copper testing results to the Office of Drinking Water this week and provide letters to the customers. Supervisor Guyer reported that the temporary system has been ordered with Calgon Carbon. He indicated that he wanted to be sure that the option to incorporate the temporary system into a permanent solution would be feasible and he and the engineer will be discussing with the vendor to insure that this would be possible. He reported that he and Assistant Supervisor Jaeger met with Pennoni Associates at the treatment facility to obtain information to develop the plan and layout of the permanent solution. He advised that soil borings were necessary for the footings for both the temporary and permanent solution which were a cost of \$3,000. He informed the Commissioners that the soil bearings were necessary because of the weight of the vessels with the carbon and water would be approximately 120,000lbs. Commissioner Appleby questioned the delivery date of the vessels. Supervisor Guyer indicated that preliminary timing was late October. Supervisor Guyer indicated that the meeting with the USDA representative Denise MacLeish identified the possibility of the Commission applying for an emergency grant for this water quality issue. Supervisor Guyer went on to report that he was in receipt of well test results from the airport wells. He reported that the well results from the Delaware Air National Guard portion of the airport showed test results with extremely high readings of both PFOA and PFOS in some cases three times as high as the results in the City's wells. He went on to report that the first water bill from Artesian

Water was received for over 14 million gallons at a cost of \$46,469.00 Commissioner Knox questioned the rate that Artesian Water is charging the City. Secretary Patone indicated that the rate is \$3.10/1,000 gallons.

Supervisor Guyer concluded his report by advising the Commissioners that he prepared the annual evaluations for the union employees. He also updated the Commissioners on the activity with the Reporting Agencies. Commissioner Knox questioned the Seeds of Greatness site having test wells and the timing of the results of the PFC testing at that location. Supervisor Guyer indicated that the test wells were at that site because of the site remediation that were necessary at that location and the results of PFC testing was not yet completed. Commissioner Knox questioned whether the meter reading duties were being performed by an electric lineman or a water operator. Supervisor Guyer and Supervisor Blomquist indicated that both departments are alternating in the meter reading function.

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

FINANCIAL REPORT

Secretary Patone reported in Collections that Zenith had been assessed a deposit and it was being billed. She reported that Burris Logistics had received a disconnect notice this past month and did make payment prior to being disconnected. She went on to report that an evaluation of the Profit Recovery collection process through Transworld was reviewed and determined that although it paid for itself that it did not substantially result in collections and staff had difficulty in identifying enough accounts to utilize this service. She advised that staff would discontinue utilizing the Profit Recovery and would utilize Transworld for the traditional collection services.

She reported that the month ending August 31, 2014 report showed that "Cash" increased \$97,000 from the previous month. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$29,000). She indicated that the investment activity specifically unrealized gains/losses have not yet been recorded due to a change in staffing in the accounting department. In addition the Artesian Water bill of \$46K was not received until today and does not reflect in the financial statements provided. She reminded the Commissioners that the fall is when the net income would typically begin showing a net excess instead of a deficit. She went on to report that the electric and water consumption is lower than the previous year due to the weather.

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

Secretary Patone reported that there were no changes to the capital budget and a comparison for actual versus budget would be presented at the next meeting.

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

SECRETARY'S REPORT

Secretary Patone reported that she and Commissioner Appleby attended the DEMEC monthly meeting on August 19, 2014. She advised that DEMEC Board reappointed Secretary Patone to the Audit Committee for a three year term. She went on to report that the Beasley generators ran 18% of the hours and were available 100% of the time. She indicated that June was the first month of the planning year and so new capacity credits began in June which would result in lower capacity charges from prior years. She indicated that DEMEC President McCullar expects revenue from Beasley to exceed the 2013 revenues by 138% due to the extreme cold weather beginning in 2013 and the Salem Nuclear Unit 2 being offline. She reported that the board approved an amendment to the Risk Management Policy giving the authority for Vice President to transact up to 300MW from 250Mw in the Day Ahead hourly market. She indicated that DEMEC was working with Middletown and Delmarva on the final construction agreement for the transmission line project. She advised the Commissioners that DP&L was allowed an increase in the loss factor of .98% in a recent rate change. She advised that DEMEC was intending to send out an RFP for the front office Trading and Settlement services. She went on to report that the DEMEC staff and attorney met with credit rating agencies to discuss DEMEC's rating and the restatement of the financial statements and the rating was increased to an "A" rating. Secretary Patone also reported that both President Appleby and Secretary Patone completed conflict of interest documents for DEMEC. Secretary Patone identified that the CPA firm where her husband is a partner was merging with DEMEC's auditing firm. She advised that the auditing firm had evaluated the relationship and determined that it did not compromise the firm's independence. Secretary Patone reminded the Commissioners of the DEMEC annual meeting later that week.

OLD BUSINESS

Secretary Patone reported that the Solar Array was discussed earlier in the meeting. She reported that she is updating the FOIA policy. She went on to report that at previous meetings the Commissioners expressed concern regarding obtaining federal funding. She advised the Commissioners that Denise McLeish has identified an emergency grant for up to \$500,000 which would allow the use of the Commission's internal labor but it would not be reimbursable. She reported that after a review of this grant the Commission is eligible to apply for the grant. She indicated since the grant is an emergency grant it would be less restrictive. She acknowledged that there may be additional engineering fees involved in the process and there was a risk that the Commission would not receive the grant. Secretary Patone plans to move forward to try to pursue these funds. She went on to report that as information regarding the cost of the permanent solution and the on-going costs for the treatment system are received this information will be provided to Utility Financial Solutions to utilize in the Cost of Service Study.

NEW BUSINESS

Secretary Patone indicated that the Commission's involvement with the City's tree trimming and removal requests were discussed earlier in the meeting.

OCTOBER MEETING

The Commissioners set the date of the next monthly meeting to be October 21, 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 10-27-14
Date


Pamela A. Patone