

APRIL 25, 2013

Minutes of the monthly meeting of the Municipal Services Commission held April 25, 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

MINUTES

With the concurrence of all the Commissioners the minutes of the March 21, 2013 regular monthly meeting were approved without alteration.

FINANCIAL REPORT

Secretary Patone reported that Pencader Charter School has been delinquent in their accounts and due to the public notice of their closure scheduled for May 2013, she had scheduled a meeting with school officials to discuss payments on the account. Riverbend Community LLC Clubhouse was disconnected due to non-payment. They were subsequently restored, but due to this disconnection and consistent late payments, Secretary Patone would be requiring an increase in the deposit held on this account.

Secretary Patone reported that the year end March 31, 2013 reports were being presented without the year end entries. The accounting department is waiting for yearend information to update, such as the actuarial reports and final fixed asset information. She went on to report that "Cash" decreased \$255,000 from the previous month due to the quarterly payment to the City and purchases for the Washington Street Project. Construction in Progress has increased \$308,000 which is largely due to the Washington Street project water materials. In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$40,552) this is better than the budgeted deficit of (\$333,000). She reported that the Water Department was reflecting an excess of \$237,000 and Electric reflected a deficit of (\$278,000).

Secretary Patone noted in the current financial report that General and Administrative expenses are over budget \$105,000 due to significant bad debt because of Converting Solutions and Salaries due to the hiring of a new accountant during the time that the former Secretary and the current Secretary were still employed. She reported that the remainder of the revenue & expenses was on target with budget with the exception of investment income which was based on historical income instead of projected earnings; therefore, it was under budget significantly.

The Secretary indicated that she is working on identifying how to transition the remaining bond funds from DEMEC to the Commission within the bond requirements.

Secretary Patone reported that the new telephone system has been installed and a few remaining items are being worked out with Collins. The after-hours call process is being reviewed. In addition, the new server was installed and other than a half of a day when the office computers were down, the transition did not have any significant issues.

Secretary Patone reported that the investments value increased slightly since last month and the Commissioner's could review the details in the Treasurer's report provided.

She said in "Control Procedures" Electric Supervisor Scott Blomquist reviewed the bank statements for March.

Secretary Patone reported that she is training the staff in the year end audit procedures so that they can take responsibility for those functions.

Commissioner Appleby noted that cash was down significantly from the previous year. Secretary Patone confirmed that cash was down \$400,000 from last year which was part of the plan when rates were reduced. Commissioner Sippel upon review of check disbursements inquired as to the completion of the SCADA system. Secretary Patone responded that the Electric Department requested approval to change the original plan of obtaining reports and have Keystone Engineering provide a single line visual of our system. Keystone indicated the cost would not change and Secretary Patone will be approving this change. Therefore, the system will be complete after this single line is created. Commissioner Appleby inquired regarding the total funds owed to MSC from DelDOT for the Washington Street Project. Secretary Patone indicated that she did not have the figure at this time and she would provide at the next meeting. She reminded the Commissioners that other than the Pennoni Associates fees which could be submitted as incurred the other costs would be submitted at the completion of our portion of the project.

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

SECRETARY'S REPORT

Secretary Patone reported that on the 16th of April DEMEC held their monthly meeting. Commissioner Appleby and Secretary Patone attended the meeting. The DEMEC auditors were present at the meeting to present the year end audited financial statements and management letter. DEMEC's fiscal year end is December 31st and the auditors are Papaleo, Rosen & Chelf, PA. Secretary Patone reported that an audit committee was being formed and she had been asked to be the Chair person. In addition, an RFP would be sent out for next fiscal year. DEMEC board voted to update the Risk Management Policy which extended the Vice Presidents to have the ability to enter into contracts on behalf of DEMEC. She reported that DEMEC is creating an Employee Handbook and is advertising to hire an Energy Data Analyst. Secretary Patone reported that on April 9th, 2013 DEMEC representatives and the Commissioners met with state legislators to explain the Renewable Portfolio Standards and how members of DEMEC plan to meet these requirements. She also reported that DEMEC agreed to pay for Secretary Patone

to attend the General Accounting, Finance & Audit Spring Meeting in Washington DC on April 18th & 19th. She reported that she met with other finance personnel from other public utilities and one of the significant areas discussed were the new GASB requirements on pension reporting. Net pension liabilities will need to be reported on the financial statements and not just disclosed. She has scheduled a meeting to discuss with the Commission's auditors and actuary. Commissioner Sippel questioned why there was a credit on the March financial report when the Beasley plant did not operate. Secretary Patone advised the plant earns capacity credits from PJM for being available to run even if it does not operate.

Secretary Patone reported that Walt Cooper's application has been approved for solar in the Riverbend Community. She also reported that the splice box in the driveway was damaged and that due to safety issues it must be replaced. Mr. Cooper has replaced the splice box with a traffic rated box.

No new information for the other business parks.

ELECTRIC DEPARTMENT

Secretary Patone reported for Supervisor Blomquist that the Penn Farm service conductors to the large barn have been installed, the transformer has been energized and the Commission's work for electric is now complete. Supervisor Blomquist met with Delmarva and Chris Castagno at the Penn Farm to discuss Delmarva's burial of the primary circuit across the farm. The electric crew removed the pier and electric lines from the River as a result of Hurricane Sandy. Supervisor Blomquist is requesting that the SCADA system forego reports and have a single line system. Utility Engineers updated our firmware with the ABB relays at the substation which was done in response to a letter from ABB. The 210 relay experienced an error message and is being sent back to the manufacturer for repairs. The three ammeters have also failed again and have been sent back to the manufacturer.

Supervisor Blomquist and Assistant Supervisor Granger are working on monitoring the capacitance and making corrections to the circuits as necessary. Secretary Patone reported that Seeds of Greatness contractor installed electric to the demarcation box and the primary lateral conduits. The contractor has indicated they would like to pay the Commission's electric crew to install the primary terminations and provide testing. She indicated that there are 6 more poles that need to be installed for the DeIDOT project on Washington Street. Supervisor Blomquist advised DeIDOT that two poles were steel poles and that the Commission's crew would not be able to set them. Area Utility would be doing the work at a cost of \$5,000 and DeIDOT would reimburse the Commission. Secretary Patone reminded the Commissioners that she had stopped work on South Street because there was a concern with the movement of the Commission's poles. DeIDOT worked with the American Disability Association to determine a solution. As a result only one pole was to be replaced with a smaller diameter pole so as to give proper clearance on the sidewalk per ADA requirements. The residents and DeIDOT were satisfied with the solution and the electric department will make the one pole change out. Both the Water & Electric Departments are waiting for the as-built drawings from McBride and Zeigler for the Seeds of Greatness project. The electric meter was installed at 520 South Street after the meter deposit was paid. Lastly, lineman Ryan Auger reported his wrist was hurt from work performed

on April 10th and he went to the doctor. A workman's compensation claim was submitted. There does not appear to be any long term issues associated with this claim.

WATER DEPARTMENT REPORT

Secretary Patone reported for Supervisor Guyer that the installation of the meter vault for the Seeds of Greatness Church was beginning. Brandywine Construction completed the roadway restoration on May 28th for the Washington Street project at the railroad tracks. Norfolk Southern completed their track work and paving on April 9th. All water services up to 12th Street and both sides of 11th street have been transferred to the new main. The 12 inch main preliminary plans for the design of the 1,500 linear feet in front of the Family Foundation School on Delaware Street to 8th Street have been reviewed by both Supervisor Guyer and Assistant Supervisor Jaeger. AC Schultes, Inc. completed the drilling and setting of the well screen and casing for the Penn Farm production well. They completed their work and demobilized on April 11th.

Secretary Patone reported that Supervisor Guyer communicated with Kathryn Panula of the Penn Farm that the Commission will not allow or approve the use of or application by any means of herbicides or pesticides within the 300 ft. radius Wellhead Protected Areas. He met with Ms. Panula on April 16th to discuss renewable use options. Supervisor Guyer requests approval from the Commissioners to have Commission staff cut the well head protected areas with a bush hog 3 or 4 times this summer in addition to the other easement areas the Commission already maintains on the farm for water and electric.

Upon motion made, seconded and unanimous approval, the Commissioners voted to approve the maintenance of cutting the grass in the well head protection areas.

Secretary Patone reported that Supervisor Guyer, Assistant Supervisor Jaeger and she attended the first DEWARN meeting. Committees were created and moving forward Supervisor Guyer will be attending the monthly meetings and participating on the Operational Guidelines Committee. Secretary Patone and Supervisor Guyer attended the Water Supply Coordinating Council meeting on April 11th. The council discussed the drought operating guidelines. She reported that the Consumer Confidence Report has been received and will be distributed to our customers via the Commission's newsletter in May. The Spring Fire Hydrant Flushing was completed with no broken hydrants. Water Operator Harry Johnson has returned to work after being off due to a cut finger. Secretary Patone reported that a leak has developed on the 12" water main across from the St. Anthony's Club on Gray Street. The water supervisors are developing a plan to repair the leak without taking a large outage. There are limitations on how to make the repair due to the Washington Street Project.

Commissioner Sippel questioned Secretary Patone on the work done on a hydrant on 2nd street. He noted that water operators were working on the hydrant and put straw and wire on all sides and wanted to know if it had anything to do with the new dike system on Bull Hill. Secretary Patone indicated that she would find out what was done with this hydrant. Commissioner Knox then asked whether DEMEC reported anything about the new generation project that was being

built by Old Dominion. Commissioner Appleby reported that the information came out after the DEMEC meeting. A discussion ensued regarding the details and location of this project.

OLD BUSINESS

Secretary Patone reported that Supervisor Guyer and Supervisor Blomquist were reviewing the Capital Budget with her. She noted that the presentation of projects would change so that the Commissioners will approve projects that will take place during the fiscal year. She reminded the Commissioners that the Capital Budget plays into cash flow and therefore it is important to understand when projects will occur. Per the Rate Study recommendations in 2012, cash reserves were to be maintained at a minimum of \$2.7 million. Secretary Patone reported that in addition to the cash reserve she would like to establish a minimum of \$600,000 capital expenditure per year which is approximately the annual depreciation expense. She also reported that she would like to consider a Debt Retirement Reserve in the amount of \$420,000 beginning April 1, 2014 so that the balloon payment that is due June 1, 2009 would be funded. A discussion ensued regarding the feasibility of refinancing of the balloon payment for an additional five years. The interest rates that may be available in 2019 were discussed. Commissioner Appleby noted that the amount currently being paid for the substation should be sufficient to cover the payments due on the refinancing. It was agreed that the Secretary and Commissioners would consider the options at a later date.

Secretary Patone advised the Commissioners that she is working with the Supervisors on evaluating our inventory needs and the cash flow requirements when replenishment of large transformers take place. It has been standard policy for the Electric Department to maintain at least one back up transformer for each size. During the past year a current customer was upgraded to a larger transformer and therefore, we are without a back-up and will need to replenish.

Upon request from Commissioner Appleby, Secretary Patone reviewed the capital budget line items. Commissioner Appleby requested that Supervisor Blomquist present his thoughts on the Airport Plaza Loop when he is prepared to review. He also would like Supervisor Guyer to be available to review the capital projects for the Water Department. Secretary Patone noted that she would work with the supervisors to prioritize the potential projects and develop a time line. She did note that two computers and a copier needed to be replaced. She would be moving forward with obtaining quotes. She also noted that vehicle replacements would be presented.

Secretary Patone reported that the actuary provided the amendment to the Pension effective April 1, 2013 that represented the increase in the union cap and an early retirement revision that allows individuals who obtain 55 years old and 30 years of service to not have a reduction in their benefit calculation.

Upon motion made, seconded and unanimous approval, the Commissioners voted to approve the signing of the pension amendment.

NEW BUSINESS

Mayor Don Reese requested that Secretary Patone provide a letter requesting that he make an appointment to the Commission.

Upon motion made, seconded and unanimous approval, the Commissioners appointed Pamela Patone as Secretary and Mary Jane Stubbs as Treasurer.

MAY MEETING

The Commissioners set the date of the next monthly meeting to be May 23, 2013 at the office of the Commission, 216 Chestnut Street.

ADJOURNMENT

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

Approved _____
Date

Pamela A. Patone