

AUGUST 31, 2015

Minutes of the monthly meeting of the Municipal Services Commission held August 31, 2015 at the office of the Commission, 216 Chestnut Street. The meeting was called to order at 4:00 P.M. with Dr. Roy J. Sippel, President, Commissioner, presiding.

Attendance Report:

Present: Dr. Roy J. Sippel, President, Commissioner  
Daniel F. Knox, Commissioner (arrived at 4:43)  
H. Hick Rowland, Jr., Commissioner  
Pamela A. Patone, Secretary

Also in attendance: Mary Jane Stubbs, Treasurer, Jay Guyer, Water Supervisor and Scott Blomquist, Electric Supervisor, Ryan Jaeger, Assistant Water Supervisor

MINUTES

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

TREASURER'S REPORT

Treasurer Mary Jane Stubbs reported a total cash balance of \$2,848,765.21 which includes escrow and deposit amounts of \$521,969.61 leaving operating cash balance of \$2,326,795.60. She went on to report investments in the amount of \$1,028,266.32. She communicated Secretary Patone reviewed the bank statements for July 2015. Treasurer Stubbs presented the July 2015 invoices for the Commissioner's review. Treasurer Stubbs answered the Commissioners questions regarding disbursements.

Upon motion made and unanimous approval, the Commissioners accepted the treasurer's report for the month of July 2015 and approved the payment of the July 2015 bills.

President Sippel thanked Ms. Stubbs for her attendance and she left the meeting.

ELECTRIC DEPARTMENT

Supervisor Blomquist reported Secretary Patone had been contacted by Jeff Bergstrom and inquired whether the Commission would provide an estimate to Parkway Gravel (PG) to provide electric to the 34 lots owned by PG. Supervisor Blomquist provided an estimate in the amount of \$431,000. He indicated the estimate did not include closing the loop only to provide the electric infrastructure from the substation in conduit to the 34 lots referenced. He explained the current homes are being fed by a temporary single phase. Commissioner Rowland expressed his concern

for the temporary line to be removed after the permanent system is complete. Secretary Patone explained she had provided a list of five contractors who could possibly perform the work and she was advised PG was having difficulty getting quotes. She indicated she would be reaching out to Parkway Gravel to discuss.

At this time State Representative JJ Johnson joined the meeting. President Sippel allowed Representative Johnson the opportunity to address the Commission.

Representative Johnson indicated he was contacted by Senator Poore regarding a project to repave Route 9 in Dobbinsville which was arranged with DelDOT. He indicated he understood there was a snag in moving forward with the project due to a water main or sewer line which is 100 years old and in need of replacement. Secretary Patone indicated it was both a water main and a sewer line. She advised the MSC handles the water main and New Castle County handles the sewer. Representative Johnson indicated he and Senator Poore wanted to impress upon the Commission how important it is for the water main to be replaced so the project can move forward. Secretary Patone explained a telephone call from DelDOT was received by Supervisor Guyer approximately one week prior indicating the street was to be repaved and then traffic calming would be installed and the project was to be expedited. She went on to report DelDOT contacts all the underground utilities when performing paving projects to identify any issues. She advised Supervisor Guyer communicated to DelDOT an 8" water main was under the road which was over 100 years old and was connected to a 12" water main. She explained repaving without addressing the water main could result in water main leaks and since this main was identified to be replaced the Commission wanted some time to be able to assess the project. She went on to explain the Commission also had Echologics testing which would be performed in September in that same area through a grant. She advised staff had spent the past week accumulating information regarding the project in order to determine the feasibility and the cost and timing of the project. She explained the project was not on the current budget. She asked Supervisor Guyer to update the Commissioners and Representative regarding the meeting with DelDOT this morning. Supervisor Guyer explained New Castle County committed to replacing the sewer main with work beginning in December 2015. He explained staff has been working to obtain engineering and contractor quotes in addition any water main replacement must go through the State of Delaware Department of Health. He advised he would be presenting preliminary figures and information to the Commissioners. President Sippel advised the Commission is supportive of the project and is working as quickly as possible in order to assist DelDOT in accomplishing their timeline. Representative Johnson indicated he appreciated the support and understood the financial challenges. Commissioner Rowland questioned whether the Echologics testing would affect the water main replacement. Supervisor Guyer explained the laterals in that area would be tested, not the 8" water main which needs to be replaced. Secretary Patone indicated the reason for the replacement is due to the demands for water and need for a 12" main, not due to the integrity of the water main. Supervisor Guyer indicated any replacement or relining of the side street laterals which result from the testing can be done at a later date. Commissioner Sippel explained the cost of this project which is currently estimated at \$400,000 must be paid for by the water customers. He explained this could be accomplished by a surcharge to the customer base or utilization of reserves. He advised due to recent water system improvements a portion of the reserves have already been utilized. Secretary Patone advised she has spoken to the State and there does not appear to be any grant funding available.

Representative Johnson indicated the Governor had proposals to fund water and road infrastructure projects; however, neither proposal was able to receive any traction. Secretary Patone indicated the Commission appreciated both his and Senator Poore's input and she would keep them updated on the Commission's progress.

President Sippel thanked Representative Johnson for his attendance and he left the meeting.

Assistant Supervisor Jaeger advised the Commissioners there would be cost savings doing the project now because DelDOT would be paving after the water main replacement. Supervisor Guyer requested DelDOT allow the Commission alternate restoration of the shoulder instead of concrete because DelDOT would be restoring later, which would save the Commission approximately \$35,000. He indicated DelDOT agreed to accommodate the Commission. He indicated he would continue to request accommodations from all parties involved to assist in being able to meet the timeline which is to have the water main replaced before the sewer main is replaced. Secretary Patone reported the entire project is scheduled to be complete by the start of school next year.

Supervisor Blomquist continued with the Electric Department report. He reported Nickel Electric has started installing the new electric serviced to Techmer PM for 1620 Johnson's Way in Centerpoint Business Park. He went on to report the house at 144 East 3<sup>rd</sup> Street was divided into apartments and the project is complete, he will work with accounting to reconcile the funds. He advised the totalizing meters for 700 Centerpoint are in the billing software and are working as expected.

At this time State Senator Nicole Poore joined the meeting. President Sippel allowed Senator Poore the opportunity to address the Commission.

Senator Poore thanked the Commission for allowing her time to speak. She explained her job to keep the citizens of New Castle safe. She advised the area in Dobbinsville where the road is to be repaved is a safety concern. She advised amount of traffic in that location was very high and 79 children must navigate crossing the roads. She reported she has worked with City Council and DelDOT to address the lights in the area, paving and traffic calming measures. She went on to report there was a concern from the businesses in the area to not prevent truck traffic from coming into the area. She indicated the traffic calming solution allows the traffic but has it at a slower speed. She advised a lot of work has went into getting this project approved and now she understands a water main needs to be replaced in this area. She expressed although she understands this project is not on the current budget it needs to be placed as a priority to meet the deadline of being complete by the beginning of next school year. She advised she understands there are financial concerns but she wanted to understand the constraints that exist to see if there are areas that she can assist. Secretary Patone asked whether the Senator was aware the County has a sewer project in the same area and we were not yet sure whether Delmarva Gas had any concerns. Senator Poore indicated she was just made aware of the sewer issue and believed all parties could take this time to update the infrastructure in this area. Secretary Patone confirmed the Commission attempts to address infrastructure updates based on the need and the Commission is committed to responding to this need, identifying how to meet the timeline and

funding issues and communicating back to the Senator regarding the Commission's progress. Secretary Patone asked Supervisor Guyer to explain to the Senator the meeting with DeIDOT earlier in the day and the staff's steps thus far. In addition, Supervisor Guyer advised the infrastructure including water mains, hydrants etc. have been updated through the years in this area. Supervisor Guyer provided Senator Poore an update and communicated a need for her assistance with DeIDOT regarding cost and time saving measures. Senator Poore requested a list of items the Commission would be requesting of DeIDOT in order to expedite the project. President Sippel indicated there may be a need for assistance from Senator Poore with permitting. Senator Poore indicated she would provide her assistance with any steps needed. Supervisor Guyer indicated traffic control would be a big assistance. Senator Poore indicated she would be speaking to the Secretary of DeIDOT regarding areas they can assist. President Sippel explained the need to fund the project and the possibility of a surcharge. Senator Poore asked how projects are typically funded. Secretary Patone explained projects are either funded with the depreciation which is already within the current rate structure or a grant/financing would need to be received. Secretary Patone explained the depreciation is approximately \$600,000 annually, therefore, a project of this magnitude \$400,000 would take a significant part of the capital budget for next year. Senator Poore inquired whether a surcharge had ever been charged. Secretary Patone advised she was not aware of a surcharge ever being utilized to fund a capital project. Senator Poore inquired whether having DeIDOT providing a contractor to perform the water main installation had been considered. Supervisor Guyer indicated staff preferred to utilize the contractors who have worked successfully within the Commission's water system previously. He inquired whether there may be funds available from DeIDOT. Senator Poore indicated if the project were to be done in the near future she would hate to see a surcharge charged to the customers.

President Sippel thanked Senator Poore for her attendance and she left the meeting.

Supervisor Blomquist went on to report the racking for the solar array had been received but as was previously reported was not the correct material and he is working to correct the problem. He advised he met with Comcast on-site for the Booker Circle project. He advised he received approval from Verizon to remove and remount their FIOS boxes on the outside of the resident's houses and Verizon is not interested in participating in the project. He went on to report a second meeting was held for residents on August 18, 2015 to explain the process. He advised a customer reported today there was damage to his vehicle, Supervisor inquired with staff and was assured no vehicles were hit during the underground work. Supervisor Blomquist advised the customer to contact the police to report the damage. He also advised the Commissioners staff has been taking pictures and videos of the project and sites prior to work beginning.

Supervisor Blomquist reported five poles hit over the last month, cost information has been submitted for reimbursement to the business office. He indicated this is a significant number of poles which is unusual. He went on to report the annual infrared testing had been performed and the only significant area for repair related to customer owned equipment which he is contacting the customer to have the repair performed.

## WATER DEPARTMENT

Supervisor Guyer reported DelDOT has indicated the Washington Street project should be complete in October which will then determine when the warranty period will begin on the water infrastructure. He went on to report under Distribution System the MSC was awarded the \$50,000 Water Innovation and Technology Grant, he advised the paper work is being processed. Supervisor Guyer reported on the Cross Roads well, the contractor AC Shulte's completed the well pump final inspection, start up and testing. He advised the well was pumped at 3 different flows to review the aquifer draw down levels and amperage of the motor, he reported the results were minimum draw down at maximum flow of 530 gpm. He went on to report the SCADA final design and control functionality has been forwarded to staff from Keystone Engineering for review.

Supervisor Guyer reported no outages for the month of July 2015. He advised Cirillo Brothers mobilized to start working on the City's 14<sup>th</sup> Street Drainage Project. He indicated Assistant Supervisor Jaeger met with Cirillo's superintendent to address a 2" copper line which was in conflict with the proposed storm water pipe. He advised the staff tested the line and it appears to be an abandon water line. He indicated there has been no further information from the City regarding the timing of paving. Supervisor Guyer reported a second grant from DEMA for fencing was awarded and he will provide the project update forms to DEMA while the projects are being completed. He reported material from Security Instrument for Cross Roads well house have been ordered and quotes for security fencing for both sites have been requested. He reported staff worked with Hach Service technician to correct errors which had begun showing on the fluoride analyzer. He reported the staff continues to work on the PFC contamination solution he advised the Model 12-40 was delivered and set and the electric work has begun. He reported being 60% complete. He advised AC Shultes was delayed slightly but have installed the pumps and motors; therefore, staff can finish up the piping. He indicated Keystone Engineering is working on the SCADA for this site and the PFC testing continues to show non-detects.

At this time Assistant Supervisor Jaeger left the meeting.

## EXECUTIVE SESSION

Upon motion made and unanimous approval, the Commissioners voted to go into Executive Session to discuss a personnel matter.

Upon motion made and unanimous approval, the Commissioners voted to return to General Session

## GENERAL SESSION

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

## FINANCIAL REPORT

Secretary Patone reported nothing significant to report on the aged receivables in Collections.

She reported the financial statements for the four months ending July 31, 2015 showed Total Assets of \$15,206,212 with "Cash" increasing \$33,000 from the previous month. She advised the property plant and equipment and accumulated depreciation had decreased which was due to the removal of assets which no longer existed but had been on the fixed asset list for years. She reported hiring an intern from the University of Delaware for ten weeks over the summer. She advised the intern was Rachel Albrecht a senior who worked with the supervisors to identify assets which needed to be removed from the fixed assets. She indicated the majority of the assets were fully depreciated; however, there were some which were not fully depreciated which resulted in a loss on disposal.

In "Revenue and Expenses" the "Change in Net Assets" was a deficit of net assets in the amount of (\$13,000), \$52,000 from Water Operations and (\$65,000) from Electric Operations. She indicated the deficit was anticipated as the revenues and expenses do not typically turn to an excess until the end of the summer months, in addition, the rate increase did not take effect until May 2015. She went on to report the water has an excess because the new hire did not begin employment until June 1<sup>st</sup> but was budgeted for a full year. She reminded the Commissioners the budget had been changed for the appropriation to the City and the pension funding and she would be looking closer at the budget after September the half year mark.

Secretary Patone reported she had inquired with DEMEC regarding the New Castle Bond and the viability of refinancing currently to take advantage of the low interest rates. She advised the current bond is at a rate of 2.9% and has a balloon payment in 2019. She had DEMEC's financial consultant prepare an analysis taking into consideration the prepayment fee, possible interest rates and cost of issuance. She advised she understood the Commissioners intended to refinance the balloon payment and have not been setting aside additional funds to pay the balloon payment except the 10% PNC required. She reported Public Advisory Consultants, DEMEC's financial consultant provided two options, the first is a 4 year loan with a 9 year amortization at 1.63%, with the fees involved the option would result in additional costs over the life of the loan of \$54,810. She went on to report Option 2 is a 7 year loan with a 9 year amortization at 1.72% which results in a savings of \$955 a month. She advised the consultants advised there is three years more of interest, but the MSC would pay this anyway since the balloon payment is expected to be financed and the lower interest could be locked in now for the additional three years. Secretary Patone indicated she had to clarify the balloon payment with the consultant as she had calculated a different figure and she wanted to understand the accuracy of the cost of issuance fee. The Commissioners requested Secretary Patone obtain more information to present at the September meeting. President Sippel inquired regarding the reason not to pay the balloon payment in full. Secretary Patone indicated the reason was based on the rates. She advised the current customer base would be expected to pay more for the asset and future customers would not pay for the asset but would still receive the benefit of the asset. She went on to report the cost of an asset would typically be paid for over the life of the asset.

## SECRETARY'S REPORT

Secretary Patone reported the August DEMEC meeting was canceled due to no actionable items. She advised she attended an August 6, 2015 Audit Committee meeting. She reported the Committee members reviewed control procedures surrounding credit card limits and policies. She went on to explain she would be working on developing an Accounting Policies and Procedures manual for the Commission with Treasurer Stubbs over the next year. She went on to report an Executive Session for DEMEC would be held the next day to discuss personnel matters which she understood related to potential new hires. She advised the auctions for the capacity markets took place but she had not yet heard from DEMEC regarding the results. She also communicated the DEMEC annual meeting was scheduled Wednesday September 23, 2015. Commissioner Sippel and Rowland agreed to attend.

## OLD BUSINESS

Secretary Patone advised the Verizon meeting with City Council scheduled for August 18, 2015 was to be rescheduled and she had not yet heard of a new date. She advised she understood the City Solicitor and the Commission's attorney were communicating regarding the negotiations.

Secretary Patone went on to report an article in the News Journal reflected the Commission's electric rates as one of the lowest in Delaware and showed pictures of the Commission's electric crew. Secretary Patone presented the Tariff leafs which would change for agricultural water rate with the addition of the wording for off-peak usage.

Upon motion made and unanimous approval, the Commissioners approved the changes in the Tariff with the addition of an Agricultural Rate with an off-peak usage requirement.

## NEW BUSINESS

Secretary Patone indicated a discussion of the Riverbend estimate to install electric infrastructure for the first 34 lots took place earlier in the meeting. She expressed staff's interest in performing the work and advised she would reach out to Parkway Gravel to review.

Secretary Patone indicated the \$50,000 WIAC grant was discussed earlier in the meeting and she attributed the receipt of the grant to Supervisor Jay Guyer's hard work.

Secretary Patone advised the Rt 9 DelDOT repaving was discussed in great detail earlier in the meeting. She advised the engineer provided a quote which ranged from \$12,000-\$24,000 and she requested approval to move forward with the engineering.

Upon motion made and unanimous approval, the Commissioners approved Secretary Patone to move forward with the engineering costs associated with the Rt 9 water main replacement project.

Secretary Patone advised she reached out to three insurance brokers, IFS, New Castle Insurance and Bramhall & Hitches for insurance quotes and requested the quotes be submitted by the September Commission meeting. Lastly, she indicated the new website has been developed by the State of Delaware and training would be taking place this week.

AUGUST MEETING

The Commissioners set the date of the next monthly meeting to be September 28, 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 9-28-15  
Date

Pamela A. Patone  
Pamela A. Patone