

Municipal Services Commission
Monthly Meeting
December 21, 2015, 4 p.m.
216 Chestnut Street
New Castle, Delaware

The meeting was called to order at 4 p.m. with Dr. Roy Sippel, Commissioner, presiding.

Present: Dr. Roy J. Sippel, Commissioner, President
Daniel F. Knox, Commissioner
Hickman Rowland, Commissioner
Pamela A. Patone, Secretary

Staff in Attendance: Jay Guyer, Water Supervisor; Scott Blomquist, Electric Supervisor; Mary Jane Stubbs, Business Manager/Treasurer.

At the request of Secretary Patone the approval of the Executive Session minutes for 11/23/15 should be added to tonight's agenda.

Minutes – Mr. Knox asked to clarify the Gray Street water tank is the most economical and fastest way to go for Verizon. **A motion was made and seconded to approve the minutes of the 11/16/15 Special Meeting as amended. Motion approved.**

Monthly Minutes of 11/23/15 – Ryan Jaeger's name was incorrectly spelled. Mr. Knox questioned the amount of the maintenance reserve in the DEMEC 2016 budget. Secretary Patone said that \$2 million was adopted this past year for Beasley. She will confirm and communicate with Mr. Knox.

A motion was made and seconded to approve the minutes of the 11/23/15 monthly meeting. Motion approved.

A motion was made and seconded to approve the Executive Session minutes for 11/23/15. Motion approved.

FOIA – Secretary Patone has looked into whether minutes should reflect the time we go in and come out of executive session. The State could not give advice; it is not addressed in the FOIA law. She reached out to our counsel, Dan McCollom. Mr. McCollom believes it would be good practice to use times. This practice will continue. With regard to motions, FOIA law states that names are not needed when there is a unanimous vote. If there is a split vote, names would need to be spelled out. If someone voted 'present' they should be identified.

Treasurer's Report – Mary Jane Stubbs reporting

Treasurer Stubbs reported a total cash balance of \$2,797,160.54; the PNC escrow and meter deposit total amounts to \$663,692.92. Total operating cash balance is \$2,133,467.62. The check book register is attached to her report.

Treasurer Stubbs reported total investments of \$1,022,131.34. Artie Grainger reviewed control procedures and the bank statement and found them to be in order. His questions were answered satisfactorily.

Mr. Knox asked why meter deposits continue to increase. Secretary Patone replied that we have experienced some changeover in commercial accounts and new commercial accounts are required to pay a deposit. Some of our existing commercial accounts do not have deposits. We have not reached out to all of them yet.

Accounts Payables were reviewed.

Payment to Artesian – Secretary Patone said the payment represented water utilized for Boothurst. Autoport – Truck maintenance to truck #8 were described.

Secretary Patone reported that we have requested an increase in deposit from Zenith because of slow deposits and a returned check. Therefore, over the last 8 months there was an increase in deposit amount of \$200,000-\$240,000. Most of increase is contributed to them. We increased to a three-month maximum. We have been notified that last week Zenith went for a sale of assets and Secretary Patone confirmed today that settlement will take place with a new entity named ZPC (Zenith Products Corporation). Zenith would have their deposit applied to their balance and get a check and the new entity would need to apply for service. We are allowing six months to pay for the newly developed three months' deposits. Deposits will decrease over the next couple of months (refunding one) then it will build back up. She will continue to monitor the account.

A new industrial company, Techmer, is coming into Centerpoint. They have a load of about 500 kilowatts. Their deposit has been received and they have asked for service to be turned on by 1/12/16.

A motion was made and seconded to approve the payments as presented. Motion approved by unanimous vote. (Treasurer Stubbs was excused from the meeting.)

Electric Department Report – Scott Blomquist reporting

- Riverbend – Messrs. Blomquist, Guyer and Secretary Patone met with Parkway Gravel multiple times to discuss electrical and water needs and service to the 34 lots. Estimates provided. Secretary Patone provided some cost analysis.
- Techmer, Building 1600, Johnson's Way, Center Point – Requested service on 1/12/2016.
- Fishing Pier – No contact or questions.
- Wharf Pier – Received a second set of plans from the City Engineer. Reviewed the plans and unable to find changes to design for electric and water. There was an extra detail that showed a trough that did not correlate to the plans. We have asked for clarification. Their response was there were no questions at bid and they felt comfortable with bids. Dave Athey indicated bids were opened on Friday and only one bid was received. The bid was too high for resources they have available. Bids will go out again in a couple of months. We will be kept informed. The thinking is the timeline was too restrictive (pilings must be installed before February so sturgeon are not disturbed) and without a timeline more contractors will reply. Water and electric are still shown under the pier, but we asked them to bid with a trough on the side. The City is receptive to including the alternative location in the bids.
- Bellanca – Trustees' electrician has installed the conduit from the building to the pole. Amazon is using the parking lot at this time.

Capital Projects

- Solar Array – Moving forward with the start and install.
- Booker Circle – Will seed and lay straw once the weather and ground temperatures get better. We have incurred four months of rental costs at \$1,500 (Tri Supply) per month for the mini excavator. He believes the amount of underground installs warrants purchasing an excavator of this size. A list with related costs was provided to Commissioners and we have obtained quotes from three different suppliers. Bobcat, near New Castle, sells a machine with tracks that extend out to 46 inches giving more stability. Their price was the best of the three suppliers. He asked Commissioners to review the information and consider their request. Underground work at Booker

Circle is a capital project and is taking longer than expected. He built in \$5,000 for equipment rental costs. Secretary Patone is working on a new capital budget. Their work crew is down one person. We have experienced challenges with Delmarva locating gas lines resulting in us striking gas mains. We are disputing charges that Delmarva sent to us for repair of one gas main. Delmarva's people onsite confirmed with MSC that lines were not marked properly. Between now and the January meeting Secretary Patone anticipates having more information for Commissioners. Mr. Blomquist said the risk of lighting off a gas main is very low. The equipment being used does not create sparks and the excavator is diesel rather than gas.

- Crossroads Well – The RTU was delivered and is mounted. Keystone was in today doing maintenance on the system. We will be wiring up other SCADA items.
- School Lane – Heat trace is up and operational.
- Supervisor Blomquist reported there were no outages this month. Outage numbers SAIDI 42.391, SAIFI .3, CAICI 136.325, ASAI 99.9875.

Solar – A resident is installing solar on his roof and asked if MSC offers any incentives. MSC does not offer incentives to individuals. MSC tries to do community-based events when programs are offered. Secretary Patone welcomes a conversation with the resident to answer any questions. Some third parties will install a solar panel on homes and not charge the customer and have an arrangement involving a lease. MSC does not allow any power purchase agreement with third parties.

Repairs and Maintenance

- Wilmington Road – Yearly oil sample was done.
- Dobbinsville – Yearly oil sample was done.
- Booker Circle – Employee Kent Schmeusser backed the mini excavator off the trailer rather than driving with the boom forward. It tipped over onto its back and Mr. Schmeusser hit his head. He received medical treatment and lost two days of work. He has received medical clearance to return to work. Mr. Knox asked if this injury is considered an OSHA recordable injury since he lost time. Secretary Patone said we report everything through workers compensation, but we do not use OSHA forms and do not report to OSHA. We track our workers compensation claims internally.

Equipment

- Yearly inspections performed on line trucks and bucket trucks. Minor repairs were noted and will be handled in house.

Water Department – Jay Guyer reporting. (Report distributed.)

Riverbend Electric Infrastructure – Flushing was done on 11/19/15 and 12/1/15 to maintain chlorine. Several meetings took place with Greggo & Ferrara in reference to water and electric.

Distribution System – Water main renewal -- Preliminary report was received. Echologics looked at it and are making adjustments. Some of our numbers were conservative versus the industry standard. Three (3) scenarios will be given to us for review: extremely conservative, moderate and industry standard. A final report will be provided at a later date.

Route 9 Water Main Project – The project is going very well. Complaints from neighbors were addressed immediately. About 800 ft. of the 12-inch main is done. They should finish before Christmas. They will then work to get it flushed and tested to put in service and then move on to the other crossings. The County has changed their Clark Street project. Original plans called for curb to curb

restoration. They will be doing partial restoration on the street and they want us to hold off doing our water line work until they do their sewer line work. The County is finalizing their plans now. We are waiting to get our pipe assessment back to know whether we will replace the main or not. There is nothing definitive from the County on the Clark Street portion. We did not budget for paving on Clark Street. Since the County will not do curb to curb restoration it changes how we will approach that portion of the water main. He is waiting to hear from Echologics and the County before more discussion can take place.

Crossroads Well – Still working on the 6-inch main. RTU from Keystone is installed. Security fence is installed. Grading and cleanup around the site was performed. Mr. Guyer anticipates issues with DNREC when we reapply for water allocation permits. Any time a water system is altered we will need to fill out the whole allocation permit again. DNREC is adjusting everyone's allocations based on populations, use, demands, industry. According to Mr. Guyer, DNREC may want to reduce our 1.6 million gallons per day allocation (the legal rate we can draw from the ground). This rate maintains what we currently have and to use another well. Average age of our wells is 45 years. We wanted to drill a new well to back up Frenchtown and School Lane. DNREC's response was they would adjust our allocation and give it to Artesian. Mr. Guyer balked at their response. Our peak demands are 800,000-900,000 per day for several days if we are flushing hydrants, etc. Our normal demands are 550,000-600,000 gallons per day. This could change as large customers are added in the future. Ms. Patone informed that the Water Supply Coordinating Council report we submitted this past summer show we support our usage over the past couple of years and we did not want a reduction in our expected demand. Our argument was that our demand would not go down. Mr. Guyer has documentation supporting if we were fully built out with high users in our industrial parks it would support a new customer in those areas. The application form has not yet been submitted. There is an appeals process if it becomes necessary.

CPR Construction – They are working on putting in new services to the four (4) homes under construction on Second Street.

Replaced the fire hydrant on the corner of Third and Harmony Streets that was damaged by a truck. Treasurer Stubbs has been working to get reimbursement for our expenses.

Outages – No outages in November.

FEMA Grants – Progress reports updated regularly and submitted as required. He will look into what needs to be done for reimbursement at the Crossroads well. The contractor has started fence work at the utility building.

Maintenance

- PFC's -- Ms. Patone continues to work with the USDA. No update has been received from the Air National Guard. Completed the small structure around the small pipe manifold. AC Shultes has resolved issues with the pumps. The **concrete in the clear well had issues with water levels dropping and the cost of repairs came in at AC Miller's expense.** AC Miller had their concrete contractor high pressure inject grouting in all seams, joints and cracks where possible over a four-day test that yielded no drop in levels. Keystone integrated everything with SCADA and everything looks fine. They will be in tomorrow to do final integration and satisfy the remaining punch list items. We are very pleased with the system. The temporary vessel was dismantled on 12/3-4/15 and returned to Calgon. Took out the temporary piers and took to recycling. Graded the area and

put back in normal operation. Final inspection/progress meeting with the USDA will be 12/29/15. It will include a walk through of the site with one of their engineers. The ceremony on 11/30/15 went well. Secretary Patone said that processing of our final grant payment has taken place and we expect a check in January 2016. We have not paid all of the invoices yet. There is seeding and fencing yet to be done. The grant required MSC to spend the first \$500,000. We have not paid the last payment to Calgon because we are holding a retainage on that payment.

Personnel

- Assistant Supervisor Ryan Jaeger attended Human Resources training on 12/10/15.
- Steven Finney completed his six-month probation on 12/1/15 and was hired. He will be taking his base level water exam on 1/8/16 and the practical part of his CDL driving test on 1/11/16.

Mr. Guyer thanked the Commissioners and Secretary Patone **for his bonus this year and** for recognition of his 20 years of service to MSC.

Mr. Knox asked Mr. Guyer to look into a vendor doing pipe lining work at the refinery. They may or may not be competitive.

The Engineer for the City of Newark has requested a meeting with MSC to see how we can do so much work in-house. They are looking at trying to move more work in-house. Mr. Guyer acknowledged he could be stronger when writing RFP's, contracts, bids and the like and he plans on talking with them about what they might be able to share.

Financial Report Executive Summary – Secretary Patone reporting.

(Financial reports sent in advance of the meeting.)

The report is for the eight months ending 11/30/15. **Collections with Zenith were discussed.** Secretary Patone reported Total Assets of \$15,368,852.53; cash decreased approximately \$86,000 from the previous month which was expected due to the continued outlay of cash for the PFC. Revenue expenses are in excess of \$327,000; \$82,000 represents water and \$245,000 represents electric. Consumption continues to be up. Expenses are down in certain budget areas but does not reflect the alignment of salary and benefits for a former employee that has not been paid out since the end of August. She has not recorded the accrual, but she anticipates a conclusion on the arbitration in January 2016. The current excess is because revenue is up. The mild winter is helping to keep revenues down. **She will have a better idea of what the budget might look like after she sees numbers at the end of 12/31/15.**

Secretary's Report – Secretary Patone reporting.

DEMEC – Secretary Patone and President Sippel attended the 12/8/15 DEMEC meeting. DEMEC participates in a scholarship program and this year's scholarship recipients are two University of Delaware graduate students. Both students are working on wind energy. One student talked about spacing wind farms in a way to optimize and get the most energy. The second student talked about the geology of the ground the concrete structures are mounted to, which is the most significant cost.

The 2015 Strategic Plan was formally adopted. Bill Ostrom of CPower was in attendance. CPower is the group that all DEMEC municipalities use for demand response. Currently none of our customer base use the demand response. Zenith participated in the past, but could not commit to shedding load when needed. They did not have the equipment needed to do this. The MSC staff is working with DEMEC to

identify whether we can participate. We were waiting to get the Frenchtown Road Well online. We purchased the ability to serve ourselves from Delmarva and we now have all of our well sites

on that. We can also aggregate the City's properties if we are able. A change in the demand response program this year is that we may be able to aggregate with other towns. As an example she said that the City of Seaford has their water pumps involved in the program and is getting up to \$3,000-\$4,000 per year just for the ability to shed load when called upon. The amount could go as high as \$5,000 per year. They will allow us to combine with another municipality like Smyrna or Clayton. Mr. Guyer is receptive. If we know in advance we can fill the tanks and shut the pumps down and shed that load. If we think we can perform and get a payment we may look into the program.

DEMEC is trying to participate in an energy and efficiency program. The state of Delaware requires Delmarva and the Cooperative to participate. We want to have a plan in place to be in agreement with the law. The staff was asked to put together a recommendation and DEMEC staff said we could go with the costly program through AMP or SEU. We could continue our current practice of having an Energy Depot audit, which is what we pay to have on our website. All DEMEC members have a place on their website where customers can do an energy audit for themselves. Results are shared with all members. Another suggestion was trying to focus our green energy money going forward on energy-efficient programs. The Board voted to continue focusing on energy efficiency. A resolution will be presented at the next meeting to adopt. It is the least costly method rather than paying for a third party to develop a program.

OLD BUSINESS

City Negotiations & Charter Change – Ms. Patone reported City members (Mayor, City Administrator and City Council President) joined President Sippel and Secretary Patone at a meeting in Lewes. President Sippel said the meeting was one of the better ones. They worked on specific problems and he was surprised at the transparency exhibited by attendees. He praised Council President Ratchford on her preparation for the meeting. Part of the meeting was to see their general and administrative facilities.

City Council had a special meeting on 12/16/15 to discuss charter change recommendations. There are still questions/concerns about certain items. Secretary Patone talked with City Administrator Barthel who suggested a meeting with Secretary Patone, himself and both attorneys to further discuss those concerns. President Sippel supports the idea. They will meet on 12/28/15; she will speak with President Sippel beforehand. If we can come to an agreement then perhaps we can schedule a special meeting to move it along. This is a time sensitive matter as we would like to get it before the Legislature in January. Administrator Barthel indicated one concern involved the Commission's ability to purchase land without going to City Council for review first. President Sippel asked if the push back is from the legal side and was told it includes some Council members.

NEW BUSINESS

Riverbend Subdivision Electric and Water Infrastructure – The estimate (*for discussion purposes only*) did not include water and electric to the individual lots. It only covered the infrastructure shared by all of the lots. It covered the 34 lots owned by Parkway Gravel. Estimates and agreements are subject to Commissioners' approval and escalators and timeframes would need to be considered. Parkway Gravel is interested in developing their 34 lots and it is cost prohibitive for them to put in all of the infrastructure and build out the lots in order to get buyers. They have talked about building the homes themselves and getting a developer to build the homes. In order for the plans to be where they need to be costs are approximately \$715,000 of water and electric infrastructure. The lot owned by Walt

Cooper, MSC agreed to take an escrow amount so he could have electric and water. Our vote was not to allow electric and water applications there unless there was a plan to complete the infrastructure. Parkway Gravel has asked MSC to consider allocating the cost of all the lots and for them to only pay the portion of 34 lots to get that section finished and deal with the other lots later. Staff agrees it is a reasonable request under the circumstances. Secretary Patone has reached out to other municipalities on whether they take impact fees or escrow for electric and water. We typically require the developer to build out electric and water, then it is contributed back. If we took escrow amounts we would have to reconcile those escrow amounts for however long it takes to finish the project, figure out how much per lot, then recollect from groups that already paid or refund if we underspent. If it is a fee we bear the risk of the estimation being accurate, but there is no worry about reconciling over the life of the project. We have been advised to consult our attorney to ensure our language and amount is appropriate if we decide to go with impact fees. If Commissioners are receptive to impact fees she would then consult with our counsel. If Commissioners decide to take an escrow amount or fee from each of Parkway's lots for electric and water, MSC would be responsible for finishing out the rest of the infrastructure over a period of time and she would then speak with legal counsel to determine how to best protect the Commission's interests and the City's interests.

Commissioners expressed concern as to whether Riverbend will be successful. It should not be a problem for MSC. The intent and requirement is that it will be a 55 and over community. Secretary Patone said the initial risk would be limited. In order for the 34 lots to get electric and water finalized, installing from the Dobbinsville substation to PMH-9 and conduit, that is the only thing needed to be done to finish the 34 lots. Parkway has their own work to be done for the individual lots. It would be in our best interest to get rid of the temporary electric feed and install a permanent feed. MSC and Parkway would be splitting the costs. We would not be required to finish the loop to Center Point until there is more activity and more lots are bought. We would make them pay for the full amount for all of the infrastructure, but MSC would not be required to do the infrastructure until such time when more lots come onboard. There is water for the 34 lots from the main at their expense. The water needs to be looped and flushed and we will charge and be paid for that. A timeline will be put in place protecting us. A commissioner asked what happens if the whole development peaks at 50 houses. Secretary Patone said the first section should be done anyway making the temporary feed a permanent feed. We have explained to Parkway that the electric supply needs to be a permanent feed. The limit of houses using temporary feed is at the maximum now. Commissioners are not comfortable being 'developers' and using our money, but think nothing will happen if we do not do this. Parkway Gravel's position is it would show a 'sign of life' having the City's water and electric department get involved. Nick Ferrara, owner of Parkway Gravel and Greggo and Ferraro, explained to Secretary Patone that he has had a number of corrections to handle with the project and does not have the funds. That is the reason he is reaching out to MSC and other parties.

Mr. Rowland said it is MSC's responsibility to provide low-cost electric and water. Our City is interested in the welfare of the overall operation of the City. He suggested that Parkway Gravel talk with the Mayor and City Council; they have more flexibility than MSC. The City could give MSC 'cover' to participate at the behest of the City if they see Riverbend as a good addition to the tax base and for the City. He also suggested the Trustees as an avenue. President Sippel said the City would encourage MSC to participate because they will collect revenue without putting anything out.

The numbers include wages to our lineman and 20% is added for contingency. The cash outlay is minimal for MSC. Secretary Patone estimated it is about 50/50. There will be cash outlay for the other

two phases. Most of the electric is MSC labor force. *(In the interest of full exposure, Secretary Patone is related through marriage to Mr. Ferrara.)* She said we have informed there is no precedence for this situation, that we understand their request and consider it reasonable under the circumstances of sharing, we would bring it to Commissioners for discussion. They will need to pay everything upfront. Messrs. Blomquist and Guyer have worked with her throughout the whole process. She was asked to put together a rough estimate of income (revenue and water) that would come from 34 occupied houses. Additionally, she was asked to quantify MSC's out of pocket costs for phase I.

The question was asked if we do this piece does it obligate us to do the rest of it? Secretary Patone said 'yes', that we would be setting a precedence. Mr. Cooper purchased his lot from Capano's group, applied for service and was told he could not receive that service until there was a plan for infrastructure. His counsel contacted us because we have the need to provide electric and water. Our counsel then sent a letter to all property owners that they must, when selling a lot, inform buyers that water and electric infrastructure is not in place and they may not have service. That notice went out after our agreement with Mr. Cooper to pay in escrow to pay his portion for finishing the infrastructure. They were concerned that we set a precedent then, but there are differences with the current situation. The minutes do reflect the arrangement for Mr. Walt Cooper so Parkway Gravel may be aware for what was done for Mr. Cooper.

Commissioners did not authorize Secretary Patone to contact the City. The numbers will likely show our risk is low, but Commissioners are skeptical citing the history of Riverbend to date.

Wharf and Pier – Discussed earlier in meeting.

President Sippel made adjustment to the list for bonuses and a discussion regarding human resource procedures ensued.

A motion was made and seconded to approve the bonuses. Motion approved by unanimous vote.

A motion was made and seconded to enter into Executive Session to discuss real estate, personnel matters and AFSCME. The motion was approved by unanimous vote.

General session adjourned at 6 p.m.

SPECIAL MEETING

Commissioners scheduled a special meeting on 12/29/15 at 4 p.m. at the office of the Commission, 216 Chestnut Street, New Castle, Delaware.

A motion was made and seconded to return to general session. Motion approved. The meeting reconvened at 6:05 p.m.

ADJOURNMENT

By motion made and seconded, the Commissioners voted to adjourn.



Deborah P. Turner, Stenographer

Approved: _____
(Minutes transcribed from recording.)