

Municipal Services Commission  
Special Meeting  
March 7, 2016, 5:30 p.m.  
216 Chestnut Street  
New Castle, Delaware

The meeting was called to order at 5:40 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

Secretary Patone requested adding to the agenda a brief discussion on Philadelphia Gear and the rate agreement they have with the Commission. Discussion would follow the special meeting. Commissioners were in agreement.

The purpose of this special meeting is to review the preliminary budget assumptions for FY2017.

Review Preliminary Budget Assumptions for FY 3/31/2017

Secretary Patone reported the following preliminary budget items for discussion:

- DEMEC rate has decreased about 2%; we are reducing the purchase of power.
- Wages in the current preliminary budget are in alignment with the labor agreement that was negotiated.
- Pension expense to remain constant and about \$200,000 per year.
- Health insurance is expected to increase about 10%.
- Property Insurance increase is approximately 6%.
- Budgeting for Mayor and City Council is at 6% of user charges for their appropriations, estimated at approx. \$654,000. They will pay for electric service and will be invoiced once everything is finalized.
- Costs are added for additional lead and copper testing and the new treatment system with a granular activated carbon filtration system.

Remaining costs have been kept as constant as possible. Purchase of power is down 2% versus last year's budget. There is a 3.5% increase in operating and general administrative expenses. Appropriation to the City will increase about 11% using the new calculation. There will be a shortfall of about \$32,000. Secretary Patone reviewed the cost service study meetings held last year and the 3/30/15 minutes and all the recommendations from our consultant. Recommendations called for an increase in customer service charges, not per gallon or kilowatt hour. Last year we increased water rates by 5.2% and electric rates by 2%. She asked Commissioners to review the schedule in the packet they have received tonight for customer charges for water and discuss the schedule at the next meeting on 3/28/16. Secretary Patone suggested if our residential water customer charges are increased from \$8.25 to \$10.00 we would be able to realize the additional revenue needed to balance the budget. The actual total would be \$42,000 if changes are made to each size meter. This is in line with recommendations from the consultant on where changes should be made. We have refinanced and refunding of the bond for the substation and with the decrease in electric rates from DEMEC, Secretary Patone did not plan on making any recommendation to change electric rates this year.

Mr. Knox does not favor increasing rates if we are under budget. Secretary Patone's only concern is maintaining the cash reserve. The Commission's intent is to build up the cash reserve in coming years. Another consideration could be to make small increases each year versus double digit increases every three plus years. Last year's increases: 5.2% for water and 2% for electric.

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City negotiations:

- The union agreed to a job classification change.
- Merit raises no longer exist.
- Job descriptions are outside the collective bargaining agreement.

Mr. Knox asked if management would consider if an employee wants to opt into the defined contribution if they are already on it. Secretary Patone said they are not sure if we have the proper funding at this time. It is something we can explore in the future.

**A motion was made to approve the union contract in negotiated terms. The motion was seconded and approved by unanimous vote.**

Philadelphia Gear Agreement – In 2002 Philadelphia Gear approached MSC about having a primary service and negotiated an agreement to be able to pay one-third of the demand rate to be used during off hours. Manual readings and calculations are performed and submitted to the Billing Office and adjustments get made. Last year we acknowledged large commercial accounts having a 300kw minimum (in the tariff) would be charged for 300kw even if their usage was less than 300kw. Whenever demand goes below 300kw Billing was set up to automatically charge for 300kw. Secretary Patone worked with Mr. Blomquist and Ms. Scott and indicated Philadelphia Gear would be treated differently and will receive a credit each month. This did not happen. Philadelphia Gear brought this to our attention. They have been charged the minimum 300kw for the last year. It was not detected because it is a small amount. She has talked with our staff to determine what happened. Secretary Patone informed that her research shows that we do not have an executed contract nor does Philadelphia Gear. Minutes reflect we were working on an agreement, but nothing concrete was put in place. Mr. Blomquist and Secretary Patone recall Chip Patterson telling them about the rate and that billing had been set up. Mr. Patterson and Tom Spicer both communicated the arrangement to Mr. Blomquist and Secretary Patone.

Mr. Blomquist and Secretary Patone have discussed whether the discount is still warranted. Philadelphia Gear has indicated to us that they need us to continue to offer the discount. We explained how labor intensive the agreement is with no real benefit to MSC. The customer charge could be adjusted and since we/they have no executed contract we could change our tariff to include this special rate if we continue to offer a discounted rate. We need to renegotiate terms to capture our costs.

Mr. Knox asked why the billing stopped over the past year. Secretary Patone thinks it was a miscommunication between Mr. Blomquist and Ms. Scott. The amount owed to Philadelphia Gear is about \$55,000. Philadelphia Gear has asked for a check. Secretary Patone suggested honoring the past year and issue a check giving them a "0" balance. She would like to issue the check by 3/31/16. She would like to present a revised tariff that includes a rate structure that mirrors what we believe the rate should be. If we are going to remain with the one-third demand she would like to have a higher customer charge to capture the additional work that we do. She proposes a medium primary special that would mirror Phil Duffy Gear. She will bring a recommendation for the tariff to next month's meeting. This is an opportunity to capture our additional labor.

Philadelphia Gear bought the transformer used for this particular machine. This was part of the negotiated deal. We do not typically have this size transformer.

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Secretary Patone believes it is appropriate to cut the check to satisfy the credit based on past billings. She would like to have the tariff change approved next month.

A motion was made to approve processing a check to Philadelphia Gear to satisfy outstanding credit payments. Motion was seconded and approved by unanimous vote.

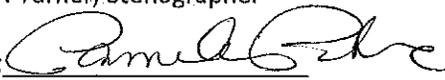
ADJOURNMENT

By motion made and seconded Commissioners voted to adjourn. The meeting adjourned at 6:05 p.m.



Deborah P. Turner, Stenographer

Approved:



*(Minutes transcribed from recording.)*