

Municipal Services Commission Monthly Meeting
September 27, 2018, 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
Allen Hansen, Commissioner
Pamela A. Patone, Secretary

Staff in Attendance: Mary Jane Stubbs, Treasurer/Human Resources Manager; Tara French, Accounting/Customer Service Manager; Scott Blomquist, Manager, Electric Department; Jay Guyer, Manager, Water Department

Also in Attendance: Joe Bonasera and Jason Denton, Summit Financial

Pension Presentation – Joe Bonasera explained the acquisition of Summit Financial by Hub International in November of 2017 which is the 7th largest insurance brokerage firm in the country. Hub International wanted to begin a retirement division. After discussion, it was decided that the culture was right for the employees of Summit Financial and for future business opportunities. The acquisition has been all around positive.

Explanation of benefit rights and features (reported by Joe Bonasera): The Defined benefit plan was frozen to everyone hired after April 1, 2016. The new 401A plan is a very attractive and competitive with other plans. The 4% employer contribution plus employer matching employee contribution 100% up to 3% is a very attractive plan and allows employees to build a great income replacement. The defined benefit plan has two categories, one for union and one for nonunion. A union employee that works 30 years, get 2% of average monthly compensation multiplied by years of service not to exceed \$3600 per month. A nonunion employee having worked 30 years, get 50% of their monthly pay. There is also a feature if the benefit exceeds 75% when you include social security the Municipal Services benefit is reduced to equal the 75% total. The normal retirement age is 65 with at least 5 years of service. The early retirement feature begins at the age of 55 with 10 years of service for the union employees and 55 with 15 years of service for the nonunion employees. Vesting for the plan is five years of service. The plan includes a death benefit for employees that are married. There is no death benefit for single employees. If a single employee dies before retirement, the actuaries refer to this as a mortality gain. This means that the liability for the plan goes away but the asset to get funded stays in the plan. If the employee is married and dies the spouse gets 50% of their benefit. There are several forms of receiving the benefit. The first is life annuity. This is where the employee takes the highest benefit for the life of the employee. In this form the benefit stops when the employee passes. There are also annuity options that provide benefits to the spouse after the employee passes. Again, this plan is frozen as of April 1, 2016. As of now there are 15 active participants, 6 terminated participants entitled to future benefits and 12 participants receiving benefits.

Actuarial report (reported by Jason Denton): Over the last few years the annual cost number has been slowly decreasing. Overall in a little over a decade, the number had increased from approximately \$80,000 in 2007 to \$200,000 in 2018. The biggest factors in the increased cost were the economic downturn in 2008 when large amounts of assets were lost and union negotiation increases in the benefits. The current cap of \$3600 per month for union employees was negotiated up from \$1800 per

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

month a decade ago. For this year there is a cost of just over \$200,000, which is about the same as last year. There are a couple things that could have increased this number. Each year the IRS publishes a standard IRS table. 4/20/2018 the IRS updated their standards through new studies to determine the mortality table. This study assumes that people will live longer and get more benefits through the longer life. This caused the percent of change to increase from around .2% to 3.2% to cover future benefits payments. Another reason that pushes the cost upward is that as the employees get closer to retirement age, the expectation is that the liability will increase with interest. There also was a better than average increase in wages over the last year. In reality the cost went down from 2017 to 2018 because of 2 things, assets did well last year with the return around 9.25% versus the 7% that was expected and the plan was over funded last year with the contribution of \$50,000 more than what the minimum was at that time. This was all part of the plan to get to the 80-85% funded mark which is typical with governmental plans.

A question was raised by Mr. Hansen if the MSC is on target with the 80-85% funded status.

Mr. Denton explained that this is calculated using the accrued benefits today and the benefits that employees are expecting to receive when they reach retirement age, or when the decrement for whatever the reason is, disability, death, or termination. This is called the present value of future benefits. It is the projection into the future what employees might earn and then discounting it back and coming up with a value for that number today. This works out to be about \$3,300,000 for active participants. This value includes future salary increases and the future service employees are expected to work and earn between now and the time they retire. The value of this today is roughly \$6,100,000. With slightly over \$3,000,000 in assets, there is slightly over \$3,000,000 to make up over the future working lifetime of all of the active employees. The average expected remaining working lifetime of the active employees is around 16 years. The plan is amortizing and paying for expected benefits over the remaining working lifetime of the active employees. The present value of future benefits is recalculated each year to keep the funding of the plan on track. Mr. Denton went on with explaining Entry Age Normal Liability which is based on what employees have earned today through serviced worked.

A question was asked by Secretary Patone if MSC put out the option of buying employees out of their Defined Benefit Plan what the buyout would be.

Mr. Denton explained that it could vary depending on how it was done. Typically if you buy out it is a lump sum. It would not be done at 7% interest rate. The reason for the valuation at 7% is that it is the number the assets are expected to increase long term. The same number is used to discount the liabilities. When a lump sum is done the current interest rate is used as opposed to a long term asset return rate. The IRS standard current rate is 4.5 to 5% range which would increase the number by 35% to 40% which would add interest. Mr. Denton also stated that if the union comes to you with this question, you do want to entertain the idea but putting it as a choice is always a tough road to take as those who took the option and those who did not will end up getting different benefits in the end and one side will end up disappointed.

Mr. Bonesara sought clarification in regards to the previous question asked by Mr. Hansen on what level the plan is working towards being funded.

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

Mr. Denton explains that the goal is to be 100% funded in approximately 16 years. What we are focused on is the ratio of actuarial value of assets to the entry age normal accrued liability level which is around \$3,000,000 divided by the roughly \$3,900,000.

Mr. Denton gave an overview of the current employees in the plan. The plan had been running steady at around 20 employees but as the plan was frozen that number will continue to decline over time with the current number at 15. You also see a fairly large jump between 2016 and 2018 of the average salary and average benefit which is due to the employees we lose or the turnover is some of the younger lower waged employees. When you take these employees out of the equation and don't replace them in the plan the average salary looks inflated. This is just a factor of who is left in the plan. This is also seen in the average years of service as over the last couple of years the average went from 7.5 years to just over 11. Another thing to point out is overall the average age is still fairly young with the average age at 43. On the inactive employees there is a previously vested employee that is going to reach 65 years of age and will be entitled to the pension benefit. It was suggested that we reach out to this employee before the end of the year and the retirement election forms can be put together.

Secretary Patone brought it to everyone's attention that this is an area that Treasurer/Human Resources Manager Stubbs deals with retirees and pension information.

Mr. Bonasera brought up the fact that being Nationwide is paying the benefits each quarter they run a social security check to see if any of the participants receiving the benefit have passed.

Mr. Denton explained a comparison of the valuation over the last few years with the asset base moving from \$2,600,000 to just over \$3,000,000. Returns have been good with 10.8% and 9.2% over the last two years. The liability, using the same 7% interest rate the long term asset assumption has, stayed constant. Also noted was the present value of future benefits has stayed fairly constant. It increases with inflation but goes down as the retired group gets another year of benefit payments. Unless something changes one way or the other the expectation is for this to remain fairly level. He showed tracking of the funded percentage with 2016 being 69.4%, 2017 being 75.9%, and 2018 being 78.2%. Last was noted that most of the governmental plans that Summit Financial deals with targeting the 80% to 85% funded range.

Secretary Patone noted that there was a change a few years ago that now requires us to report the pension liability on our balance sheets

Mr. Denton reported a reconciliation of plan assets over the last year. \$254,642 was contributed to the plan the prior year. Payments to participants reduced the plan by \$272,991. The 9.2% investment return of \$257,584 pushed the overall amount in the plan to \$3,041,469. One of the things to consider when looking at the investment mix of the plan is the draw on the assets or the cash needed to make payments to the current retirees. This group's annual benefit payments account for roughly 9% of the plans assets requiring the need to continue to turn over investments or hold a fair amount in cash investments to be able to pay them out.

The presentation was turned over to Mr. Bonasera who started with the investment policy. He explained how they segment the stock market into its various sectors where we use mutual funds to fill the various asset classes. The investment policy is one where we have 65% equity based mutual funds and

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

35% in fixed income. In the equity sector there is a 30% allocation for large cap. In the large cap growth we have American Funds, AMCAP, and Vanguard Growth Index. The large cap blend is the Vanguard 500 Index, the American Funds Euro Pacific Growth, the Vanguard Developed Markets Index, and the Oppenheimer Developing Markets. There is a 13% allocation for the mid cap and in the mid cap blend we have the Vanguard Mid Cap Index. There is a 6% allocation for the small cap. In the small cap value is the American Beacon Small Value and the Vanguard Small Value Index. In the small cap growth is the T. Rowe Price New Horizons and the Vanguard Small Growth Index. In the fixed income high quality intermediate term we have the Vanguard Total Bond Market Index and the Metro West Int Term Bond. In the high quality long term is the Vanguard Inflation Protected Securities. In the medium quality intermediate term we have the Pioneer Strategic Income and the JH2 Strategic Income Opportunity. Last there is a specialty, with a small amount in the Vanguard REIT index.

Due to the fact that interest rates are going to continue to raise Mr. Bonasera suggested moving 5% from the Vanguard Total Bond Market Index, 5% from the Metro West Int Term Bond, and 5% from the Pioneer Strategic Income and put it in the fixed account that Nationwide offers. This move would guarantee between 2% and 3% as this moves up with inflation. A formal recommendation will be forthcoming from Mr. Bonasera.

Role of the Retirement Plan Committee – the primary responsibilities are to prepare, maintain, and review the plan on a quarterly basis, avoid prohibited transactions, share information with the board of directors as needed, make decisions in the interest of the plan and exclusively for the benefit of the plan participants, and prudently select, monitor, and if necessary terminate investment options.

Next Mr. Bonasera described the quantitative metrics used for rating a fund for selection and monitoring current funds. They look at a 1 year, 3 year, and a 5 year return. More weighting is placed on the 3 and 5 year. The fund should be in the top half of its peer group for the 1, 3, and 5 year period of time. They look at the alpha for 5 years which is the amount of return over the index of that particular asset class. Up-market capture and down-market capture are looked at. They are looking to capture 100% of the up-market and 70%-80% of the down-market. They look at some risk factors; they look at a Sharpe ratio which tells how much return we get for every unit of risk. Risk is looked at in both positive, or when the market is going up, and negative risk, when the market is going down. The Sortino ratio is looked at. It is similar to the Sharpe ratio but just looks at the downside deviation. So when the market is going down it looks at how much volatility there is. We want to measure that to make a good decision about downside protection. They look at the manager's tenure, Morningstar rating, and style drift. The desire is to have a diversified portfolio. Next Mr. Bonasera explains the qualitative metrics. The process the manager of the plan uses to do their security selection is looked at. They look at the expense ratio and the organization. They look at how they are owned, employee owned or owned by a large company. Also, how are the employees and how is their turnover. Wither the manager is a team manager or a fidelity manager. Team managers are desired over superstars. They look at the support, how many analysts do they have and what markets are paying attention to. We also want the manager to put their own money in the fund. If there is a manager that is going to be replaced we look at the track record of the new manager if we don't like what we see we remove ourselves from the fund.

Secretary Patone asked if it was a requirement for the managers to report what they are investing their own money in. Mr. Bonasera responded that it was a requirement although exact figures are not reported but ranges are reported.

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

Dr. Sippel asked how it was decided if we were in an up-market or a down-market. Mr. Bonasera responded that they look at a period of 5 years. If you look at the S&P 500 and it went up 10% and the fund we are looking up went up 11% then they are capturing 110% of the up-market. If the market went down by 10% and our fund went down by 8% then we captured 80% of the down-market. We want funds that are defensive on the down-market. This makes it easier to recover if you don't go down as far.

Mr. Bonasera explains the way they handle the investment policy is for a fund to receive a passing grade it needs to meet a 60% criteria. If they are less than 60% they are on a watch list for up to 8 quarters. If they don't come off the watch list in a reasonable time then it is their responsibility to replace the fund. Mr. Bonasera points out that there are 3 funds that did not get a passing grade for this quarter but it is the first quarter that they don't meet the criteria. The second set of due diligence called the fiduciary series which is more typical of what other firms use. Under this series only 1 fund didn't meet the requirements for the last 3 quarters ending March 31, 2018. Mr. Bonasera believes that the metrics they use are tougher to pass and provide a better early warning that a fund is in trouble.

Mr. Bonasera asked that Secretary Patone confirm if he was correct. If they were going to make a recommendation he would write up the recommendation and the reasons why and the Commissioners would have a vote at a later date. Secretary Patone confirmed that this was the procedure unless they felt there was something that they felt the Commission should do immediately. Mr. Bonasera stated that the meeting should take place within a month.

Mr. Bonasera continued with showing the return for the calendar year. The plan was up 14.42% with the 65% /35% stock, bond mix. 2017 was a really good year for us. The bond funds are under pressure as rates have gone up. As they continue to go up the bond fund price drops and eats into the yield. This causes the portfolio to become negative.

Mr. Bonasera disclosed the fees Summit Financial receives for the investment council and fiduciary work. They earn 30 basis points and the actuarial cost is \$6000. Nationwide for recordkeeping the cost is 25 basis points. Mr. Bonasera raised a point to Secretary Patone regarding their use of Nationwide for 401A. He thought that MSC may want to take advantage of the defined benefits assets of \$3,000,000 through the sister pricing with the 401A. This process could cut record keeping costs in half, if not more and would benefit the employees.

Mr. Bonasera went over the investment market areas for the year 2017. He disclosed the large cap growth was up 30%, mid cap growth was up 25%, and small cap growth was up 22%. There is investment in all of these sectors. The value sectors of the market increased in 2017 and not as much as growth. Large value increased 13%, mid value - 13%, and small value - 8%. Growth in the technology sector comes down to some main stocks which include Facebook, Apple, Google, and Netflix. These stocks have driven large growth space and the S&P 500 Index. The returns from these asset classes have increased 400% from March of 2009 to today. The price earnings ratios over 15 years are all over 100%. It leads us to believe that the US stock market is priced high with Price/Earnings ratios in excess of 15 year price earnings ratio. He believes this tells us that things may change in the near future.

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

Mr. Bonasera went over the change in returns up to June, 30 2018. Growth is still doing better than value. Large and mid-values are negative. Small value is up 5.4%. The best returning asset class is the Small Cap Growth Funds which are companies that are under \$2 billion in market capitalization. There is money in all sectors with our diversified portfolio. Mr. Bonasera also spoke of the S&P 500 Index. The graph showed the 50% drop in 2000, and the global financial crisis in 2007 which had a 60% drop. Since March 2009 the US stock market has steadily gone up approximately 400% since March 2009. The European stock market has lagged and is expected to provide good returns in the future. At this point the European market has not gotten back to the previous high peak in 2007. The portfolio was slightly over weighted in international stocks this last year as there is a lot more room to grow there than in the US market.

A look at the long term interest rates it showed the interest rate slowly declining for many years and now they are increasing. If the feds continue to increase the interest rates the bonds will only return 3-4 % long term as compared to 8% during the 30 year bond bull market. We have been in a bond bull market so we can't expect that going forward. The bond market is negative year to date because rates are going up.

Our economy goes in cycles of expansion and contraction. We have been in one of the longest expansions in history. The Yield Curve has been a reliable predictor of recessions/ contractions since 1951. The Yield Curve reflects the interest rate the US government pays on government securities from short term government bills to 30 year government bonds. Our government has to borrow money to pay our bills since there is a deficit. We buy these treasuries and many foreign governments like Japan and China purchase trillions of dollars of these. The Yield Curve is flattening as long term rates have decreased and the short term rates have increased. Since 1951 every recession in the USA has been predicted by the inverted yield curve. When the curve inverts (short term rates exceed the 10 year Treasury) the economy slows down and there is a recession within 12-18 months. Mr. Bonasera thought within two to three years there could be a recession coming. That would cause the stock market to dip. Most people predict the dip to be around 15% to 20%. This is a typical business cycle. When interest rates are really low it drives gross domestic product which means more jobs, incomes go up, and consumers spend more. Then there is some inflation and the government starts raising rates to slow the economy so it does not cause hyperinflation. This causes the gross domestic product to go down which in turn means less jobs, lower income, and consumers spend less. Then the cycle begins again. We are currently in a long growth stage.

Mr. Bonasera shared the stocks in MSC portfolio holdings. There are 3 funds that Hub International is keeping an eye on for MSC. Pioneer Strategic Income, Prudential Total Return, and Oppenheimer Floating rate. Floating rate is the only one that has positive returns to date. There is also money in cash reserves.

The asset is approximately \$1,000,000. Annual income is about \$34,000 or 3.4% interest. The Prudential bond fund is down 1.24% year to date. Category Ranking shows it is currently ranked in its peer group number 82 in a ranking of 1-100 with 1 being the best. The ranking for the fund is in the top decile for 3,5,10 years. The Pioneer Strategic Income fund is off 1%. The Oppenheimer floating rate is up. The overall portfolio shows returns are down eight tenths of one percent year to date thru August 26. The

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

Barkley's Aggregate bond fund is what we should compare to is down .84 so we are outperforming them. The cause of the decrease in overall portfolio shows is the headwinds we are facing with raising rates. His suggestion is that MSC stays where it is at with the portfolio. Mr. Bonasera stated that you could shift some more into the floating rates but they are not as high in credit quality as the investment grade bond funds.

Secretary Patone raised a question to Mr. Bonasera if there are any other opportunities to be had besides bonds as the company investment policy does not say that it has to stay within bonds. He responded with saying he thought the bonds that are currently invested are the best option. If there is a concern with the loss this year he advised that the money be moved over to cash or CD's or treasuries. The funds that we currently have are strong but this sector of the market is currently off.

Dr. Hansen raised a question about a fund Mr. Bonasera had mentioned that was guaranteed income through the pension and if it would be available for the normal investments. Mr. Bonasera responded that it is only sold through the retirement plans. The fixed account represents the general assets of Nationwide insurance. Nationwide invests in bonds, mortgages and other direct placement investments to back the promises made to their clients. Like a bank, the portfolio may return approximately 3.5% -4% and pay us approximately 2%- 2.5%. We will obtain accurate quotes from Nationwide. The account guarantees principal and the interest rate is adjusted periodically. The account is liquid so it can be moved in and out of easily. With interest rates rising, there will be headwinds or pressure on bond prices. His recommendation is to mitigate some of the bond exposure and collect on the 2% instead of being in the negative 1% or negative 2%. A formal recommendation with rates will be forthcoming.

(Mr. Bonesara and Mr. Denton were thanked and left the meeting)

Dr. Sippel thanked Secretary Patone, Mr. Blomquist, and Mr. Guyer for their great presentation at the city council meeting.

Minutes-

A motion was made and seconded to approve the minutes of the 8/23/18 monthly meeting. The motion was seconded and approved.

A motion was made and seconded to approve the minutes of the 8/23/2018 executive session. The motion was seconded and approved.

Treasurer's report- Treasurer Stubbs reporting

Treasurer Stubbs reported a total operating cash balance of \$2,671,097.14 PNC escrow and meter deposit total in the amount of \$733,287.04. The total cash balance is \$3,404,384.18. Total investments are \$1,097,000.93. Manager Blomquist reviewed bank statements for the month. Treasurer Stubbs addressed Mr. Blomquist's questions satisfactorily. The checkbook register is attached to Treasurer Stubbs' report.

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

A question was raised on if the dividends are reinvested. Secretary Patone answered that they are reinvested except for the Vanguard. The dividend incomes still have to be reported as income and then is shown as a purchase at cost.

A motion was made and seconded to approve the disbursements as presented. Motion was approved.

Accounting and Customer Service Report-Accounting/Customer Service Manager Tara French Reporting (See attached reports.)

Accounting/Customer Service Manager French reported that she attended a webinar for the Public Power Week which is October 7-13. The webinar gave ideas how to educate the customers on what it means to be in Public Power. The customer service representatives came up with ideas to educate the customers. MSC will be represented through a display table at the Rivertowns Festival on October 6. They will be wearing t-shirts and handing out brochures and pens with the MSC logo. MSC has a billboard with one of the MSC lineman on it. DEMEC commented that the billboard is one of the best photos and they used the photo in their slides for their annual meeting.

Staff evaluations were performed on Monday, September 24, 2018.

Accounting has been reviewing consumption and the electric was up last month due to the hot weather, but in line with last year's usage. Water user charges were down slightly from last month so Tara will be analyzing our consumption.

Manager French reported on interviews and that the Accounting Department offered a position to the most qualified candidate and the offer was accepted.

Manager French participated in training on the Work Order Module and will begin training the operations departments. Also Manager French has been working on improving details in the project accounting module. Most recently she has been reconciling escrow for the Riverwalk project on the water and electric sides. The electric meters will be installed shortly.

Financial report (For period ending 8/31/2018)

Accounting/Customer Service Manager French prepared the August 2018 monthly balance sheet and financial statement. She reported total assets of \$19,285,321. Cash balance is up 14% from last month. Accounts Receivable is down 15%. She noted that this was due to improved collection procedures that were put in place.

Schedule for Revenue and Expenses-Accounting/Customer Service Manager French reported Revenue and Expenses had no significant changes over the same time last year. There was a surplus in net assets of \$229,978. \$4,139 was attributed to the Water Department and \$225,839 to the Electric Department.

Secretary Patone confirmed with Manager French that they will review the Budget vs. Actual Report at next month's meeting.

Electric Department Report- Electric Utility Manager Blomquist reporting

(See attached report.)

Mr. Blomquist reported on developer projects. The parking lot service in Centerpoint is ready to be turned on. For the Riverwalk Apartment project we are waiting for invoices to be supplied by the general contractor. There have been some changes over the last week. He found out that the general contractor paid the contractor in full. Being that this is not the normal process, the MSC required a lien release from the contractor stating that they had been paid in full. Some cut in cards have been

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

received. There is still money in the escrow account that will need to be returned to the general contractor.

For capital projects, Mr. Blomquist reported that in Van Dyke Village the City's paving contractor is replacing some curbs and planning to pave Baldt Avenue. The electric department has some road crossings on Baldt Avenue so they moved forward with installing the road crossings so they do not hold up the paving. It is about halfway complete. Supervisor Granger has materials on order for this project and they should be received soon.

Mr. Blomquist reported on capital purchases. The T5 and T11 replacements are expected to be delivered in December. Materials have been ordered for capacitor banks and some of them have been received.

Three outages were reported by Mr. Blomquist over the last month. Two were planned and one was unplanned. One outage was for 15 minutes. The other was 1 hour. Both were on a transformer on Janiver so Delmarva could replace a pole. 14 customers were affected. The unplanned outage was at 318 South Street. There was a raccoon on top of the transformer that blew the fuse. 5 customers were affected for 20 minutes. There was another raccoon after this one. It was behind the plant. There were no residential customers without service. A cell tower out lost service and 1 Commercial customer experienced a dip in voltage at about 2 a.m.

Next Mr. Blomquist reported on repairs and maintenance. At Wilmington Road substation the electric department performed monthly inspections. The feeder cables on the 210, 220, and 230 circuits have been replaced, tested, and are back in service. ABB is scheduled to be on site to test relays starting 10/5/2018. At Dobbinsville substation the electric department performed monthly inspections. ABB is also scheduled to be on site starting 10/5/2018. For system maintenance the electric department continues to do pole inspections. The electric department assisted Delmarva to change out 6 of Delmarva's poles with MSC infrastructure attached.

Mr. Blomquist reported on training. He attended a training course on using body language to increase your influence at DEMEC on 9/6/2018. Mr. Blomquist and Mr. Granger attended the PJM 101 course at DEMEC on 9/11/2018.

Mr. Blomquist reported on Safety. Crane training has been scheduled for December 3-7.

A question was raised by Dr. Hansen about the PJM course, how long it was, and what was covered. Mr. Blomquist responded that it was a very useful course and it lasted all day. He said they covered generation, transmission, billing, planning outages, and contingency plans. Secretary Patone also added that they covered bidding into the market, whether there is firm contracts, and also discussed capacity charges.

Water Report- Water Utility Manager Guyer reporting

(See attached report.)

At the last meeting, the portion of the Riverbend project within Centerpoint was approved for the 12" water main. This project, Centerpoint project, was approved to get the water main out of the area to be paved. The materials were received and installed by the water crew. The testing was started this week. One small leak was discovered and was fixed. It will be tested and finished up tomorrow. Next week the

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

paving should be finished up weather permitting. There has been communications with Cecil Bank, the contractor, and JWM investments. The contractor has been moving cautiously with doing any work. It is possible in the next couple of weeks they may be working with DNREC to get permits to go in and do some sediment erosion work. Riverwalk Apartments has had little activity in the water department. Mr. Guyer has been working with Manager French to get the final billing reconciled. They are in the process of getting water meter setters installed. With the Delaware Street cleaning and lining, he is working on getting a final proposal to J Fletcher Creamer to get a bid for that work. It will be a combination of in house and some contracted out. The VFD for the 40 hp Artesian pump is in the process of planning to get it installed. Also Keystone Engineering has been contacted for the SCADA work that will need to be addressed when the VFD is installed.

Mr. Guyer reported on operations, outages, and reporting. He reported 2 planned outages for the month of August 2018. The outages were on Gray Street and 11th Street. They were related to the valve replacement on Gray Street. Insurance Services Office would like to come out to do hydrant flow testing due to improvements that have been made over the last 10 years. Current insurance rating for the city is split rating of 5:9 rating. This is due to the Good Will Fire Companies response district being outside of the City limits down Rt.9 which is served by Artesian Water Company. Mr. Guyer does not think that their inspection will have a negative impact on the insurance rates. He also reported on meeting with KCI Technologies regarding updating the city's comprehensive insurance plan and updating the MSC information in the plan.

Mr. Guyer reported on system maintenance. Keystone Engineering performed their first routine maintenance on the SCADA system 09/17/2018. He has a copy of the maintenance report. He is in the process of reviewing and addressing any concerns in the report.

Mr. Guyer reported on budgets and grants. He said he is almost ready to send out the Asset Management Grant. He has been working on operations and maintenance budgets and capital budgets for the next year.

Mr. Guyer reported on maintenance. He said the water department has used a lot of the City's equipment this year. The electric department has been able to perform maintenance on this equipment. They are looking to put a new dump truck on the capital budget this year as the old one needs replaced. The zero turn lawn mower was serviced and was about \$1300 to fix. Some of the older equipment is starting to cost more money in repairs.

Mr. Guyer reported on personnel. He said they completed the water operators and facility persons' yearly evaluations. Crane training is scheduled for December 3-7. He attended the body language training through DEMEC.

Regarding Safety Mr. Guyer reported that they have tailgate talks every morning discussing jobs and tasks and making sure everyone is aware of safety hazards. They held formal safety meeting on 8/24/2018 and 9/14/2018. They utilized AWWA safety materials. Bruce Industrials came and did an inspection on the overhead crane in the utility building shop and will submit a report with concerns.

Mr. Guyer reported on reporting agencies. He attended a WSCC subcommittee meeting. The group agreed to move forward with reviewing the water condition index and drought indicators. Also to

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

update how water conditions are monitored so when the WSCC moves forward with making recommendations to the Secretary of DNREC the process will be more streamlined.

(Mr. Blomquist, Mr. Guyer, Treasurer Stubbs, and Accounting/Customer Service Manager French were all thanked and excused from the meeting)

Secretary's Report- Secretary Patone reporting

DEMEC- Secretary Patone noted that she also attended the PJM meeting. Secretary Patone and Dr. Sippel attended the annual meeting on 9/19/2018. Also in attendance from the City of New Castle were Council President, Linda Ratchford, Councilperson Valarie Leary, and Councilperson Michael Platt. The annual meeting is when the annual election of officers and committee members are approved.

Under construction projects, it was reported that Delmarva did complete the Middletown substation so that is coming to a close. Staff is still working on the charitable contribution policy and will have something to review at the next meeting. Utility Best Practices update- We had submitted all the information the contractor that is working for DEMEC had requested. Some of the municipalities had not completed the requested information. There was concern about the customer satisfaction survey that was going to take place and what questions would be asked. Secretary Patone reported the MSC had completed a similar survey in 2014 by AMP. This was free to the MSC. That survey went really well and the questions being asked on the survey were disclosed before the survey took place. The results showed the MSC scored in the highest percentile in customer satisfaction. She offered to provide the list of questions from 2014 to help with the survey they are trying to put together. A press release will be sent out that people may receive a call for this survey. It looks like we will be having this survey of all the communities and should take place in late October or early November.

New business- During the council meeting there were some questions from the floor. One of the questions was with the viability of burning trash as a form of fuel source. It would be a question more for DEMEC as the city is not involved in generation. Another question was the possibility of MSC getting into broadband or any other utility in the city. Council formally asked MSC to consider looking into broadband. Smyrna just had a feasibility study on this. They found out they could not get any government funding or grants as there is already great coverage in the area through other vendors. The thought process is that MSC falls in that same category. Smyrna's consultant came up with a \$12 million investment that would be needed to make this work. It was determined that it was not feasible to move forward with. Our internal discussion wrapped around that when the AMI smart meters are put in there will be fiber installed and it would be possible to add more in at that time. Secretary Patone thought a feasibility study would cost money but maybe they could look at it with AMI through the smart meter process. She asked the commissioners for their thoughts on the subject. Dr. Hanson thought that it would not be possible to move forward without a feasibility study. Mr. Knox asked how much the study costs. The answer from Secretary Patone was \$50,000. Secretary Patone stated that it would require a whole new department to do this. Dr. Hanson asked if Smyrna would share their feasibility study with the MSC and Secretary Patone said that she was not sure about the confidentiality on this report so she will get back to the commission on it. She requested that she get back to them at the next meeting. More discussion took place on different aspects of why this was brought up in Smyrna and how it could work. In order to properly respond to the city with this request we need to figure out who is not currently covered and what is the reason to do it.

Municipal Services Commission Monthly Meeting
September 27, 2018, 4 p.m.
216 Chestnut Street New Castle, Delaware

Secretary Patone brought up the Rivertown Festival and how the customer service reps are excited to take part in this. She also extended an invite to the commissioners for the MSC family picnic on October 20, 2018.

A motion was made and seconded to move into executive session at 6:17p.m. The motion was approved.

Commissioners returned to general session at 6:54__p.m.

Next Meeting

Commissioners set the next monthly Board meeting to be 10/18/2018 at 4 p.m. at the Office of the Commission, 216 Chestnut Street, New Castle, Delaware.

Adjournment

A motion was made and seconded to adjourn the meeting. The motion was approved. The meeting was adjourned at 6:55p.m.



Heather J. Blomquist, Stenographer

Approved: 

(Minutes transcribed from recording.)

ELECTRIC DEPARTMENT COMMISSION REPORT

October 18, 2018

Prepared by Scott Blomquist on October 11, 2018

1. Developer Projects:

I. McConnell Centerpoint Parking Lot:

- i. We received a cut in card for the electric service and the electric crew made connections and installed a meter for this location. This project is complete and EUM Blomquist will work with accounting to get reconciled.

II. Riverwalk Apartments:

- i. Cut in cards were received for most of the services on Building A and one of the services on Building D. The contractor requested that meters be installed on the services that we had cut in cards for. The Electric department energized one transformer and installed meters.
- ii. The billing for this project didn't go through our normal process as the GC paid the Electrical Contractor for the work they performed that will be the MSC's Infrastructure. The MSC requested and received a lien release from the Electrical Contractor. The Owner has requested the funds in escrow be released back to them. EUM Blomquist worked with Accounting and Customer Service Manager French to reconcile the project.
- iii. During the project the electrical contractor hired us to help them pull wire for this project and they chose to perform work we needed to inspect on a Saturday. An invoice was prepared for the work to perform the wire pulls and the difference between the straight time and over time for the inspection work. The invoice was mailed to the contractor

III. Riverbend Subdivision:

- i. There is nothing to update for this project.

ELECTRIC DEPARTMENT COMMISSION REPORT

October 18, 2018

Prepared by Scott Blomquist on October 11, 2018

2. Capital Projects:

I. Van Dyke Village:

- i. The work on Baldt to get out of the road has been completed except some paving. If weather holds this will be completed on October 11th.
- ii. The Electric Department will continue to work to install conduit to the service locations as long as we will not be in the way of the City's paving contractor.
- iii. A majority of the materials needed to start the project have been received.

3. Capital Purchases:

a. T-11 and T-5 Replacement:

- I. Expected delivery for these trucks is in December.

b. Capacitors:

- I. Materials for the capacitor banks have been received.

4. Operations:

a. Outages :

- I. We had 1 unplanned outage over the last month.
 - i. At 100 Municipal Blvd we had a raccoon blow the fuse for the cell towers. 4 customers were out of power for a little over 6 hours. We didn't receive any calls but we heard the generator running for the cell tower, went back to investigate, and found the problem.

MUNICIPAL SERVICES COMMISSION
CITY OF NEW CASTLE, DELAWARE 19720-0208
P.O. BOX 208

<http://newcastlemsc.delaware.gov/>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

ELECTRIC DEPARTMENT COMMISSION REPORT

October 18, 2018

Prepared by Scott Blomquist on October 11, 2018

II 10/1/17 – 10/1/18

SAIDI (minutes)	SAIFI (number of interruptions)	CAIDI (minutes)	ASAI (percent)
42.63	1.09	38.8	99.99

SAIDI - is the average outage duration for each customer served.

SAIFI - is the average number of interruptions that a customer would experience.

CAIDI - gives the average outage duration that any given customer would experience.

ASAI - is the Average Service Availability Index.

5. Repairs and Maintenance:

a. Wilmington Road Substation:

- I. The Electric Department performed monthly inspections of the Substation.
- II. ABB was onsite starting on October 8th. Testing on this substation took longer than ABB had anticipated. The relay for the 240 circuit which was out of service as it had been previously sent back to the manufacture for repairs, was shipped back to us and installed but was waiting to be programmed and tested has a problem. ABB was unable to communicate with the relay via the user input keys or connecting to it via computer.
- III. After testing was complete at this location load was transferred over from Dobbinsville Substation.

ELECTRIC DEPARTMENT COMMISSION REPORT

October 18, 2018

Prepared by Scott Blomquist on October 11, 2018

- b. **Dobbinville Substation:**
 - I. The Electric Department performed monthly inspections of the Substation.
 - II. Load was moved to Wilmington Rd Substation and ABB started testing relays at this location.

- 6. **System:**
 - I. As we have been working on Baldt to get out of the way of the City's paving contractor there is nothing to update on this location.

- 7. **Training:**
 - I. There has been no training courses over the last month

- 8. **Safety:**
 - I. Daily tailgate sessions and safety meetings continue

- 9. **City Comprehensive Plan:**
 - I. EUM Blomquist prepared and submitted his thoughts for the electric portion of the City Comprehensive Plan update

- 10. **Capital Budget:**
 - I. Secretary Patone, WUM Guyer, EUM Blomquist have been working on updating the 5 year capital plan.

- 11. **Operations Budget:**
 - I. EUM Blomquist and Supervisor Granger have started working on the Operating Budget for FYE2020

MUNICIPAL SERVICES COMMISSION

CITY OF NEW CASTLE, DELAWARE 19720-0208

P.O. BOX 208

<http://newcastlemsc.delaware.gov>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

Water Department Commission Meeting Report

October 18, 2018

Prepared By: Jay Guyer on October 12, 2018

1. Projects

A. Riverbend Subdivision

1. The water system in Riverbend was flushed on September 24th and October 5th to maintain the required 0.3 ppm of Chlorine Residual.
2. 12" Water Main Installation – MSC Water Operators started work on the project September 5th excavating for the tap which was completed by Brandywine Construction on September 7th. Main installation, testing, flushing, and blacktop restoration was completed on October 3rd. This project is complete for the MSC. Project Billing will be completed and forwarded to the Office for review, reconciliation, and invoicing.
3. MSC was advised by JWM Investments that Cecil Bank plans to delay any further work in Riverbend Subdivision for the last quarter of 2018. He will follow up with the Bank in January 2019.

B. Water Metering

1. Meter reading was completed on October 12th. Water Operators followed up on water check reads as needed and replaced 6 ERTS that were no longer functioning.

C. Riverwalk Apartments – 7th Street

1. WUM Guyer worked with AM French to reconcile the costs to date for Phase 2 of the project. An invoice was submitted to Penrose Company for the inspection overages requesting reimbursement. Penrose Company requested the money in escrow for the water main work that is completed be released to them as they already paid the contractor. WUM Guyer forwarded their contractor SB Conrad a "Release of Liens" form which they completed and returned. An estimate for Phase III inspection and testing of the water services was completed and submitted to Penrose Company requesting a check be submitted for the escrow account. WUM Guyer and WUS Jaeger have been working with SB Conrad and their contractors to coordinate the flushing and installation of water meters in Building A. All work inspected by MSC is in compliance with MSC Water Technical Specifications and Cross Connection Control Manual.

MUNICIPAL SERVICES COMMISSION

CITY OF NEW CASTLE, DELAWARE 19720-0208

P.O. BOX 208

<http://newcastlemsc.delaware.gov>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

Water Department Commission Meeting Report

October 18, 2018

Prepared By: Jay Guyer on October 12, 2018

D. Delaware Street Cleaning and Lining - 3rd to 7th Street

1. WUM Guyer and WUS Jaeger are reviewing the recommendations on different approaches for completing the project as well as setting up the next phases of cleaning and lining projects on the numbered streets. The approach will include a combination of MSC Water Operators completing a portion of the work and contractor completing a portion of the work. A final scope of work for the Delaware Street project will be completed and submitted to J. Fletcher Creamer & Son for a proposal. WUM Guyer will research other contractors who perform cleaning and lining projects requesting they submit a quote. The cost of this work will be included in the FY 2020 Capital Budget with an anticipated Spring 2019 start date if approved.

E. 40 HP Finish Water Pump VFD

1. The VFD Drive for the 40 HP Finish water pump was received from United Electric on September 19th. WUM Guyer is coordinating installation with EUM Blomquist, SCADA integration with Keystone Engineering, and VFD programming / start up with United Electric.

F. Utility Building Security System Upgrade

1. WUM Guyer has contacted Security Instruments in reference to starting work on separating the Utility Building alarm system from the Police Building alarm system. Several details related to the communication and monitoring requirements are being reviewed and options discussed.

G. MSC Paving Projects

1. WUM Guyer and EUM Blomquist have discussed starting work on the 3 MSC paving projects the week of October 15th. The plan is to start preparing the lot at the Utility Building, then move to Basin Road Well, then to the Main Office. The work will be planned and coordinated with the office staff to cause the least amount of disruption to their operations.

MUNICIPAL SERVICES COMMISSION

CITY OF NEW CASTLE, DELAWARE 19720-0208

P.O. BOX 208

<http://newcastlemsc.delaware.gov>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

Water Department Commission Meeting Report

October 18, 2018

Prepared By: Jay Guyer on October 12, 2018

2. Operations

A. Outages and Reporting

1. There were no planned and no unplanned water outages for the month of September 2018.
2. WUM Guyer and WUS Jaeger have been working with Mr. David See of Insurance Services Office, Inc. (ISO) in reference to updating the information they have on file for MSC's water system. ISO is in the process of completing a community survey to confirm the public protection classification that is used by insurance companies to set property insurance rates for this area. WUM Guyer provided all information requested by Mr. See including an updated description of MSC's water system and water projects completed over the last 10 years. Mr. See will be on site October 16th to observe hydrant flow tests conducted by WUM Guyer and WUS Jaeger.
3. City Comprehensive Plan Update – WUM Guyer and WUS Jaeger are working on updating the MSC's Water Operations portion of the City Comprehensive Plan.
4. WUM Guyer received a call from Mr. Adrian Zappa, Global Compliance Manager of DoGoodOrganic located at 250 Centerpoint Boulevard. Mr. Zappa requested copies of MSC's water quality test results which they plan to include as part of the data they are required to have on file for their Certification as an Organic Food Processing facility. WUM Guyer discussed the request with GM Patone and advised Mr. Zappa he would need to complete and submit a FOIA Request for the information. The FOIA Request was received and processed. The water quality data WUM Guyer had available was forwarded to GM Patone who forwarded it onto Mr. Zappa.

B. System Repairs and Maintenance

1. Water Operators have been performing routine maintenance at the water sites including cutting the well head protected areas, using the bushhog to clear the right of ways and easements, and clearing fence lines at the sites.
2. Water Operators continue working on the curb box maintenance program, ensuring valve alignment and making corrections as needed.

MUNICIPAL SERVICES COMMISSION

CITY OF NEW CASTLE, DELAWARE 19720-0208

P.O. BOX 208

<http://newcastlemsc.delaware.gov>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

Water Department Commission Meeting Report

October 18, 2018

Prepared By: Jay Guyer on October 12, 2018

C. Budgets and Grants

1. WIAC Asset Management Grant - WUM Guyer worked on the WIAC Asset management Grant Application package to submit for the October 17th meeting. Mr. Jones of R K & K Engineering forwarded MSC a draft of the completed Scope of Work to be included with the package. WUM Guyer forwarded the completed grant application to WIAC on October 10th.
2. WUM Guyer is reviewing the Year to Date O & M and Capital Budgets for issues and possible overages that need to be addressed. Approved projects are being reviewed, planned, and scheduled for the rest of the year.
3. GM Patone, EUM Blomquist, and WUM Guyer have been working on updating the 5 Year Capital Plan including projects and equipment for presentation to the Commissioners at the October meeting for discussion.
4. WUM Guyer and WUS Jaeger, and FP Jones continue working on the Operation & Maintenance Budget for FY 2020.

D. Equipment

1. The new T-5 and T-11 trucks have been ordered from Bayshore Ford with an estimated delivery date of mid December.

E. Personnel and Training

1. No personnel issues to report.
2. GM Patone, WUM Guyer, and WUS Jaeger completed the annual employee evaluations on September 28th.
3. MSC management is scheduled for the "Developing Emotional Intelligence" training on November 16th.

F. Safety

1. MSC Water Operators and Facility Person hold daily morning tailgate talks discussing jobs/tasks to be performed that day and make sure everyone is aware of potential issues or hazards to be considered.

MUNICIPAL SERVICES COMMISSION

CITY OF NEW CASTLE, DELAWARE 19720-0208

P.O. BOX 208

<http://newcastlemsc.delaware.gov>

Office: 302 323-2330 Utility Building: 302-323-2333 Fax: 302-323-2337

Water Department Commission Meeting Report

October 18, 2018

Prepared By: Jay Guyer on October 12, 2018

2. MSC Water Operators and Facility Person conducted Safety Training using the AWWA 52 Safety Talks Manual, AWWA Support videos, and other supplemental materials on October 5th.

G. New Castle National Pollutant Discharge Elimination System (NPDES)

1. WUM Guyer continues working with City Building Official Bergstrom on getting the drain pipe under the railroad tracks cleaned out. MSC is reviewing spill containment options for our 5 gallon gas cans and 100 gallon diesel fuel transfer tank.

3. Reporting Agencies

A. WSCC - Water Supply Coordinating Council

1. The next meeting of the WSCC sub-committee evaluating the Northern Delaware Drought Operating Guidelines is scheduled for November 30th at the University of Delaware DGS Annex Building.
2. The next WSCC meeting is scheduled for October 18, 2018.

B. WRA – Water Resource Agency

1. WUM Guyer is sending weekly pump data to Jerry Kauffman of University of Delaware Water Resource Agency (WRA).

C. DEWARN – Delaware Water/Wastewater Agency Response Network

1. The next DEWARN meeting is scheduled for November 8, 2018.

D. Water Operator Advisory Council Meeting

1. The next meeting is scheduled for December 6, 2018.

End of Report

Attachments: September 2018 Water Works Report
September 2018 Water Outage Tracking Sheet