

Municipal Services Commission  
Monthly Meeting  
April 25, 2019 – 4:00 P.M.  
216 Chestnut Street  
New Castle, Delaware

The meeting was called to order at 4:00 P.M. with Dr. Roy Sippel, Commissioner, presiding.

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

**Staff in Attendance:** Treasurer; Mary Jane Stubbs, Accounting/Customer Service Manager;  
Tara French, Jay Guyer; Manager, Water Department

**Retirement Plan Investments Presentation**

Joe Bonasera from Summit Financial Strategies gave a presentation to the Commissioners and Managers regarding investments. He recommends that there be no changes to the retirement plan's Investment Policy. The current investment policy is 65% of plan assets in equities and 35% in fixed income. The international allocation is 14% of investments. These strategies are held in both active (11%) and passive index (3%) funds covering developed and emerging markets. The United States large cap allocation is 30% of the portfolio. The large cap allocation is weighted equally across growth, value and blend. The investment funds are a mix of active and passive strategies. The domestic mid cap allocation is invested in the Vanguard Mid Cap Index (13%). The domestic small cap allocation is 6% split between growth and value with both active and passive strategies.

The Fixed Income allocation is 35% of the portfolio. The investment strategies are monitored on a quarterly basis. The IPS (Investment Policy Statement) documents the process and methodology for the selection and monitoring of the investment options.

Mr. Bonasera stated they are watching the market trends and believe stocks should outperform bonds, absent any geopolitical disruption. Summit will contact Secretary Patone if markets warrant reconsideration of the IPS.

In the last meeting it was recommended to increase the allocation to the fixed fund which is crediting 2.4% through the end of April. It is expected to increase for the May 1<sup>st</sup> six month period. The new rate on May 1<sup>st</sup> is 2.46% thru 12/31/19. The purpose of this recommendation was to protect the plan assets from rising interest rates and falling bond prices.

We also have exposure to both corporate and government bonds with intermediate term duration and high quality. Vanguard Total Bond Index is primarily (70%) United States government treasuries and Metro West which is a corporate bond. There are two multisector bond funds, Pioneer and John Hancock Income Fund that make up 5% of the portfolio. We did remove the

dedicated high yield portion of the portfolio as high yield behaves more like stocks. The recommendation was to protect the portfolio by eliminating the dedicated high yield allocation. We have a dedicated exposure that was removed in the last meeting in anticipation of seeing a recession, and probably will not see this until after the 2020 election.

The multisector bond funds do have the latitude to include exposure to high yield bonds. The managers have the discretion and will utilize in an effort to help the performance of the fixed income.

The market value of the plan assets as of 4/23/19 was \$3,143,000.00. The plan assets returned 9.2% in the first quarter of the 2019 year. The return for the plan year beginning May 1, 2018 to April 24, 2019 was a 5.3%, even with the substantial downdraft in the 4<sup>th</sup> quarter of 2018.

There are no exposures to commodities or the Vanguard global capital (special metals). The inflation protection fund that is being used is the Vanguard real estate fund.

The Financial Advisors are monitoring these investments on a quarterly basis. Mr. Bonasera stated the fiduciary's responsibility is to prudently monitor investments to make sure they are performing, equal to or better than their benchmark, and that they deserve to be in your portfolio. Summit uses two due diligence systems to assess the quality of the investment fund. The first of the due diligence systems is their own analysis system approved by their compliance officer (Commonwealth Financial of Waltham MA, the largest independent broker dealer in the US). This system has both quantitative and qualitative metrics to assess the quality of a fund.

Quantitative metrics include returns, risk, up/ down capture, etc. The qualitative metrics include an evaluation of ownership/ change, employee turnover, investment process, price, manager's personal investment in the fund, etc. The investment fund will pass due diligence if it has a score of 60% or more. A score less than 60% would require the fund to be put on a watch list. If the score is less than 50% for seven quarters, it would be a candidate for removal. This system sets a high hurdle for a fund to pass. As a result there could be more funds on a "watch list". For example, a bond fund can fall below the 50<sup>th</sup> percentile of their peers with as little as 2-3 basis points of return less than the peer group.

There is a historical pattern that illustrates when there is a trend decrease in the unemployment rate and a trend increase in wages that leads to a recession. We are currently seeing those trends and the potential for a recession.

Additionally, the yield curve has been one of the most accurate predictors of a recession. Historically, when the yield curve inverts the US economy goes into a recession on average in 14 months following the inversion. The Federal Reserve has increased the federal funds rate from 0 to 2.5%. The yield curve from December 2013 versus June 2018 shows the long end of the curve dropped from 4% to 3%. This illustrates that the curve has certainly flattened. The Fed is projecting a potential for one more rate hike in 2019. The marketplace thinks interest rates will go down.

The Municipal Services Commission does not have a lot of employees due for retirement. There are eleven people under the age of fifty, and four over the age of fifty that are active. There is still a need for long term growth. Mr. Bonasera reviewed the IPS with the actuary, Jason Denton, and he also agrees to not change the retirement investments.

### **Operating Account Investments**

Secretary Patone states the Municipal Services Commission is at a \$2,700,000.00 reserve currently. \$1,000,000.00 of that is invested with Summit and the balance is in the operating account. The investment objective is to have stability of principal and income to outperform inflation. Thus a moderately conservative portfolio would make the most sense. There will be some price fluctuation as interest rates in the market change. However over 3-5 years there should be stability.

**Pioneer Strategic Income** holds 40% of the portfolio. This is a multi-sector bond fund that also has the ability to invest up to 20% in stocks. Currently, they do have stocks where roughly 75% is invested in small value stocks and mid cap value stocks. **Oppenheimer Senior Floating Rate** is a short term low quality bond fund that holds 20% of the portfolio assets. These are bank loans where the assets are secured and the interest rate fluctuates with the market. The portfolio also has 40% invested in Prudential Total Return Bond. With the desire for yield many bond managers have looked to lower quality bonds to meet the need.

Overall, the portfolio allocation is 60% in mid to high quality corporate and government bonds; 22% is in low quality short term secured bank loans and 18% in low quality intermediate corporate bonds.

The portfolio return for one year ending 4/21/19 was 3.75%, three years 4.3%, and five years 3.07%. Since inception in 2014 the fund has earned 3.16%. Total amount contributed to this fund was \$951,668.00. There was a net change of \$81,182.00 of earnings as of April 22, 2019 we had \$1,032,850 with 3.14% return.

### **Proposed Portfolios**

#### **Option I Conservative**

This portfolio was created to increase the credit quality of the bonds and thus eliminate high yield and the potential for a decline in price and therefore stability, if the US goes into a recession.

The portfolio consists of 80% medium to high quality bonds with a duration of five years. Prudential Total Return and Fidelity Bond Z will each be allocated 40% of the assets. Prudential Ultra Short Term Bond will hold 10% or approximately \$100,000.00 for liquid assets in the event of immediate capital needs. The current yield is 2.9%. The proposed portfolio has 10% in 20 year United States Treasury Bonds I Shares. This asset was included in anticipation of further decreases in yield/ increase in price in the long treasury market. Summit believes capital will continue to flow to the US as our interest rates are among the highest in the world. Other

countries send their capital to the US driving prices higher and yields lower. If the long end of the yield curve increases prices will fall.

This portfolio has eliminated all of the high yield bonds. In an effort to maintain stability of principal, the high yield was eliminated as it acts like a stock. In anticipation of a US recession and a stock market down draft, high yield would be highly correlated to stocks and generally decrease in price.

### **Option II Moderate Conservative**

This portfolio is more aggressive and diversified than the previous. 71% of the portfolio is invested in medium to high quality bonds. Prudential Total Return is 40% and the Fidelity Bond Fund is 34% of the portfolio assets.

T Rowe Price Global Bond strategy has an allocation of 10% of the portfolio. This strategy is primarily investment grade, however 35% is below investment grade. The strategy consists of US and foreign government bonds whose debts ratios are much better than the United States. Many of these sovereign bonds have less debt as a percentage of GDP than the US and are financially strong. Thus, capable of making interest payments. Summit could have used the Pioneer Strategic Income which is in the current portfolio, and chose T. Row Price because their mandate does not allow equities. Summit chose not to have an exposure to equities in this portfolio in anticipation of a recession.

This portfolio, like option I above, has a sleeve in long term 20 year US Treasury Bonds I shares.

PIMCO Emerging Market bonds has a 5% allocation. Emerging market debt year-to-date is up 7%, as their economies are the fastest growing in the world. High yield is also up 7% year to date however we expect the price to reflect a high correlation to equity returns. Give our expectation of a US recession at some point in the future, we are reducing exposure to high yield bonds. United States treasuries are the lowest return at 2.1% year to date. We have exposure in this category with Vanguard Total Bond Index.

We expect this portfolio to generate a little better return than Option I. However this portfolio will have higher risk/ volatility. Secretary Patone asked what the expected return is for the conservative versus the non-conservative portfolio. Mr. Bonasera stated the more aggressive approach would yield generally in the 4 to 4 ½ % going forward, and the more conservative approach would be 3.23 to 3 ½ %. Secretary Patone also stated the \$2,700,000.00 is a minimum cash reserve, and that needs to be further vetted. Both approaches are more conservative than the portfolio we currently are invested in.

(Mr. Bonasera was thanked and left the meeting)

**Minutes--A motion was made and seconded to approve the minutes for 2/28/19 & 3/28/19 monthly and executive meeting minutes and 3/14/19 special and executive meeting minutes.**

Secretary Patone reviewed a letter sent by Mayor Gambacorta, appointing Dr. Roy Sippel for another 3 year term. Secretary Patone stated each year a president of the Commission must be elected. Dr. Roy Sippel has been nominated and agreed to continue. The appointments and election are as follows:

Pamela Patone as Secretary, Mary Jane Stubbs as Treasurer, Pamela Patone as The DEMEC Board Member, Dr. Roy Sippel as The DEMEC Alternate Member, Jay Guyer as the Delaware Rural Water Voting Delegate, Ryan Jaegar as the alternate, Jay Guyer as The Delaware Water Wastewater Agency Resource Network Delegate, Ryan Jaegar as the alternate, Pamela Patone as The Water Supply Coordinating Council Voting Delegate, Jay Guyer as the alternate, Pamela Patone as the Delaware River Basin Commission Voting Delegate, and Jay Guyer as alternate.

Secretary Patone asked for approval or any recommended changes from The Commissioners.

**A motion was made, seconded and approved for the appointments and elections as presented.**

**Treasurers/Human Resources Report** – Treasurer Stubbs reported the following totals: Operating cash \$2,512,39.01, Escrow/Meter Deposit/Petty Cash \$735,276.16, Total cash \$3,247,915.17 and Investments \$1,128,353.06. Ms. Stubbs worked with Art Granger to review the bank statements. Ms. Stubbs was able to answer any questions that Mr. Granger had. Ms. Stubbs advised the commissioners the accounts payables were attached. There is a large one check for the city for the quarterly appropriation. Ms. Stubbs advised there's a new vendor Office Basics Inc., in which MSC gets office supplies, and an invoice for Walter Grainger, in reference to electric license training for Mr. Blomquist and Mr. Granger.

Ms. Stubbs attended the benefits rep meeting to learn of any updates pertaining to MSC employee health benefits and to remind MSC employees of the upcoming enrollment time. Ms. Stubbs mentioned the participation of MSC in Bring Your Child to Work Day, which everybody seemed to enjoy. Secretary Patone thanked Ms. Stubbs for organizing it, as well as for the transition into bi-weekly payroll which was successful. Secretary Patone verified with Ms. Stubbs that MSC is expecting a 7% increase in dental insurance effective July 1<sup>st</sup>, 2019, as well as the state reporting they don't believe there will be an increase in health insurance.

**A motion was made to approve the Treasurer's Report. The motion was seconded and approved.**

**Customer Service Department Report** – Ms. French set up phone notifications for the Delaware Street Cleaning and Relining Project to inform the affected customers of the meeting which was held on April 24<sup>th</sup>, 2019. Secretary Patone stated 14 residents attended, and the meeting was successful. Mr. Jaegar and Mr. Guyer brought samples of the water main from the last project. Ms. French entered the rates in for the approved new rate design in the billing software. A sample test was performed to make sure the billing was correct. Ms. French stated The CSR's have been gathering information to assist in preparing accounts receivable

confirmations, and other reports to assist in the year-end audit. MSC partnered with DEMEC for the annual Earth Day Raffle. The winner will be presented with a certificate for a tree or shrub from Ronnie's Garden Club, and is scheduled to meet for a photo opportunity with MSC in early May. The Customer Service Department prepared the monthly bills on April 22, 2019.

**Accounting Report** – Ms. French stated the auditors were in to observe MSC's inventory on April 3, 2019, with The Accounting and Operations Departments. MSC had minimal adjustments. Ms. French stated inventory went smoothly, with well-done inventory counts, and good management leadership. Secretary Patone added that Jay Jones is MSC's keeper of the inventory, he mentioned this has been the best inventory yet. He's been with MSC for 16 years. Ms. French stated the accountant prepared DEMEC legal and accounts receivable confirmation letters for the auditors and they have been sent out. Ms. French worked with the accountant to complete March 31, 2019 work papers and financials.

**Financial Report** – The executive summary for the financials are: Total Assets \$19,460,415. The deferred outflows on the statement of net position were adjusted by \$292,405 at March 31<sup>st</sup>, 2019 to comply with the regulatory accounting that was adopted last year. It also reduces the purchase of power substation expense. Before the adjustment on March 31<sup>st</sup>, 2019, The Surplus and Net Assets were \$597,925.00. There was a loss in water of (\$5,548.00) and a surplus in electric of \$603,473.00. The financials are unaudited at this point. They will be adjusted for private developer contributions for The Garrison, which received their Certificate of Occupancy on March 26, 2019. Ms. French stated MSC will need to account for this contribution in this fiscal year, and it is not yet reflected on the statements. Budget vs. Actual Report for the quarter ending March 31, 2019, reflects a couple of completed projects MSC has had, and ongoing projects that remain as of March 31, 2019. Ms. French stated all the departments were overall under budget for the fiscal year ended March 31, 2019.

**Electric Department Report** – See attached report.

**Water Report** – Mr. Guyer spoke with DNREC regarding the allocation permit for the Crossroads Well. The goal is to have that completed within the next month, with a soft submission done to be reviewed by DNREC before a formal submission. After the formal submission it will be reviewed, and advertised. The final papers will be sent and a final decision will be made.

**Garrison Apartment Complex** – Mr. Guyer reported there is not much activity there. They've had some issues with the sanitary services, and a couple leaks in the Clubhouse which are being addressed. Mr. Guyer received an email March 25<sup>th</sup>, inquiring about bacteria sampling in Building D, which is the building facing the marsh. That sampling will be scheduled.

**Delaware Street Cleaning and Lining Project** – Mr. Guyer met with J Fletcher Creamer and Brandywine Construction. Both organizations are on board, and are aware of the intended start date which meets both of their schedules. Mr. Guyer has received prices back on materials and has been working with Del DOT to get the permitting done for closing 6<sup>th</sup> St. They requested the Water Department do their portion of the project over a long weekend. The idea would be to begin on a Friday evening at 7:00 p.m. working through Monday morning at 5:00 a.m., and be

able to reopen it with all work being completed. The other two intersections of 4<sup>th</sup> and 5<sup>th</sup> St. would be able to be done during normal working hours. Mr. Guyer stated at the community meeting on March 24th, the customers would be affected were made aware of the potential parking issues. MSC has been using the automated calling system, as well as going door to door using door hangers and letters to gain access to customer's homes to set them up for the temporary system.

**Update for the Utility Building Security System** – Mr. Guyer stated everything has been submitted and he had received an email that our building permit from the City has been received by Security Instruments, and they can get started within the next week or so.

**Brylgon Ave**– Mr. Guyer stated the water service was installed the week of April 15<sup>th</sup>. The Water Department inspected it which conformed to MSC Standards.

**W. 3<sup>rd</sup> St. Parking Lot** – Mr. Guyer had a meeting with the Trustees and their engineer to review the water work required for the project. Mr. Guyer estimated the cost to relocate the hydrant and install the service at \$10,700.00 which was forwarded to Secretary Patone. Dr. Hansen inquired on where the new hydrant was going to be located. Mr. Guyer stated the hydrant was going to be shifted to the left about 30 feet. There's an existing water service there that used to feed the old garage, which was torn down. That service was capped inside of the grass. They want to put a yard hydrant in; MSC will extend the existing water service and put a meter pit in. There's one final approval the Trustees need before MSC would be able to begin anything. Mr. Guyer stated once all final approvals are given, he will get it on the schedule.

**The Del DOT Project for the Delaware Street Railroad Safety Improvements** – Mr. Guyer stated that he has reviewed the plans making comments to the states engineer. There are three water mains currently crossing under the railroad. Two of them dating back to the 1890's. The new 12 inch water main, some records of that go back to 1978 but are not sure whether the main was cased or not. Nothing had been called out by the inspector inspecting the installation. The states engineer has been out there the last week and a half doing soft digs, locating everything, and making determinations. The engineer will get back to Mr. Guyer when he has additional utility information in order to move forward. Mr. Guyer stated a goal would be for the water department to eliminate the two old mains from going under the tracks, and keep the new 12 inch main provided it was cased. Mr. Guyer suggests that if it isn't cased, the State put a casing in, and relocate that 12 inch into the casing for safety reasons. The interesting thing about this intersection, it's one of two railroad crossings in The State of Delaware that the railroad does not own the right of way. It's still owned by the State therefore they have ability to steer the project. Their timeline right now for the project is to have everything done, engineered, be out to bid by January 2020, and do the work in June or July of 2020. There are numerous utilities running through that intersection. They want to excavate 5 ft. deep, put a concrete trough in there, fill it with stone, and set the tracks. It's going to be challenging working in that intersection. Per the engineer, they have to have the tracks passable in 96 hours.

**Delaware St. Repaving** – Mr. Guyer had a meeting with City Engineer David Ahey. He did supply a revised plan of water and electric conflicts for the project. They plan on widening Delaware St. Mr. Guyer stated this was a first that this had been presented, Mr. Blomquist was

not aware of it either. Mr. Guyer doesn't recall it being mentioned at any meetings, nor been illustrated on any of the plans but they wish to add about 18 inches to each side of the street width. They want to move the curb back, which requires water services to be relocated. Mr. Guyer stated he did an estimated cost to relocate the water curb boxes at his request and sent it to him. The cost comes to being just under \$49,000.00 to relocate those services.

**Operations** – Mr. Guyer reported there were no planned and no unplanned water outages for the month of March 2019.

Mr. Guyer reported the Delaware River Basin Commission Report was filed on March 28<sup>th</sup> prior to the March 30<sup>th</sup> deadline.

Mr. Guyer stated inventory was completed on April 1<sup>st</sup> and 2<sup>nd</sup>, the Accountants came in and observed on the 3<sup>rd</sup>. Overall MSC water inventory discrepancies were less than 1%.

Mr. Guyer stated April 10<sup>th</sup>, MSC Water Operators met with Artesian Water Operators at School Lane Treatment Facility and flushed the interconnection mains so they could collect a bacteria sample as part of routine maintenance. On April 12<sup>th</sup> MSC supplied Artesian with 500gpm of water through the interconnection to assist them with meeting demands while they filled their Bear tank that had been out of service for painting and general maintenance. Utilized for 24 hours the interconnection supplied them a total of 628,525 gallons of finished water.

Mr. Guyer stated during the month of March MSC received the 40,000lb delivery of carbon. The Water Department had to flush water through the carbon to backwash the system and reduce the pH of the virgin carbon. The pH of the new carbon is about a 12 on the pH scale of 1 to 14 with the only option to lower it is being to wash it. Calgon Carbon has an option to have the carbon pre washed however it is very expensive. Secretary Patone stated that MSC has worked with DEMEC and other organizations to confirm putting the water out onto the ground is an acceptable practice. Mr. Guyer met with Steve Smailer and his assistant on sight. They have toured MSC facilities, and had the process gone over with them. Mr. Guyer stated that the PFAST is an issue that nobody knows how to deal with, and The EPA announced their initiative to deal with PFAST. Mr. Guyer stated MSC will stay on top of it, and adjust operations accordingly.

**School Lane** – Mr. Guyer stated several equipment repairs were completed during the last month. 1 – 8" and 4 – 6" soft close check valves were removed, disassembled, cleaned, epoxy coated, and reinstalled to eliminate corrosion and operational issues. The chlorine room exhaust fan motor failed, a new one is ordered. The interconnection room basement exhaust fan motor failed, a new one was ordered, received, and installation is pending. Water Operators cleaned and inspected the clear well. The Carbon Filtration Vessels have been pressure washed and cleaned to remove dirt and mold from the exteriors.

**Budget and Grants** – The Water Infrastructure Advisory Council met on April 17th. Mr. Guyer stated he got an email from Heather Warren advising him MSC was rewarded the \$100,000.00 grant. Mr. Guyer stated he had spoken with Bruce Jones of RK&K Engineering, and they're prepared to begin the project. When the state starts their new budget year after July 1st, it'll be started. Mr. Guyer stated it was a grant they typically do over a 5 year period, however since



MSC already has its' water system mapped we requested an accelerated schedule of 2 years. Secretary Patone added how it's not on the Capital Budget because at one point it was taken off the listing because they weren't rewarding. The \$100,000.00 grant is supposed to be spent for RK&K services, therefore there won't be any money coming out of MSC's budget for this project. Mr. Guyer stated that MSC will have a fully developed asset management program at the end of the process.

**Capital Budget** – Mr. Guyer stated Electric Supervisor, Art Granger, had several small excavator demos delivered. They were tested out, and it had been decided to accept the Kubota model. The Operations Department is working on taking delivery of the machine. It is under budget by several thousand dollars. The Operations Department is also working on purchasing a trailer to move that and other equipment around. The new truck 11 was delivered on April 10<sup>th</sup>, equipped, and placed in service. The old truck was taken out of service. MSC reached out to a few individuals who showed interest in the truck. MSC received several sealed bids on the truck over a course of a week; they were turned into Ms. Stubbs. On April 24<sup>th</sup>, Ms. Stubbs announced Mike from Mikes Towing was the successful bidder. Mike paid \$1,650.00 per truck and purchased two trucks. After receiving payment on April 25<sup>th</sup>, the titles were signed over to Mike.

Mr. Guyer stated there was a two hour training seminar put on by A. Y. McDonald at the utility building. They are a company that does brass fittings, and couplings. They had a great speaker who had 25 years with the Detroit Water Company. He gave a wealth of knowledge on the fittings, and how to install and tighten them. Mr. Guyer stated the company supplies fittings The Operations Department is looking into using.

The Operations Department holds their morning tailgate safety talks and continues to conduct safety training using the AWWA Safety Talks Manual and videos.

Mr. Guyer stated there was a meeting with DEWARN Organization. Rod Penman will stay on as Chairman this year, Mr. Guyer will stay on as Vice Chairman, and Mark Neimester of Newark will serve as The Secretary. Mr. Guyer stated The National WARN is revising the resource typing manual, as well as streamlining the process for providing assistance. They are trying to come up with mission ready packages for assistance. Membership has remained unchanged from previous meetings and National WARN is developing new recruiting tools. Mr. Guyer stated DEWARN is not just for natural disasters, but also for tools, equipment, knowledge, engineering, and anything that is needed that a utility does not own. Mr. Guyer stated that Senator Carper's office has been spearheading an effort in Washington, D.C. to get The EPA on board and start offering more assistance and guidance as far as the PFAS contamination. They're putting together a workshop for all utilities and water companies to get everyone on the same page with the PFAS contaminant and how it can be dealt with. Mr. Guyer stated he will be giving a speech at the workshop, as well as Joe Dinunzio from Artesian. There was discussion of Secretary Patone, Supervisor Ryan Jaegar, and the Commissioners attending the meeting.

Secretary Patone touched on the increases in budget and the reasoning. The highlights of the increases include the carbon being consumed faster than anticipated and well abandonment. The well abandonment is now 5,000 over the threshold. Mr. Guyer stated these are tests wells that are

not being utilized. There is a security issue due to them being in close proximity to MSC's production wells. They are monitored to be sure they haven't been tampered with however they are susceptible to tampering, and Secretary Patone stated how there had been additional lab testing, which resulted in the water department needing to track the PFC's better. There was also lead and copper testing this year. The Water Department operating expenses were a significant percentage wise increase.

*(Ms. Stubbs, Mr. Guyer and Ms. French were excused from the meeting)*

**Secretary's Report** – Secretary Patone attended the monthly DEMEC meeting on April 16, 2019. President McCullar presented the February 2019 financial report. Lou Vitola presented the investment report for the first quarter of 2019. The previous month, the Audit Committee recommended the Board approve the audited financial statements. This was done a month in advance of the presentation by the auditors, due to the desire to get them completed and to the rating agencies before DEMEC's rating came out. Baker Tilly presented at the April meeting. This is the first year they've had no journal or adjusting entries.

For the past several months, Secretary Patone has been working on providing information to The Shpigler Group for the benchmarking study being prepared for DEMEC. All the municipalities participated although some did not participate in Customer Survey. Several of the suggestions for improvement are things MSC is already working towards. On page 36 of the report, the billing issue identified related to multiple software systems which was successfully integrated to one system over the past year. The metering issue related to an aged AMR system and the need to move towards an AMI system for both water and electric. Secretary Patone stated this has been part of the five year capital plan. She indicated the AMI system will be the first step toward addressing a possible MDMS (meter data management system) also mentioned in the report. She has reached out to the town of Seaford to see their AMI system with Mr. Guyer, Mr. Blomquist and Ms. French. Lastly, DA (distribution automation) is being explored through DEMEC. At the last DEMEC meeting, a possible DEMEC hosted SCADA System was discussed. The system would have automated equipment which could potentially save DEMEC money in purchase power cost by reducing voltage. The board voted to approve engineering fees being spent to perform a feasibility study on a DEMEC hosted SCADA Study.

Secretary Patone further discussed the AMP AMI program. AMP put out an RFP for all the different services and equipment related to an AMI program. AMP staff would be the project managers on the project. After the preliminary review of the AMP AMI program, staff had a concern regarding the water meters not being the meters currently utilized. The MSC management team will revisit the program and have a presentation done for the Commissioners

Secretary Patone has a goal of becoming APPA (American Public Power Association) RP3 (Reliable Public Power Provider) designated. She has set up a reliability tracker to start tracking outages for the past 5 years and have been recognized for reliability. Safety, workforce development and system improvements are also considerations in being awarded the designation. DEMEC staff will be assisting communities to complete the application process. MSC will begin the application process with the help of DEMEC.

Secretary Patone invited the Commissioners to attend the DEMEC Joint Council Meeting on May 22, 2019.

**Cyber Security** – Secretary Patone has been working with MSC's IT Group to keep aware of cyber security as it relates to municipalities and utilities. All of MSC's staff participated in cyber security training. Secretary Patone had a discussion with Bill Barthel regarding insuring the City enforces the same IT policies as the MSC since the MSC and the City share servers. Mr. Barthel agreed and was open to Secretary Patone setting up cyber security training for the City's staff. MSC is also taking steps towards a disaster recovery plan. Secretary Patone and Mr. Barthel are going to review some disaster recovery back-up solutions recommended by the MSC's IT Group.

### **Old Business**

**Operating Budget** – Secretary Patone stated normally in January of each year the operating budget assumptions are reviewed and then the budget is approved in February or March. Due to the collective bargaining agreement being renewed this year, the assumptions are being presented and approval is being requested in the same month.

Administrative Expenses– Secretary Patone began by indicating the budget sent in advance of the meeting reflected a net loss of (\$57,364). She indicated the administrative expense line item would need to be increased by \$6,000 due to bank charges for the new online bill payment service. The total budget with this increase would result in a net loss of (\$63,364) (Water Dept. net loss (\$167,154) and Electric Dept. net income \$103,790.

Assumptions– User charges: .5% growth in both water and electric consumption, with a 12% overall increase in the water rates. 2% overall decrease in electric rates using the new DEMEC rate for the power purchase expense. DEMEC's rates are calendar year, MSC's are on a fiscal year, therefore making 9 months at one rate and 3 months at another. Still have substation payments for a full year. The wages were adjusted for the collective bargaining agreement, with the one-time bonus for the bi-weekly payroll. Secretary Patone stated the actuary report for pension expense is still not in but the Commissioners already approved an additional \$50,000 to be paid into the pension, therefore, the estimated budget and additional funding should be sufficient. Estimated health insurance with 7% increase, Dental at 3% (however just learned of actual dental increase at 7%). Vision insurance was an addition to the budget per the collective bargaining agreement. For Property Workman's Comp Insurance, MSC used the renewal rates, and removed one of the D&O policies previously; therefore insurance expense is coming down slightly from previous years.

Charges for the appropriation to the City are currently calculated at 6% at currently unaudited user charges. Based on the numbers Ms. French is currently calculating, the City would experience an estimated 2% increase (approx. \$16,000.). The City pays for their electric service at the DEMEC rate, water is contributed to the City at no charge. Professional fees will be higher compared to previous years due to rate design being performed each year. Operational expense increases in water department are due to the additional carbon and additional sampling required.

The Electric Department reflects increases in operational expenses due the amount of Animal Guard being installed. It wasn't yet installed on the the Strand during the outage recently. Supervisor Art Granger assured he's installing Animal Guard in that area. MSC is committed to switching over to LED lights during all street light change outs. This increases the budget for street lights marginally. Vehicle maintenance has increased for the older MSC vehicles, which are slowly being switched out to new. Because of the capitalization policy of \$5,000.00, some of the equipment that's requested, less than 5,000.00 is showing up in the operating budget. Estimated depreciation expense each year is based on the current amount of fixed assets. The remaining expenses MSC tries to keep at about a 2.5% inflation cost, consistent with the recommendation of the new rate design. The cost of service report, water net loss reflected \$109,000.00 as opposed to the budgeted loss of \$164,000.00. The \$54,000.00 difference is largely due to the fact when giving expense estimates to the consultant in Oct/Nov, MSC was not aware the carbon was going to be showing break through as early as it is and therefore carbon expense would need to be increased. In addition, management did not anticipate more than a 2 or 3% increase in salary changes, however, after the conclusion of union negotiations the salary increase of 3% and bonus paid due to bi-weekly payroll the expenses were higher than what was originally provided to the consultant. The electric cost of service net income is very close to the budgeted net income, the \$18,000.00 difference is largely due to the salaries expense line item. As reported last month, adjustments to the Electric Department's cost of serve purchase power expense line item were made after further review with the consultant.

**A motion was made, seconded and approved Operating Budget.**

**Cohen Law Preliminary Report** – Secretary Patone provided to the Commissioners the Cohen Law research regarding the ability of the MSC and the CNC to require utilities be placed underground. She indicated the recommendations included actively negotiating with Verizon and Comcast when their agreements are up for renewal. Secretary Patone wishes to get the final product to Bill Barthel and have communication with the City regarding negotiation. Secretary Patone would like the City's input and communicate any questions to Cohen Law. Secretary Patone would like to engage Cohen Law in the negotiations of the Verizon & Comcast agreements. In summary, there are ways to promote having utilities be placed underground the cost associated with this could be negotiated. Figuring out how much cost can be shifted to the utilities vs. the City/MSD paying for the cost needs to be reviewed. The Commissioners agreed to Secretary Patone reviewing with the City.

**New Business** – Secretary Patone reported it is time for the renewal of the exclusivity of the demand response provider within the City of New Castle. Currently MSC has zero customers on demand response. In the past, Zenith utilized a demand response provider but no longer does and has communicated to Secretary Patone they would not be participating. DEMEC agreed it would be in the best interest of Municipalities to have one provider who is qualified and reputable, and would be coordinated through DEMEC. DEMEC also offers incentives for demand response in addition to C-Power who is the current exclusive provider. Secretary Patone has visited Key customers with C-Power to introduce the program. C-power and DEMEC have applied to be the exclusive provider again this year.

**A motion was made, seconded and approved for C-Power/DEMEC to remain MSC's designated provider.**

Secretary Patone suggested a tour involving the new Council members and The Trustees, preferably on a Saturday morning to accommodate busy schedules. Dr. Sippel states that he welcomed the Mayor to join the next Commission meeting. The Mayor accepted.

**A motion was made, seconded and approved to move into Executive Session at 6:41 P.M.**

Commissioners returned to general session at 6:49 P.M.

Next Meeting

Commissioners set the next monthly Board meeting to be Mary 23<sup>rd</sup> 2019, 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**

Michelle R. Grussemeyer

Michele R. Grussemeyer, Stenographer

Kaitlin F. Swarter

Kaitlin F. Swarter, Stenographer

Approved: Carol A. Bate

(Minutes transcribed from recording)

**ELECTRIC DEPARTMENT COMMISSION REPORT**

April 25, 2019

Prepared by Scott Blomquist on April 11, 2019

**1. Developer Projects:**

**I. Garrison Apartments:**

- i. The Electric Department was contacted and the Contractor asked if they could get power to Buildings B and C. Manager Blomquist advised them that they would need to take care of any outstanding bills for the project, We would need cut in cards for each service they wanted turned on, and that they would need to touch base with the office and fill out any paperwork needed.
- ii. CT's for buildings B and C were dropped off to be installed by the electrician.
- iii. Manager French replied to both the owner and the contractor via email with outstanding bills.

**II. Riverbend Subdivision:**

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

**2. Capital Projects:**

**I. Van Dyke Village:**

- i. The Electric Department has updated locates and are completing a few small projects and will be resuming this project.

**3. Capital Purchases:**

**a. T-11 and T-5 Replacement:**

- I. There is not a viable radio for our trucks at this time, as this was the last item to complete T-5 we will not be purchasing a radio.
- II. T-11 was delivered on 4/10/19.

**b. Capacitors:**

- i. There is nothing to update on this project

**ELECTRIC DEPARTMENT COMMISSION REPORT**

April 25, 2019

Prepared by Scott Blomquist on April 11, 2019

**4. Operations:**

**a. Outages :**

- i. There have been no outages over the last month.
- ii. 04/01/2018 – 04/01/2019

SAIDI (minutes)	SAIFI (number of interruptions)	CAIDI (minutes)	ASAI (percent)
19.43	0.5	35.96	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 the monthly inspection at this location.

**b. Dobbinville Substation:**

**ELECTRIC DEPARTMENT COMMISSION REPORT**

April 25, 2019

Prepared by Scott Blomquist on April 11, 2019

- I. The Electric Department performed the monthly inspection at this location.
6. **System:**
  - I. Two poles have been replaced and three more are on the schedule to be replaced at this time.
7. **Safety:**
  - I. Daily tailgate sessions and safety meetings continue.
8. **City Comprehensive Plan:**
  - I. An updated draft was sent to GM Patone for review.
9. **Delaware Street Rehabilitation City:**
  - I. Manager Guyer and Manager Blomquist met with Building Official Bergstrom and City Engineer David Athey and discussed the project. City Engineer Athey will update plans to address concerns we had and send a copy to us to review.
  - II.
10. **Third Street Parking Lot:**
  - I. Manager Guyer and Manager Blomquist met with Chris Castagno and Tom Episcopo from the Trustees and their engineer from Forsite Associates, Drew Hayes. The Trustees are asking that the MSC would supply materials, labor, and equipment to install the electric service and parking lot lights for the project. Manager Blomquist prepared an estimate. The cost for labor and equipment which is our normal practice to provide is \$12,200.00. The cost estimate for materials is \$26,617.37. The cost estimate was based on lights we purchased in 2011. Currently we are waiting on updated pricing from Penn Globe.
11. **School Lane Solar Monitoring:**



**ELECTRIC DEPARTMENT COMMISSION REPORT**

**April 25, 2019**

**Prepared by Scott Blomquist on April 11, 2019**

- I. The monitoring system is installed but not connected to the inverter at this time. Supervisor Granger is working with Schneider Electric's tech support to resolve the connection issue.

**12. Inventory:**

- I. Yearend inventory was completed March 2<sup>nd</sup> and the Auditors were onsite March 3<sup>rd</sup>. Inventory went very well this year.

**13. IT & Cyber Security:**

- I. Manager Blomquist attended the IT & Cyber Security Roundtable with our IT contractor at DEMEC. Much of what was discussed was sharing with each other municipality how they currently protect their IT Infrastructure.
- II. GM Patone asked Manager Blomquist to prepare an estimate to loop our current fiber network between the MSC and the City. Manager Blomquist prepared an estimate and provided to GM Patone.

**14. DEMEC/ Northwest Lineman College:**

- I. Manager Blomquist and Supervisor Granger attended a training discussion at DEMEC about training for Lineman Apprentices and continuing education for Journeyman Lineman. DEMEC had Northwest Lineman College onsite to present several options they offer. Currently the MSC uses NLC's distance learning program to train apprentices. The item we were most interested was the continuing education portion. NLC has courses that if there is enough participation can be held at a facility of our choosing or we can send our Lineman to their facility for continuing Ed.

**15. Operations Budget:**

- I. Adjustments on several accounts have been made and a second draft was submitted to GM Patone for review.

# 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

April 25, 2019

Prepared By: Jay Guyer on April 18, 2019

### 1. Projects

#### A. Riverbend Subdivision

1. The water system in Riverbend was flushed on April 4<sup>th</sup> and to maintain the required 0.3 ppm of Chlorine Residual.

#### B. Water Metering

1. Meter reading was completed on April 12<sup>th</sup>. Water Operators followed up on water check reads and missed reads as needed.

#### C. Cross Roads Well – Penn Farm

1. WUM Guyer and WUS Jaeger contacted Bill Cocke and Allison Diggins of DNREC Water Supply Branch to discuss completing our Allocation Permit for submission to include the Cross Roads Well. The Allocation Permit will be completed and a draft submitted to DNREC for review and comment prior to the final submission being made.

#### D. The Garrison Apartment Complex – 7<sup>th</sup> Street

1. MSC completed installing 31 water meters in Building 800. The plumber started flushing the individual services and repairing leaks on each one. A blockage/crushed sanitary main on the property has delayed the process of preparing for bacteria sample collection in Building 800. The developer and contractor are current with their water and electric bills. City Building Official Jeff Bergstrom issued a Certificate of Occupancy for Building 500 and several apartments are leased. On April 16<sup>th</sup>, MSC was made aware of a water leak in the pump house on the domestic service side and was advised the mechanical contractor was contacted to make the repair.

#### E. Delaware Street Cleaning and Lining - 3<sup>rd</sup> to 6<sup>th</sup> Street

1. WUM Guyer and WUS Jaeger had several conversations with J Fletcher Cramer (JFC) and Brandywine Construction Company, Inc. (BCCI) to discuss the Delaware Street project. Both organizations have agreed to the June 10<sup>th</sup> start date with JFC starting with the temporary water mains/services and BCCI planning to rebuild the 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> Street intersections when the temporary is placed in service.

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2. WUM Guyer and WUS Jaeger met with Del DOT to review the 6th Street intersection closure. They have requested the work be performed over a long weekend with BCCI working around the clock to complete the installation. Del DOT has agreed to assist with the traffic detour plan. After meeting with BCCI on site, they are confident they can complete the rebuild over a weekend.
3. WUM Guyer is working on the Utility Construction Permit and Traffic Detour/Road Closure Permit with Del DOT. WUS Jaeger has updated the materials list and forwarded it to our suppliers requesting quotes. The automated calling system was utilized to notifying customers of the upcoming project. Water Operators have been working house to house entering to check for points to connect temporary water services.
4. A Community Meeting has been scheduled for April 24<sup>th</sup> at the Court House with our customers that will be affected by the project. Information will be prepared and available to assist them with understanding the cleaning and lining process.

### F. Utility Building Security System Upgrade

1. WUM Guyer and our electric crew met with our Security Instruments Sales Representative and Installer to review and coordinate the separation and installation of the new security system. MSC is waiting on a confirmed start date for the project so our electric crew can complete their portion of the work including pulling wire and connections.

### G. Delmarva Power Gas Main Installation

1. The Delmarva Power gas main installation project was shut down by Del DOT due to incomplete permits being filed by the Utility. Brandywine Construction Company, Inc. (BCCI) had started working on the pipe project but has demobilized until the permit issue is resolved. WUM Guyer and WUS Jaeger will monitor the installation to ensure no issues are created between the new gas main installation and MSC Water infrastructure.

### H. 108, 110, and 112 Brylgon Avenue – 3 New Homes

1. Marty's Contracting submitted money for escrow for the water service installation and inspection. Their contractor Pro Works was scheduled to install the water service the week of April 15<sup>th</sup> and will coordinate inspection of the installation.

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### I. 1003 Wilmington Road -- New Home

1. C & K Contracting has started construction on a new home at 1003 Wilmington Road. The old water service from the house that was demolished still exists from the main to the curb stop. The Builder will be advised of the requirements to tie into the existing service. The foundation is completed and backfilled.

### J. West 3<sup>rd</sup> Street Parking Lot Proposal

1. WUM Guyer and EUM Blomquist met with the trustees and their engineer to review the project and scope of work MSC will be requested to complete. WUM Guyer will draft a revised estimate to relocate the fire hydrant out of the proposed entrance and install a meter pit on the existing water service. Trustees agreed to mark out the entrance for proper relocation of the hydrant and meter pit installation.

### K. Del DOT – SR 9 / SR 273 Delaware Street Railroad Crossing Safety Improvements

1. WUM Guyer and WUS Jaeger reviewed the Del DOT plans received from Century Engineering in reference to the Delaware Street / Ferry Cut Off Railroad Safety Improvements being proposed. Comments including the stranding of a fire hydrant on 8<sup>th</sup> Street, the age of the 3 water mains crossing under the tracks, and the recommendation to eliminate 2 of the 3 water mains were returned to Century Engineering for consideration.

### L. Delaware Street Repaving – City Project

1. WUM Guyer received an updated plan from City engineer Dave Athey illustrating the water and electric conflicts on the project. One new proposal is to widen the paving on Delaware Street which would require 18 water service curb boxes be relocated out of the street. WUM Guyer is working on a cost and response to Mr. Athey.

## 2. Operations

### A. Outages and Reporting

1. There were no planned and no unplanned water outages for the month of March 2019.

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2. City Comprehensive Plan Update – WUM Guyer forwarded a revised Water Operations portion of the City Comprehensive Plan incorporating comments from GM Patone.
3. Delaware River Basin Commission (DRBC) - WUM Guyer and WUS Jaeger completed updating the DRBC Annual Water Audit Report for 2018 and submitted on March 28<sup>th</sup>.
4. Water Operators completed the water inventory counts on April 1<sup>st</sup> and 2<sup>nd</sup>. The counts were reviewed and discrepancies were recounted for confirmation. The auditors visited the Utility Building on April 3<sup>rd</sup> for Inventory Observation.
5. On April 10<sup>th</sup>, MSC Water Operators met with Artesian Water Operators at School Lane Treatment Facility and flushed the interconnection mains so they could collect a bacteria sample. On April 12<sup>th</sup> Artesian requested MSC supply them with water through the interconnection to assist them with meeting demands while they filled one of their tanks that was out of service for maintenance. The interconnection was utilized for 24 hours supplying them a total of 628,525 gallons of finished water.

### B. System Repairs and Maintenance

1. School Lane Treatment Facility – Several equipment repairs were completed during the last month. 1 – 8” and 4 – 6” soft close check valves were removed, disassembled, cleaned, epoxy coated, and reinstalled to eliminate corrosion and operational issues. The chlorine room exhaust fan motor failed, a new one is ordered. The interconnection room basement exhaust fan motor failed, a new one was ordered, received, and installation is pending. Water Operators cleaned and inspected the clear well. The Carbon Filtration Vessels have been pressure washed and cleaned to remove dirt and mold from the exteriors.

### C. Budgets and Grants

1. Water Infrastructure Advisory Council (WIAC) Grants – WUM Guyer was advised by Heather Warren that at the April 17<sup>th</sup> WIAC meeting they approved MSC’s grant request for developing our Asset management Program. WUM Guyer will follow up with Heather Warren of the State Revolving Funds Program and Bruce Jones, P.E. of RKK Engineering in reference to starting the project.
2. Operation & Maintenance Budget - WUM Guyer reviewed and confirmed the final draft of the O & M Budget as requested by GM Patone. Final approval is pending.

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3. Capital Budget – Managers Blomquist and Guyer and Supervisors Granger and Jaeger are reviewing the Approved Capital Budget and planning the purchase of the Compact Excavator and Utility trailer. Kubota and John Deere excavators were delivered to the utility building for a side by side demo. A final decision will be made and the unit purchased. The utility trailer specs are being finalized and the order will placed. Both purchases have been discussed with GM Patone so she is aware of the expenses for cash flow planning.

### D. Equipment

1. New Truck - 11 was delivered on April 10<sup>th</sup>. The truck was insured, tools transferred from the old Truck 11, and lettering ordered. A plan to dispose of the old T-5 and T-11 will be developed and presented for consideration.

### E. Personnel and Training

1. No personnel issues to report.
2. Water Operators and Linemen attended a 2 hour training seminar hosted by A.Y. McDonald Company on their brass fittings and couplings and the proper use and installation of the components.
3. WUM Guyer continues working on our Key Accounts Customer Action Plan for Nixon Uniform and Apparel Company for submission to GM Patone for Review.

### F. Safety

1. MSC Water Operators and Facility Person hold daily morning tailgate talks discussing jobs/tasks to be performed that day, potential issues or hazards to be considered, and safety concerns.
2. MSC Water Operators and Facility Person continue with Safety Training utilizing the 2019 AWWA 52 Safety Talks Manual, AWWA Support videos, and other supplemental materials.

## 3. Reporting Agencies

### A. WSCC - Water Supply Coordinating Council

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1. Scheduling of the next WSCC sub-committee meeting to evaluate the Northern Delaware Drought Operating Guidelines is pending.
2. The next WSCC meeting is scheduled for May 8, 2019.

### 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 April 9<sup>th</sup> DEWARN Meeting went well. This was the annual election meeting, Rob Penman of Artesian will serve as Chairman, Jay Guyer of MSC will serve as Vice Chairman, and Mark Neimeister of Newark will serve as Secretary for 2019. National Warn is working on revising the Resource Typing Manual to streamline the process of providing assistance and reviewing Mission Ready Package requirements for utilities. Membership for DEWARN has remained unchanged, National is developing new recruiting tools for the states to use. Reminder that WARNS are not just for disasters but also for assistance with parts, materials, and engineering when needed. PFAS contamination is at the forefront of the EPA and in Washington, DC. Senator Carper, the top Democrat on the Environment and Public Works Committee (EPW), is working to learn more about the slow pace with which the Environmental Protection Agency (EPA) and Department of Defense (DOD) have responded to the widespread groundwater PFAS contamination not only in Delaware but surrounding states.
2. The next DEWARN meeting is scheduled for August 2019.

### D. Water Operator Advisory Council Meeting

1. The next meeting is scheduled for June 6, 2019.

### End of Report

**Attachments:** March 2019 Water Works Report  
March 2019 Water Outage Tracking Sheet