

MINUTES
LOWER SWATARA TOWNSHIP MUNICIPAL AUTHORITY
JUNE 28, 2017

The June 28, 2017 Regular Meeting of the Lower Swatara Township Municipal Authority was called to order at 7:00 P.M by Chairman Richard Wilkinson. Chairman Wilkinson called for the pledge of allegiance. The record indicated the following officials in attendance:

- Richard Wilkinson, Chairman
- John Weikle, Vice Chairman
- Chester Hartz, Secretary
- Dan Magaro, Treasurer
- Scott Spangler
- Peter Henninger, Solicitor
- Frank Williamson, Township Manager
- Josh Fox, Engineer
- Tracey Bechtel, Recording Secretary

Residents and visitors in attendance:

Lester Lanman (LSTMA)
James Nardo, Linden Centre
Chris DeHart (Old Reliance Road)
Ron Paul (Richard Avenue)
Todd Truntz, (LST Commissioner)
Chad Huggins (LSTMA)
Bob Ambrose (HRG)

Public Comments:

A motion was made by Mr. Weikle seconded by Mr. Magaro to approve the May 24, 2017 Meeting Minutes. The motion was unanimously approved.

Engineer's Report: Mr. Fox distributed the monthly written report.

MRPI Release of Maintenance Security Bond: As requested by Township Staff, HRG completed a review of the sanitary sewer work contained within the 18 month maintenance bond for the 140 Fulling Mill Road land development project on June 23, 2017. Based on our review, no repairs are required to the sanitary sewers and we

recommend the remaining sanitary sewer improvement guarantee of \$4,800 for the 18 month maintenance period be released.

A motion was made by Mr. Weikle seconded by Mr. Spangler to release the remaining sanitary sewer improvement guarantee of \$4,800.00 for 140 Fulling Mill Road land development project. The motion was unanimously approved.

Capital Improvement Plan/Sanitary Sewer Rate Study: HRG has completed the Capital Improvement Plan and reviewed the Plan with the Authority Manager.

Rate Study: HRG has reviewed the impacts of capital improvements on to operating costs of the Township/Authority and outlined several strategies for project financing to reduce the magnitude of impact on customer user rates. HRG looks to discuss financing options with the Authority at this evening's meeting, along with the projected magnitude of user rate increases, and options for alternative rate structures. Following discussion with Authority, HRG will finalize rate structure options and provide a final recommendation to the Authority.

Mr. Fox reviewed Table 9-2: 5 year Capital Improvement Plan with the Board. Mr. Weikle commented that he realizes this is a fluid plan, but as a Board member he would love to see some smoothing done so that we don't have the spikes in cost as shown on this Table. In 2020 we're at \$1.3 million then for 2018 we're at \$254,000. Mr. Weikle suggested we revisit this and try to get it so there is minor humps instead of big spikes, because our income doesn't do that. Mr. Weikle also noted, he is not disagreeing with any of the plan, he just rather see more of an even dollar flow.

Mr. Fox agreed that that's a great point and indicated Mr. Lanman brought that up as well. The two items in 2019 the Farr's Pump Station and Cured-In-Place Piping he recommended could be moved out further.

Mr. Magaro asked if the Jamesway Pump Station Force Main improvements could be broken out over four or five years instead of all in one year. Mr. Fox replied that unfortunately that one has to be done all in one year.

Mr. Fox indicated that one of the things Mr. Williamson and Mr. Lanman asked HRG to look at was to try to identify projects that even though we are planning for capital to fund them ourselves, they would also fit well with grant opportunities that come along. The Jamesway Pump Station Force Main is big enough that it would warrant the Pennvest program. The Green Plains Force Main Discharge, HRG would recommend the Authority apply for the CFA small water sewer grant program in August.

Mr. Fox added that we can certainly move some of these projects back, but he would recommend 2018 be the smallest year because we're not going to build up any capital reserves that quickly so we need to keep that cost down and we'll work with Mr. Williamson and Mr. Lanman to prioritize what those improvements are.

Mr. Wilkinson noted that no matter what we do, we are going to be hit with a big bill in 2020 with the Jamesway Pump Station Force Main improvements. Mr. Weikle added that project should be the only one we do in 2020. Mr. Wilkinson asked if the Jamesway Pump Station will make it to 2020. Mr. Lanman responded that the Jamesway Pump Station is fine, the force main is the concern and is the only thing holding that station back from its full potential. Mr. Lanman added the only thing we got to remember, and this is something we are still in the works with, is the storm capital improvement plan and roadway. That is the other reason why 2018 is low, we already

know storm improvements are planning and designing and actively working in the Rosedale Manor and Georgetown area. When they do that improvement, there is going to be sanitary sewer stuff that will need to be done, we just don't have that whole picture yet to know how much.

Mr. Fox noted on Item No. 9 – Greenfield Drive Collection System Connection over by the Middletown School there are five to six homes that are not connected to the sanitary sewer because there is a missing section, so there was sanitary sewer installed by those five homes, then there was a 400' section that wasn't installed because of the crossing of the gas transmission mains, then it picks up on the other side. The \$195,000 would get a full project cost to bore under those gas lines and connect those two section and pick up those other connections. This is another one that would be a good candidate for the CFA small water sewer grant program down the line.

Mr. Paul pointed out to the Board that it was a dry sewer line that was put in at Greenfield Drive for the purpose of future connections, which is Messick's responsibility. Mr. Paul clarified further, that it's not just sitting there like "Oh boy, we missed something", it's there for future development so why would we even entertain the thought of trying to connect, just seems it would be not appropriate at this time. Mr. Paul also stated the he was aware that Mr. Messick was trying to talk to Sunoco about trying to do something sooner rather than later to get that line underneath the lines that Sunoco are putting in, whether he did that or not Mr. Paul wasn't sure of. Mr. Henninger noted that this project is projected out for 2022. Mr. Fox stated that he did not mean to say that something was missed, it was being planned for that missing piece to hook up another five to six connections.

Mr. Fox commented that the North Union Street Pump Station is also pushed out till 2022, these are improvements that are necessary to maintain the station in order for it to be sustainable long term. There is some proposed growth that would be tributary to that, which would cause this station to be upgraded. There is a good chance that those improvements would have to be done earlier by those parties that are causing it to be upgraded.

The last item Mr. Fox wanted to review was Item No. 12 – Combination Flushing and Vacuum Truck that is shown for 2019. This is a large capital purchase, but again necessary for long term operation and maintenance.

Mr. Fox indicated that he will make the discussed changes in the Plan and e-mail it back out to everybody to take another look, if everything is good, we will finalized the Capital Improvement Plan.

Mr. Fox turned the meeting over to Mr. Ambrose to update the Board on the progress of the rate study. Mr. Ambrose distributed handouts showing financial planning for the years 2017 through 2021. The first schedule shows the Revenues projected, increased growth from the Chapter 94 Report. Expenses are increased based on inflation and the existing 2012 debt service. It also shows the rate increase that will be needed. Mr. Ambrose noted that this information is based off the 2017 budgeted Sewer Revenue numbers. The critical year is 2017, it shows that the Authority needs a big rate increase to cover the \$375,000 deficit. The next schedule shows a 35% rate increase projecting five months of increase for year 2017. Mr. Ambrose noted that he estimated the Capital Improvement Plan at a \$3,000,000 project over the next five years (2018-2022), depending on how this will be financed, he showed one option with a \$3,000,000 Loan @ 3% for 20 years, that works out to be just over \$200,000 per year.

Mr. Ambrose included a second schedule showing another option for financing which would be a Line of Credit for \$3,000,000 and draw down the money as needed. This option still requires the same rate increase for

2017. Solicitor Henninger asked what all is included in the Other Operating Revenue line. Mr. Ambrose replied it included a \$50,000 grant and a \$21,000 refund from the state pension, but unfortunately he did not have the full break down with him this evening.

Mr. Wilkinson commented on the Capital Construction Highspire line item. If Highspire does the upgrades they need to do to the clarifiers and such, we are going to be on the hook for \$1.2 million. Mr. Wilkinson suggested that we should account for that on these schedules so the Authority has a better picture as to where they stand. Mr. Fox explained that with either Option A or Option B because we would be raising the rates now to recover the deficit over a very short time, this will provide for a surplus in the coming years which then can be used for Highspire, Middletown or Derry for those unknowns.

Mr. Ambrose asked the Board if the Authority has any available surplus funds because it was his understanding that the Authority does not have any. If there was surplus funds, the Authority could use those funds to offset the need for the rate increase. Another option is a short term loan. Solicitor Henninger responded that the Authority has about \$1.5 million in the Investment account and \$355,000 in the Special Purpose Fund, part of which is unrestricted funds because of reimbursements from prior capital projects. Mr. Ambrose added that it would make sense to use that \$355,000 to offset the rate increase this year.

Mr. Wilkinson stated that he is quite certain that the Board of Commissioners will not set a 35% rate increase this year. A rate increase would have to be staggered over a period of years, like it was done previously. Mr. Williamson noted that Mr. Kauffman had planned a six month rate increase in this year's approved budget. We identified it, we just have to decide do we want to take a big bite this year.

After further discussion, the Authority Board directed HRG to redo the proposed study to reflect a "zero" rate increase for 2017. Mr. Fox acknowledged that they can certainly do that and they will provide the Board with a new rate study in July.

Solicitor's Report: Solicitor Henninger noted a copy of the Audit that each member received. He indicated that as part of the Audit process annually he has to provide an opinion of council as regards to any pending or threatened litigation, claims, and assessments. He prepared that as of May 31, 2017. He indicated his letter was clean.

Solicitor Henninger reported on an upcoming foreclosure at 102 Richardson Road, for about \$2,000. It is scheduled for sale on July 18, 2017. He sent a collection letter out and will make sure we get a lien in place in order to protect the Authority's interest. He noted the water was shut off at this property last year.

M.A. Manager's Report: Mr. Lanman introduced Chad Huggins, who was recently hired in the Municipal Authority Department.

Mr. Lanman reported that he received a Grease Interceptor Variance for the Comfort Inn and Suites. They recommended a smaller interceptor than the 1,000 gallon per the Authority's spec book. Mr. Lanman indicated that their engineer has provided all the data we would need, HRG has reviewed it and is good with it. He asked the Board for their approval to allow the modified grease interceptor. Mr. Lanman also indicated that he noted on the

Permit that there will be a “look back” on this to see if there is a need to modify the cleaning frequency or if there would be a change in the use of the facility we could review it again at that time.

A motion was made by Mr. Weikle seconded by Mr. Hartz to approve the modified grease interceptor for the Comfort Inn and Suites. The motion was unanimously approved.

Township Manager’s Report: Mr. Williamson reported that Township Staff met with Mr. Straub of Boyer & Ritter, CPA’s to go over the Audit. Each Board member should have received a copy of this Audit this evening. The Authority had a clean Audit this year, there is no Management Letter. The Municipal Authority’s Audit only consist of one account, the Special Purpose Account. The other funds under the Sewer Authority are audited with the Township funds.

Solicitor Henninger indicated that the Municipal Authority has five (5) funds. The Special Purpose Fund, which is audited here. The Sewer Revenue Fund, Sewer Revenue Investment Fund, Sewer Revenue Escrow and the Capital Projects account. Solicitor Henninger noted that on page four (4) under HIGHLIGHTS FOR FUND FINANCEIAL STATEMENTS of the Audit it states The Fund Balance of \$355,118 is reserved for the following: \$355,118 for construction upgrades, he believes that to be an untrue statement, he believes they are unrestricted funds. He advised that contact with Boyer and Ritter will be made to straighten this out and he will report back to the Board next month.

Mr. Paul inquired about the money Emerald Pointe paid for Capacity for future capacity to Derry Township. He indicated there was an agreement when that project was developed that since they were taking our capacity from Highspire they should reimburse us monetarily because of the potential of flipping flow to Derry Township. Mr. Paul stated that it was a substantial amount of money. His questioned what fund the money was put into and would that be considered restricted or unrestricted funds? Mr. Paul suggested some research be done to look into this.

A motion was made by Mr. Magaro seconded by Mr. Weikle to approve June expenses in the amount of \$162,399.24. The motion was unanimously approved.

The next meeting is scheduled for Wednesday, July 26, 2017.

Solicitor Henninger asked for an executive session after adjournment to discuss Inter-municipal issues.

A motion was made by Mr. Magaro seconded by Mr. Spangler to adjourn the meeting and convene into executive session. The motion was unanimously approved and the meeting adjourned at 8:03 P.M.

ATTEST:

Tracey Bechtel, Recording Secretary