

W T M A

Warwick Township Municipal Authority

Administration of Water & Wastewater

APRIL 15, 2014

MINUTES OF THE BOARD

The meeting was called to order by Chairman, Troy Clair at 7:00 P.M.

Present Were: Board Members: Troy Clair, Edward Stone, Jeffrey Tennis and Joyce Gerhart, Administrator Daniel Zimmerman, Claudia Watt, Carl Haws, Solicitor William Crosswell, Consulting Engineer Steven Riley, Michael Reiner and Tina Guyer of Sager, Swisher & Co. LLP., Matthew Brown of the Arro Group and Russell McIntosh of HRG, Inc.

GUEST RECOGNITION: M. Reiner, of Sager, Swisher & Co., LLP, presented highlights from the 2013 audited Financial Statements. He said that more audit clarity standards were initiated this year including headings in the opinions. The auditor issued a clean opinion on the financial statements of the Authority as presented. Both 2013 and 2012 are shown in the Statement of Revenues, Expenses and Changes in Net Position for comparative purposes. There was an increase of about \$92,000.00 in operating revenue. There were no rate increases in 2013. Tapping fee revenues showed the largest increase. There was a 2.7% increase in operating expenses while administrative expenses decreased slightly. The largest increase in Nonoperating Expense was interest on the bonds while the largest decrease was in extraordinary repairs. There were no capital contributions in 2013. The net position was restated at the end of the year due to GASB65 which changed how bond issuance costs are accounted. They are no longer amortized over the life of the issue but are expensed, with the exception of bond insurance. What that means to WTMA is that about \$100,000 of debt issuance costs were written off in 2013. A note was added to the financial statements. In the Statement of Net Position, the current assets remain consistent and a line has been added for prepaid insurance. Cash and receivables are reflected there. Restricted Assets represents the money that is set aside under the Trust Indentures. About \$150,000 in capital assets were added over the course of the year. Total liabilities decreased, and WTMA is scheduled to retire about \$1 million in debt during 2014. Total liabilities decreased by \$931,000 causing an increase in net position for the year. This year, a statement of Fiduciary Net Position for the Pension Funds was included. Both the balance sheet and statement of changes in net position are presented. As of the end of 2013, WTMA has over \$1.2 million in assets in the pension fund. Other than the note summarizing the change in accounting principles, there are no significant changes to the notes which include all of the significant debt information, cash and disclosures. The last section of the report is the supplemental information that provides detail to the front statements. In the supplemental information the water and sewer systems are accounted separately.

The last document is a SAS 114 letter which outlines the conclusion of the audit, summarizes audit findings and outlines pending changes. Two additional procedures, GASB 67 & 68 which deal with the pension accounting and disclosure, will be implemented. The biggest change will be in 2015 with the implementation of GASB 68, how we account for and disclose pension information differently between MMO (minimum municipal obligation) and NPO (net pension obligation).

A motion was made by J. Gerhart, seconded by T. Clair to accept the 2013 Fiscal Audit Report. Passed unanimously.

Lititz Water Rate - M. Brown, of The Arro Group, was present on behalf of Lititz Borough to discuss the water rate. As requested by WTMA, Brown went back to Borough Council with the issues discussed at last month's WTMA meeting and subsequently sent a letter to D. Zimmerman. The Borough responded as follows to WTMA's issues:

Lititz acknowledged that depreciation had been counted twice in the previous calculation. Based on that correction, the bulk rate to WTMA was reduced from \$2.05 per 100 CF to \$1.75 per 100 CF.

The Borough is not willing to have a third party examine the transfer to the General Fund, whether or not the study would be paid wholly or in part by WTMA, as it believes the transfer is appropriate. Lititz does not require employees to keep a records of how they allocate their time. Therefore, Lititz used a percentage of all expenses which they believe they can justify by comparing them to the expenses of other municipalities. The Borough Manager maintains that over the past 5 years, the transfer has only increased by \$10,000 per year, with one \$15,000 increase. C. Watt said that, according to Borough records, the transfer has increased from \$590,000 in 2011 to \$681,000 in 2014, with an average increase of \$30,333 per year. C. Watt asked why the transfer from the water fund was so much greater than the transfer from the sewer fund. M. Brown responded that it is because Severn Trent is much more involved in maintaining the Borough's collection system and sewage pumping stations than it is in maintaining the water distribution system.

Lititz would entertain establishing a Capital Improvement Plan as part of a future agreement. A capital reserve fund would be established to be used specifically for improvements to the water system according to a 3-5 year capital plan. J. Tennis asked if their current budget includes capital improvement expense. M. Brown said that the 2014 budget includes a line item for capital improvement of \$300,000. The borough has no formal process at this time. J. Tennis said that we would want to make sure that the money that is budgeted is available for the water fund and, if not used, rolled forward into a dedicated fund. J. Tennis said that he would be interested in making sure that the apportionment of the general fund transfer was appropriate and documented.

D. Zimmerman said that he believes that significant progress has been made. One of the reasons that WTMA was concerned about the transfer is that there is no explanation of the basis on which the transfer is made or increased. The Water Agreement states that all payments received from WTMA must be used solely for the benefit of the water system. M. Brown said that it would probably be a good idea for the Borough to take another look at what costs are included in the transfer. J. Tennis said that he would like to see the Borough establish a methodology that will be long lasting and that we can all work with in the future. B. Crosswell said that it would be beneficial if Lititz would agree to develop some type of time sheet so that employees can keep some type of record of the time they are devoting to the water system versus the sewer system, streets, storm water, swimming pool, etc. He said that WTMA has an obligation to its own customers to at least try to establish what is an applicable cost. M. Brown said that Lititz is adamant that it might be a good idea to include some type of system for the calculation of the transfer in the new water agreement.

M. Brown will report to the Borough that progress has been made. He will try to get a better definition of the capital improvement fund will take a look at the components of the general fund transfer. He will discuss with the Borough budgeting a verifiable apportionment of the general fund transfer.

R. McIntosh asked M. Brown to identify the sources of the gallons pumped and gallons billed that will be used in the calculation going forward.

M. Brown and D. Zimmerman agree that Staff and Engineers should meet to discuss the issues identified by each board. The lawyers could then prepare an outline of an agreement that would then be presented to the general board.

The **MINUTES** of the March 18, 2014 meeting were unanimously approved on a motion by T. Clair, seconded by E. Stone.

The **TREASURER'S REPORT** was unanimously approved on a motion by T. Clair, seconded by J. Tennis.

PAYMENT OF THE BILLS, in the amount of \$197,176.61, for the period from March 18, 2014 through April 15, 2014, was unanimously approved on a motion by J. Tennis, seconded by J. Gerhart.

The **WATER OPERATING REQUISITION**, in the amount of \$173,000.00, for operation of the water system through May 22, 2014 and the **SEWER OPERATING REQUISITION**, in the amount of \$40,000.00, for operation of the sewer system through May 22, 2014, were unanimously approved on a motion by T. Clair, seconded by E. Stone.

The following **REQUISITIONS** from the **Water BR&I Fund** were unanimously approved on a motion by E. Stone, seconded by J. Gerhart:

<u>REQ.</u>	<u>PAYEE</u>	<u>REASON</u>	<u>AMOUNT</u>
WB435	Whitmoyer Auto Group	2014 Ford F350 - 40%	\$18,180.00
WB436	Herbert, Rowland & Grubic, Inc.	Lititz Water Rate	\$1,437.50
WB437	Morgan, Hallgren, Crosswell & Kane, PC	Lititz Water Rate	<u>\$2,286.00</u>
		Total	\$21,903.50

D. Zimmerman clarified that the cost of the meter pits for Lititz Reserve is a pass through cost which will be reimbursed as permits are purchased.

The following **REQUISITION** from the **Sewer BR&I Fund** was unanimously approved on a motion by E. Stone, seconded by J. Tennis:

<u>REQ.</u>	<u>PAYEE</u>	<u>REASON</u>	<u>AMOUNT</u>
B456	Whitmoyer Auto Group	2014 Ford F350 - 60%	\$27,270.00

ADMINISTRATOR'S REPORT

D. Zimmerman said that C. Haws has been doing a lot of inspection work at both Traditions of America and Rock Lititz. Tomorrow night, B. R. Kreider will do an all-night crossing on Millport Road. The project provided for the extension of the water main across the street at the intersection of Buckwater and Millport Roads. There are still two undeveloped lots along Hess Lane and it makes sense to make provisions now to serve those lots. The cost will be less than \$2,000. Work is also being done on the boring for the water line for Rock Lititz from the Grant Street meter pit.

MAINTENANCE REPORT

C. Haws reported on the following maintenance to the systems since the last meeting:

- The motor on pump 1 at the Newport Booster Station was replaced and the old motor was taken to Keener Electric to be rebuilt.
- Maintenance personnel cleaned the floats at all of the pumping stations.
- The ARV was replaced at Station 6.
- Maintenance personnel televised the sewer line on Pinewood Avenue. There was a sink hole and we wanted to make sure that the line was not sagging.
- The dusk to dawn light at Station 10 was repaired.
- The PVC fence at Station 15 that sustained damage by snow was repaired.
- Several water meters that had repeated 0 usage were repaired.
- The generator at Station 3 was starting on pump start up. We checked the voltage which was okay.
- Martin Machinery replaced several relays on the Generator at Station 7.
- We repaired a fire hydrant on Rudy Dam Road that had be hit by a car. A bill was sent to the insurance carrier.
- The manhole behind Station 7 was cleaned out and a bolt-down lid was ordered. Apparently, kids removed the lid and threw debris into the manhole.

April 15, 2014 minutes

page 4

- We received a call about a sink hole in the sewer easement off Rolling Hill Drive. We found a small depression which was filled with top soil and re-seeded.

SOLICITOR'S REPORT

B. Crosswell said that his office worked on some documents for Traditions of America, Phase 2, including extender agreements and easement agreements for the internal lines very similar to phase 1.

Sent a letter to the Auditors as part of the audit report concerning any liability issues that the Authority may have.

Also, a lot of time has been spent on the Lititz water rate.

ENGINEER'S REPORT

S. Riley said that Entech has been reviewing Traditions of America, Phase 2, Lititz Reserve, Phase 2 and the Ziegler Barn.

The tapping fee analysis will be submitted at the June meeting.

SUBDIVISIONS

Hometown Terrace - This project calls for 28 one and two-bedroom apartments located on Newport Road near Quail Ridge. There are four existing water and sewer EDUs from structures that will be razed to accommodate this project. The Developer has requested 24 additional EDUs of water and sewer capacity. A motion was made by J. Tennis, seconded by E. Stone, to approve the allocation of 24 additional EDUS of water and sewer capacity to serve the Hometown Terrace Apartments. Passed with 3 ayes, J. Gerhart abstained.

Willier Tract - D. Zimmerman said that the Board recently approved a four lot subdivision for the Willier Tract. The Developer is considering submitting a plan which would include the remaining lands for a total of 12 lots (including the original four). All of the lots would have to be served by grinder pumps and, before spending a lot of money, the Developer is asking whether or not the Board would allow the installation of that many pumps. D. Zimmerman said that the first time the entire tract was considered, WTMA was going to require a small pumping station so that the Forney Longenecker tract could also be served. Upon further review, it was decided that even a small pumping station would be under utilized. The Planning Commission suggests that we look at the Willier tract independently. They are considering rezoning the Longenecker tract back to agricultural. The Board did not object to the use of grinder pumps for the Willier Tract.

Traditions of America, Phase 2 - A motion was made by E. Stone, seconded by J. Tennis, to authorize execution of the revised Extenders Agreements for Traditions of America, Phase 2. Passed with 3 ayes, J. Gerhart abstained.

ISSUES PENDING

Rothsville Well #2 Update - C. Watt checked with the SRBC on the status of our permit application. Receipt of the application was acknowledged but a reviewer had not been assigned. It could take a month or more until we hear anything.

April 15, 2014 minutes
page 5

At 8:35 PM, the Chairman announced that the Board will hold an **EXECUTIVE SESSION** to consult with the Authority Solicitor concerning potential litigation and/or issues upon which identifiable complaints may be filed relating to the Lititz Borough water rates and the Lititz Borough water system.

The meeting resumed at 9:45 PM and, as there was no further business to discuss, the meeting immediately **ADJOURNED** on a motion by T. Clair, seconded by J. Gerhart. Passed unanimously.

Jeffrey A. Tennis, Secretary