

W T. M A

Warwick Township Municipal Authority

Administration of Water & Wastewater

JUNE 17, 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, Donald Engle, Edward Stone, Jeffrey Tennis and Joyce Gerhart, Administrator Daniel Zimmerman, Claudia Watt, Carl Haws, Solicitor William Crosswell, Consulting Engineer Steven Riley and Kenneth Phillips and Stephen Flaherty of RBC Capital Markets.

GUEST RECOGNITION: Ken Phillips and Steve Flaherty were present to discuss the refunding of the 2010 Sewer Bond Indenture. S. Flaherty reviewed the Debt Review, and said that interest rates have ticked up a little since last month. The refunding analysis was also brought up-to-date. He explained that, because this would be an advance refunding, the closer you get to the call date the greater the savings would be provided that interest rates remain constant until each of the listed dates. K. Phillips said that the average rate on the current bonds is 3.8%, which is really good. He said that there has been a lot of rhetoric lately about rates going higher.

S. Flaherty said that there are two issues to be addressed. The 2004 Water Bond Indenture has only a few years remaining. At the last meeting, we discussed self-refunding by pre-payment of the bonds. This would be accomplished by using funds in the BR&I Fund which are not generating significant returns and using the money to make additional principal payments in 2014 and 2015. The additional 2014 payment of \$325,000 would pay off the 2017 bonds and would be made in August 2014. The Board would have to take action at the July meeting in order to issue a call notice to Fulton Financial Advisors. For the purpose of the analysis S. Flaherty used January 1, 2015 for the second additional principal payment. Staff recommends that we evaluate the Authority's 2015 financial position before setting a date for the second payment. Using the dates shown in the analysis, the Authority would save about \$48,000. For each month the second payment is delayed, the amount of savings would be reduced by about \$1,000. D. Zimmerman said that, regardless of whether we wait a few months or not, prepayment is still a good move for the Authority. In January, we will have a better idea of how the Rothsville well project will proceed. S. Flaherty said that the Authority said that the authorization can be worded to allow the flexibility that Staff is recommending. There will be some costs relative to the prepayment for Fulton Financial Advisors fees and advertising.

The remainder of the refunding analysis review was relative to the 2010 Sewer Indenture. S. Flaherty reviewed the existing debt service structure and the proposed debt service structure which levels out the debt service to approximately \$800,000 annually over the life of the indenture and shortens the term of the indenture by three years from 2029 to 2026. The effect of that is to produce a net savings of approximately \$244,500 assuming that the transaction occurs on August 15, 2014. He noted that a shift of \$50,000 in the annual debt service target moves the savings approximately \$55,000. D. Zimmerman explained that meeting the \$1,000,000 debt service while tapping fee income was very low was challenging and Staff suggested evening out the debt service to soften the aggressive debt payment. We had three goals: to achieve a savings, to equalize the debt service which also shortened the term of the loan and to shift the trusteeship to allow us to have a little more flexibility in our investments. K. Phillips said that the Authority can take action in July to authorize RBC to move when the timing is optimal to achieve the greatest amount of savings. Most refundings today are done with parameters contracts and the board will have to make some decisions about the amount of savings it hopes to realize and what other changes they would like to see brought about through the refunding. D. Zimmerman asked whether or not it will be necessary to purchase bond insurance since both the Authority and Township have very good ratings. K. Phillips

said that, given the rating of both entities, more than likely it will not be necessary to purchase insurance. The benefit to purchasing the insurance is economic which will be evaluated by RBC. T. Clair said that he thinks the board should move quickly because interest rates are going up. The board decided on a minimum savings of \$100,000. C. Watt asked if we could structure the debt service to keep the debt service to \$1,000,000 for 2015 and 2016 when we expect collection of tapping fees to be higher. D. Zimmerman suggested that the debt service be structured to pay \$1,000,000 in 2015 and \$850,000 in the remaining years. K. Phillips will send a simple resolution for the Board to authorize the self-refunding of the water bonds. The Board can take action at the July meeting.

The **MINUTES** of the May 22, 2014 meeting were unanimously approved on a motion by D. Engle, seconded by J. Gerhart.

The **TREASURER'S REPORT** was unanimously approved on a motion by D. Engle, seconded by J. Gerhart.

PAYMENT OF THE BILLS, in the amount of \$176,761.36, for the period from May 22, 2014 through June 17, 2014, was unanimously approved on a motion by J. Tennis, seconded by D. Engle.

The **WATER OPERATING REQUISITION**, in the amount of \$12,000.00, for operation of the water system through July 15, 2014 and the **SEWER OPERATING REQUISITION**, in the amount of \$156,000.00, for operation of the sewer system through July 15, 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. Tennis:

<u>REQ.</u>	<u>PAYEE</u>	<u>REASON</u>	<u>AMOUNT</u>
WB444	Herbert, Rowland & Grubic, Inc.	Lititz Water Rate	\$1,050.00
WB445	Entech Engineering, Inc.	Tapping Fee Update	<u>\$727.50</u>
		Total	\$1,777.50

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

<u>REQ.</u>	<u>PAYEE</u>	<u>REASON</u>	<u>AMOUNT</u>
B460	Garden Spot Electric, Inc.	Station 10 Upgrade	\$8400.00
B461	Entech Engineering, Inc.	Tapping Fee Update	<u>\$727.50</u>
		Total	\$9,127.50

ADMINISTRATOR'S REPORT

D. Zimmerman said that we are in the perfect position to make a decision on the bond refinancing. We have just completed a comprehensive evaluation of the sewerage system, we are going to have a tapping fee evaluation tonight and, on the sewer side, capital improvements are very predictable. He cautioned that if the Chesapeake Bay Initiative benchmarks are not met for non-entry point facilities, the state will go back to the sewage treatment plants to further reduce the amount of nitrate and phosphate entering the Chesapeake Bay.

On the water side, the Rothsville well is our major project. Since we know that approval is not likely to come before the end of this year, making the additional principal payment this year is clearly the way to go. Once we know when we will be able to move forward with the well project, we can make a decision on the second advance payment.

MAINTENANCE REPORT

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

- At the Rothsville wellhouse, the transducer for the brine tank was cleaned.
- Second quarter meter readings were completed last week.
- Maintenance personnel have been performing routine maintenance at all of the pump stations.
- Screws were installed to secure the fittings on the overflow pipe at the wellhouse. This was one of the items listed by PA DEP at their inspection last month.
- Garden Spot Electric completed the electrical upgrade at Station 10 and will start on Station 2 next. This work was listed in the updated Comprehensive Plan.
- Maintenance personnel repaired several water meters.
- The sewer lines were televised on Buttonwood Drive where sink holes appeared. Botton Line Contractors excavated the sink hole and was able to pull the sag out of the sewer line in that area and fill underneath with concrete.
- We had been televising the sewer mains at Traditions of America when the camera broke and was sent to Golden Equipment for repair. The camera was returned and we will be finishing up televising the lines tomorrow.
- All of the water booster stations have been cleaned up.
- Maintenance personnel finished rebuilding the sewer pump that was pulled from Station 7 last month.
- Brush was cleared from the area around a hydrant on Rt. 501 to make it accessible.
- Everything has been installed at the Grant Street meter pit except for the check valves which will be shipped from California tomorrow and delivered at the site on June 26th, when installation will be scheduled. The upgrade to the Grant Street meter is part of the Rock Lititz Project. After the meter pit upgrade is complete, Staff will meet with John Brady of Entech to review all of the meter pit improvements and eliminations. A new meter pit map will be created and given to Lititz Borough.

SOLICITOR'S REPORT

B. Crosswell said that municipal liens were filed against two properties: one at 2066 Main Street and one at 2162 Main Street.

The Water and Sewer Easement Agreement for Traditions of America, Phase 2 was recorded and sent to C. Watt.

Last month, we discussed the issue of a cross connection at 123 Mayfield Drive. At the request of D. Zimmerman, a letter was prepared by Jason Hess and was mailed to the property owner who has until July 7th to correct the cross connection. The letter stated that not only must the owner correct the cross connection, she must also stay connected to the municipal system according to Township ordinance. And included reference to state and federal regulations as well.

Also this past month, B. Crosswell has had several conversations with Staff regarding the Lititz Water rate.

ENGINEER'S REPORT

Miscellaneous Consulting - S. Riley said that D. Zimmerman requested that Entech review Lititz Borough's updated sewer ordinance. Some things were noted which will be reviewed with Authority Staff.

Lititz Reserve, Phase 2 - Entech received a revised set of plans. A final letter was issued today with one final comment about the fire service line which was addressed in an e-mail.

Rock Lititz - Entech issued a final “clean” approval letter to address the changes made since the last review letter and agreement on issues related to the escrow release.

ISSUES PENDING

Rothsville Well #2 Update - C. Watt has confirmed that we are now on the active review list. Our goal was to make the fall SRBC meeting. However, the SRBC said that the application will likely be on the December docket.

Tapping Fee Calculation - S. Riley said that Entech issued a draft of both the water and sewer tapping fee analyses last Thursday. The initial assessment is that water could increase from \$1,945 to approximately \$2,500 and the sewer tapping fee could increase from \$4,200 to approximately \$5,200. Entech would like to review further how the monies relative to the wastewater treatment plant upgrade are handled with respect to inclusion in the tapping fee. Staff conducted a tapping fee survey of nearby municipalities. D. Zimmerman said that it is a good idea to see if our tapping fees are in line with others in the area. The Authority has scheduled water projects which would justify an increase in the water tapping fee. However, the sewer tapping fee is already among the highest 1/3 of the municipalities surveyed. We have spent the past few years addressing issues in the sewer system and Staff believes that increasing the sewer tapping fee at this time would have a negative affect on future development. D. Zimmerman said that the Board may want to consider a reduction of the sewer tapping fee to \$4,000 to compensate for the increase in the water tapping fee. C. Watt said that Lititz Reserve is already making a substantial contribution to the sewer system by relocating the interceptor and an increase at this time could create a hardship. A final tapping fee analysis will be presented at the next meeting.

Billing Software - D. Zimmerman said that we budgeted an amount to upgrade the billing software in 2014. We were notified over a year ago that the current software would become obsolete. This is a good opportunity to move our software to the next level where our customers could pay their bill on-line. We have previewed many different software packages and have narrowed the selection down to one or two candidates and have prepared a comparison for the Board’s consideration. D. Zimmerman asked if the Board wanted to appoint a member to participate in the selection of software. C. Watt said that iCIS is the upgrade of our current billing software, InHance. WTMA would own the software and data but would still be able to provide on-line services. The other program is called MuniLink and is strictly web-based but that WTMA would always have access to the data. The Board had several questions about security, the cost of maintaining the data on-site, and data storage and access. J. Tennis said that he would review the proposals and work with Staff in making a decision.

At 8:30 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 regular meeting resumed at 8:40 PM and, as there was no further business to discuss, the meeting was **ADJOURNED** on a motion by T. Clair, seconded by J. Tennis. Passed unanimously.