

W T M A

Warwick Township Municipal Authority

Administration of Water & Wastewater

MAY 22, 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 Stephen Flaherty of RBC Capital Markets.

GUEST RECOGNITION: Stephen Flaherty was present to review with the Authority Board an Advance Refunding Analysis of the 2010 Sewer Bonds prepared by RBC Capital Markets. He said that today's rate of 4.26% is lower than the 52-year historical rate 82% of the time. "Advance Refunding Analysis" is an IRS term that means to refund the bonds before the call date. All bonds get sold with a call date that is a negotiated date where the seller agrees not to take back or "call" them from the market. In return the investor agrees to a 20 year fixed rate based on a 5 year call. We are looking at refunding about \$8 million. The Analysis shows the higher rate bonds being refunded. The average rate of the remaining bonds is 3.8%. The call date is 5/21/2015. The IRS allows one advance refunding over the life of a bond transaction. Because of that, the industry standard is that the net savings must be at least 2% of the amount being refunded (after costs). RBC recommends 2.5% to 3%. If the Authority would refund the bonds on 8/15/14, the money from the new bonds would be placed in escrow to pay the existing bonds until 5/21/15. As you get closer to the call date, savings increase, but you take a risk that interest rates will not increase. S. Flaherty reviewed each of the refunding scenarios based on a refunding dates of 8/15/14, 11/15/14, 2/15/15 and 5/1/15. In each case, the savings were front loaded. The savings occurs once, whether taken up front or over the life of the indenture.

D. Zimmerman said that currently, the repayment schedule has several years at \$1 million and then drops to less than half that amount in the final years. The Authority would like to see the repayment schedule evened out. S. Flaherty said that could be done. D. Zimmerman asked if there are options on the Trusteeship as the Authority makes nothing on its investments. S. Flaherty named three banks but said that the complaint about no return on investments was common. Generally, options are limited. D. Zimmerman asked if there is an option for a bank loan. If the Authority wants to look at a bank loan, it would have to be a 10-year fixed with the remaining debt at a variable rate. D. Zimmerman said that the Board should set a threshold of minimum savings. S. Flaherty said that RBC could come to the next meeting with various scenarios. The refunding date would be determined by the ability to achieve savings goals. The authorization would include flexibility for RBC to take action when rates are most favorable and the parameters set by the Authority are achieved. D. Zimmerman asked if there would be a prepayment penalty if it were to use a bank loan. S. Flaherty said that RBC will look into all of that as part of the process.

S. Flaherty suggested that the Authority take a look at prepaying the water bonds if money is available. C. Watt said that the Authority has already checked with the Trustee about prepayment. It would not be necessary to prepay the full balance but a few smaller payments could be made. D. Zimmerman said that the water bond issue could be paid off in two years if two additional principal payments were made.

B. Crosswell said that Paul Lundeen, Bond Counsel, sent a memo to Ken Phillips in which he talked about the net revenue indenture concept which, if there would be a new issue, could allow for the Authority to control its money except for certain funds which would have to remain in the control of the Trustee. The Authority would not be subject to the fees that reduce the yield that the Authority is now experiencing. Basically, it places more of the

investment responsibility in the hands of the Authority rather than the Trustee. This option is best utilized when the client authority has competent professional management to deal with the safekeeping and investment of revenues and other funds. Having worked with the Authority for many years, P. Lundeen thinks this could be an option for WTMA. S. Flaherty said that, historically, indentures are gross revenue indentures. All the money goes to the Trustee and the Trustee gives back the funds that are needed to operate the Authority and pay debt service. Monies that are left over sweep into the Bond Redemption and Improvement Fund or other funds as directed in the indenture. In the last five to seven years, RBC has had some success going to the net revenue model. Under a net revenue indenture, nearly all system revenues and funds are deposited and invested under the control of the Authority and its Treasurer; the Corporate Trustee receives and holds only a debt service fund, which will contain the amounts transferred over by the Authority to meet the then current debt service payments of principal or interest and any funded debt reserve fund that is required in the marketing, rating or insuring of the bonds, and any additional funds that the Authority does not wish to retain in its operating accounts for safekeeping in the BRI Fund. The Trustee still has a claim on the remaining money as the bondholder’s representative but the Authority would have more dominion over it on a day to day basis including the lawful investment of the funds. Typically, to change to a net revenue indenture, WTMA would have to repay all of the bonds. Proper internal controls and insurance must be in place to guard against embezzlement or misuse of Authority funds. S. Flaherty said that RBC can run as many scenarios as WTMA may wish to see and will present them at the next meeting.

The **MINUTES** of the April 15, 2014 meeting were unanimously approved on a motion by J. Tennis, seconded by E. Stone.

The **TREASURER’S REPORT** was unanimously approved on a motion by T. Clair, seconded by D. Engle.

PAYMENT OF THE BILLS, in the amount of \$74,067.26, for the period from April 15, 2014 through May 22, 2014, was unanimously approved on a motion by J. Gerhart, seconded by D. Engle.

The **WATER OPERATING REQUISITION**, in the amount of \$13,000.00, for operation of the water system through June 17, 2014 and the **SEWER OPERATING REQUISITION**, in the amount of \$54,000.00, for operation of the sewer system through June 17, 2014, were unanimously approved on a motion by T. Clair, seconded by D. Engle.

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

<u>REQ.</u>	<u>PAYEE</u>	<u>REASON</u>	<u>AMOUNT</u>
WB438	Entech Engineering, Inc.	Tapping Fee Update	\$521.25
WB439	Abel Construction Co., Inc.	Wet Tap - New Street	\$5,643.00
WB440	Herbert, Rowland & Grubic, Inc.	Lititz Water Rate	\$1,277.36
WB441	B. R. Kreider & Son, Inc.	Waterline Stub - Millport Road	\$1,715.00
WB442	Morgan, Hallgren, Crosswell & Kane, PC	Lititz Water Rate	\$7,256.00
WB443	Tri-Star, Inc.	Battery Backup - Telemetry System	<u>\$938.40</u>
		Total	\$17,351.01

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>
B457	Entech Engineering, Inc.	Tapping Fee Update	\$521.25
B458	Tri-Star, Inc.	Battery Backup - Telemetry System	\$1,407.60
B459	Lititz Sewer Authority	Repairs-Muffin Monster & Mixer	<u>\$5,098.69</u>
		Total	\$7,027.54

ADMINISTRATOR'S REPORT

D. Zimmerman reported that he was at the Lititz Sewer Authority meeting last month. The Borough has finalized their Sewer Ordinance. WTMA should mirror those standards. Staff will work with Entech to see what part of our regulations and the Township's ordinance should be modified. B. Crosswell said that he had prepared something a while back regarding adoption of revised standards. D. Zimmerman said they could discuss the revisions when they talk about the sewer bond refinancing.

Cross Connection - D. Zimmerman reported that he wrote a letter to a property owner regarding a compliance issue which included a specific date to respond. The customer was notified that the cross connection at her property poses a potential threat to the entire water system and must be corrected. Once identified, the Authority must follow through to see that the situation is remedied. D. Zimmerman suggested that a letter from the Solicitor would have more impact and would generate a response from the customer.

MAINTENANCE REPORT

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

- Limit switches were replaced on the wet well hatch and also the dry well hatch at Station 7.
- The submersible pump at Station 10 was making excessive noise. It was replaced and taken to Keener Electric Motors to be rebuilt.
- The motor on Pump 2 at the Newport Orchard Water Booster Station was replaced and was also taken to Keener's.
- A float in the brine tank at the wellhouse was replaced.
- Kline's was in to perform the semi-annual cleaning of the pump stations.
- Pump 4 at Station 7 was pulled and a spare pump was installed. A leaking seal was repaired in the original pump.
- There was a water leak at 35 Buttonwood Drive. The leak was due to a sink hole that caused the service line to detach on the house side of the curb stop.
- There were a couple of high wet wells at the stations during the 6" rain event but there were no overflows at any of the stations.
- DEP was in to inspect the wellhouse and our Lititz water system. Everything went well and nothing was listed as outstanding.
- A surge protector was replaced on the telemetry at Station 12.
- The Grant Street area was flow tested to determine the amount of flow that passed through the 501 meter pit and the Grant Street meter pit. The 501 pit will be eliminated and the Grant Street pit will be upgraded through the Rock Lititz project.
- Maintenance personnel jetted the Robin Hill and Laurie Lane areas.
- The sewer lines at Station 10 were jetted.
- The newly installed sewer lines at Traditions of American were televised. Several areas had sags in the pipe that had to be excavated and repaired. There was also an area where the pipe was flattened, probably due to tamping, and they replaced 19' of pipe. The lines were televised again and all were good.
- We received a call from a customer on Pleasant View that their sewer lateral clogged up twice and his plumber told him there was a clog in the Authority's main. Maintenance personnel televised the sewer main but found nothing in our line but did find a lot of grease coming out of the customer's lateral line. We notified the customer of our findings.

SOLICITOR'S REPORT

B. Crosswell reported that his office worked with N. Anderson regarding a payoff figure for the property at 1527 Rothsville Road.

An Agreement to amend the on-site Water and Sewer Easement for Rock Lititz was prepared by Bob Sisko.

B. Crosswell has spent a good deal of time on the Lititz water rate issue which will be discussed in executive session.

ENGINEER'S REPORT

Tapping Fee Calculation - S. Riley said that Entech has been reviewing data and is working on calculations for the water and sewer tapping fees. Additional followup with Staff is anticipated to review various items.

Hometowne Terrace - Entech received the preliminary plan and issued the first review letter. The Developer received approval from PA DEP of a sewage planning module exemption.

SUBDIVISIONS

Lititz Reserve Phase 2 - Staff recommends approval of the Lititz Reserve, Phase 2 Final Plan pending receipt of financial security. A motion was made by D. Engle, seconded by J. Tennis, to approve the final plan of Lititz Reserve, Phase 2 contingent on receipt of financial security. Passed with four ayes. J. Gerhart abstained.

Rock Lititz - D. Zimmerman said that there was a minor revision to Phase 1A of the plan, primarily on the Township side, because of a large flood plain renovation. A sewer line, which will remain private, was also relocated. The Developer has submitted a request for a drawdown of the Letter of Credit in the amount of \$173,695.00. C. Haws performed a thorough inspection and recommended approval. A motion was made by D. Engle, seconded by J. Gerhart, to approve the revisions to the Rock Lititz, Phase 1A Plan and to approve the drawdown of the Letter of Credit to a balance of \$214,431.40. Passed with 4 ayes. T. Clair abstained.

ISSUES PENDING

Rothsville Well #2 Update - The project is submitted but, as of today, is not under review.

At 8:06 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 8:45 PM and, as there was no further business to discuss, the meeting was **ADJOURNED** on a motion by J. Gerhart, seconded by D. Engle. Passed unanimously.