

**LOWER PAXTON TOWNSHIP
AUTHORITY MEETING**

Minutes of Township Authority Meeting held August 25, 2015

A meeting of the Lower Paxton Township Authority (LPTA) was called to order at 6:01 p.m. by Chairman William C. Seeds, Sr., on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Authority members present in addition to Mr. Seeds were: William B. Hawk, William L. Hornung, Robin Lindsey, David B. Blain, and Justin Eby. Also in attendance were George Wolfe, Township Manager, Steve Stine, Authority Solicitor, William Weaver, Lower Paxton Township Authority Director; Mark Hilson, Authority Engineer; Jim Wetzels, Operations Manager; Jay Wenger, Susquehanna Financial Group; Kevin Shannon, Melissa Smith, and Alton Whittle, GHD; and Watson Fisher, SWAN.

Pledge of Allegiance

Mr. Blain led in the recitation of the Pledge of Allegiance to the Flag

Approval of Minutes

Mr. Hornung made a motion to approve the June 16, 2015 Authority meeting minutes. Mr. Hawk seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

Public Comment

No comments were provided.

Board Member Comment

No comments were provided.

Mr. Wolfe requested to move the Discussion with Mr. Wenger forward as the first item on the agenda. He noted that he had Mr. Mike Bova on conference call. Mr. Seeds agreed

Discussion with Susquehanna Advisors Group on schedule for 2016 Bond Issue

Mr. Jay Wenger noted that he has Mike Bova from Boenning and Scattergood on conference call at this time. He distributed several pieces of information for the Board to read at its convenience to provide a current market picture. He noted that the markets have been a bit under mainly by what is going on in China at this time. He noted that there was a fairly good sell-off in equities in the United States markets starting last week, continuing this week and no one knows when it will end or how far it goes. He noted that it has led to somewhat lower interest rates, although the ten-year Treasury reached a point just below 2% on Monday in the middle of a huge sell-off, and it has bounced back today closing at a little over 2.1%. He noted that we are close to where we were before the sell-off. He noted the challenge that the Federal Government has is becoming greater for when and how to raise interest rates.

Mr. Wenger asked the Board to look at The Bond Buyer article provided by Mr. Bova. He noted that it states that there has been a rally in the Treasury market and in the tax-exempt market for lower interest rates. He noted on the bottom of page two, it states that “Puerto Rico’s planned sale of \$750 million Aqueduct and Sewer Authority” with a rating (Caa3/CCC-/CC) provides that they have reached junk bond status, noting that there is still a strong market for high rated issuers like Lower Paxton Township and the Authorities projects. He noted that it is a significant struggle for low rated issuers like Puerto Rico. He noted that the Township’s rating is a very positive event in the marketplace and he would expect the next financing to be as well received as the last one.

Mr. Wenger noted that Mr. Bova also provided a chart showing the Municipal Yield Curves for General Obligations bonds starting in 2016 going out to 2045. He noted that it starts on August 14, 2015 ranging from .29% out to 3.31%. He noted that the rates are very low and if you were doing a 30-year financing, you would be at an average of slightly better than 3% in today’s marketplace. He noted that a week later on August 21st, noting that .01 is one/hundredth of one percent and rates were slightly lower from top to bottom across that week and the update for August 25th shows that rates are dropping again. He noted that there has been five to ten basis points of rate decline as the equity market has unraveled over the last several business days.

Mr. Wenger noted that he and Mr. Bova provided updates on the interest rate and financing and he noted for his report, page one is a graph showing the ten-year Treasury with the green line being the bond buyer 20-year General Obligation index. He noted that there is a basket

of high grade general obligation bonds that trade in the market place. He noted that the one-month LIBOR is the last line. He noted that the LIBOR going back to the financial crises in 2008 is hovering around 0%. He noted that the 20-year General Obligation Bond Index has continued to trend down over a long period of time. He noted that we hit the all-time low several months back and now it is a little bit higher. He noted when he printed this page, the 10-year Treasury was at 2.059%, the 20-year General Obligation Bond Index was at 3.730% and still is below the averages of 110 in 25 years. He noted that he still views it as a very attractive time to borrow.

Mr. Wenger noted page two looks to where the 2014 and 2015 issues were sold. He noted that we are lower than where we were in 2014 and it is just slightly higher than where we were in 2015. He noted that the timing of the 2015 refunding was very good and the borrowing rates continue to be very effective.

Mr. Wenger noted on page three it shows that the Federal government contends that it will raise the interest rates in September but they may wait until January until they see a full year of economic data and after the Christmas retail season. He noted that they may wait to see what happens with the devaluation of the currencies that are now taking place in Asia as well as whatever stimulus might take hold in Europe. He noted that the upcoming meetings are September 16-17; October 27-28 and December 15-16. He noted that an initial increase of 25 basis points is probably already in the marketplace, but the more telling news will be the timing of the second rate hike. He noted that he is not anticipating that they will say that it will be a continuous rate hike for the next 12 meetings. He suggested that it will be a measured attempt. He noted that he believes that the Federal Government wants to raise rates but there is increasing pressure globally that is causing them to wait as long as possible.

Mr. Wenger noted that the Federal Government's two main goals is to get to a lower unemployment rate and to see inflation around 2%. He suggested that we are a little below that due to the drop in commodity prices. He noted that they will tell you that the US Economy is doing well but it depends on where you go in the country and how their business has been affected by the recession. He suggested that there has been a reasonable recovery in the US, unfortunately Europe and Asia are a different story. He noted that Europe did not undertake the same stimulus program that we did in the US in 2009 and 2010 but now they decided if they throw enough money at it, like the US did, it may work, so that is what they are undertaking now. He noted that until the issues in Europe are resolved the Federal Government's ability to

raise rates by a meaningful number of basis points will be muted. He noted that devaluation of the Chinese currency has raised some concerns and if growth falters in China, the largest and greatest working market starts to slow, it will have an effect on how the Fed looks at things as well.

Mr. Wenger noted that he thinks the best strategy for the next financing would be to start the rating process September into October, and be poised to be in the market so that if there is a continued unraveling or bad economic news, and rates were to continue to drop that we could be in the market in the latter part of 2015 to move. He noted if things stabilize and we stay where we are it would be good to wait until January as it is much closer to the time frame of running out of funds. He noted that he met with Mr. Weaver and was told that there should be enough funds from the prior financing to get through March of 2016. He noted that he would like to narrow the gap between when the LPTA borrows the funds and when they are needed. He noted that he does not want to pay interest on funds that are not being spent and you have a requirement under federal tax law that says that you reasonably expect to spend the funds with three years.

Mr. Seeds noted that during the May meeting Mr. Wenger was asked to come back to this meeting since the Authority will run out of capital funds by next March. He noted that we need to borrow more funds if we want to continue the program. He noted that Mr. Wenger discussed if we should borrow sooner than later. He noted that is what we are looking at now. Mr. Wenger noted back in May he had a slightly different opinion on the Federal Government as it looked like they would raise rates earlier in the year but it has been pushed off and pushed off not because of what is going on in the US but because of what is going on abroad and it has caused the Federal Government to delay raising rates. He noted when the Government start raising US rates the dollars strengthens and it exacerbates some of the issues that are going on in the marketplace. He noted that they have to be very careful about how and what they do and when they do it.

Mr. Wenger questioned Mr. Bova if he had any comments.

Mr. Mike Bova noted that Mr. Wenger did an excellent job. He noted that the sentiment a month ago was that they were going to raise rates in September, but now that does not look like it will happen. He noted that it may or may not happen in December. He noted that Mr. Wenger gave a good analysis for what is going on in the marketplace; however he would ask the Board

members to look at the market trends on page six noting that since 1994 if we would have issued bonds, the future interest rates would have been higher than what they are now 95% of the time. He noted that it continues to be a very favorable interest rate environment. He noted that we have done a good job of getting the money for the Township when it was needed.

Mr. Wenger noted if we borrow the money in the latter part of 2015 it is not as if you will pay more over the life of the issue, you will just start paying it earlier and finish paying it earlier. He noted that that there is no penalty in the aggregate to borrow early but we would be borrowing it before it was needed. He noted in a perfect world if the rates would stay where they are until January we could get in the market in early February and have the money by the time you need the funds. He noted that closing in November or December is not a huge issue but we would like to minimize that if we can.

Mr. Blain noted that he appreciates the overview and it makes sense.

Mr. Wenger noted that unless the Board wants me to come back again in September, and he would be happy to do that, otherwise he would suggest that he be authorized to start the rating process, at the latest, the middle of December so it would be a couple months ahead of that. He noted that the rating is typically good for 60 days, and if we get to the end of the window and we haven't issue bonds, it is a short and easy process to go back and refresh it and it doesn't cost anything.

Mr. Blain stated that he feels Mr. Wenger should move forward with the rating process as we want to be in a position to take advantage of a declining market. Mr. Seeds noted that he agreed with Mr. Blain. He noted that we need more money by next March and he thinks that the Board should move ahead and do it.

Ms. Lindsey noted that she agreed. She questioned Mr. Weaver what is the total that has been borrowed from the beginning of the project and what do we still owe. Mr. Weaver answered that the last audit had a summary of all the debt and he thought that it was \$95 million in principal. He noted that is going back to 1992. He noted that he will be discussing the bond issues from the past when he reviews the debt service schedule; he stated that he can get an answer for that.

Mr. Wenger noted when he met a week ago with staff, the determination was that we won't have to borrow as much over the extent of the life of the projects. He suggested that it

would be between \$20 and \$25 million less. Mr. Weaver noted that Mr. Wendle had allocated \$20 million for storage for Paxton Creek and it is off the table at this time.

Mr. Hornung noted that last time when we borrowed money and we did a rating, there was a comment at the end that future borrowing would have a negative impact on the rating. He questioned if Mr. Wenger foresaw that in this borrowing. Mr. Wenger answered yes noting that you are raising rates over a long period of time to cover the debt, regardless if we deem the debt self-liquidating because there is user rate fund to recover it. He noted that ultimately the amount of debt that you have will become large enough that it will become a factor in a rate analysis. He noted that he does not know if it would result in a change of the rate, but the fact is that they raised the issue now for the amount of debt that you have in the future.

Mr. Hornung questioned if it will be an issue for this borrowing. Mr. Wenger answered he does not think it would be an issue this time. Mr. Bova agreed. He noted at another \$150 million later they will say that the potential liability to the Township is getting to a point where it may not be a Aa credit. He noted that that the alternative to that would be to have the Authority start to borrow the money. He noted that he would like to explore that with Tom Smida and if we see a tipping point, he might want to do Authority debt and leave the Township's rating as it is.

Mr. Hornung questioned why we don't do that now. Mr. Wenger answered that the Authority is probably not an Aa credit, so it would cost 10 to 15 basis points more. Mr. Bova noted unless we guaranteed the issue. Mr. Wenger noted that there would not be much difference between doing that and borrowing it. Mr. Bova noted that the Authority has never been rated. He doubted that it would be an Aa, but it could be an A. He stated that he would have to ask his desk as they just did a \$265 million deal for someone who was A rated and they only insured a little over \$60 million because there was no deal for insurance. He noted that those continued to hold but it may cost five to ten basis points.

Mr. Hornung questioned what does it cost to get a rating. Mr. Wenger noted that it is based upon the principal amount you borrow. He noted for a \$25 million financing, noting that the rating fee is \$30,000 for General Obligation; however if it becomes a revenue backed utility issue the rating will be slightly higher, but the rating relative to what you are borrowing and the debt service is a relatively small fee over a 25-year financing.

Mr. Hornung noted that he did not know if we could do both ratings at the same time. Mr. Wenger suggesting sitting down to spend some time looking at where the tipping point may be and what we want to cross over to the Authority issue.

Mr. Weaver noted when you are looking at the rate schedule and the debt service, Mr. Wendle noted that towards the end, some of the debt would be lopped off then. Mr. Weaver noted that we have a lot of bonds that will be following off at the tail end of some of this borrowing.

Mr. Wenger noted that because we are not deferring principal meaning we are doing level debt service as we go, we are paying down principal faster than what other similar utility projects would pay down on their principal. He noted if we are borrowing \$25 million every three years, we are not paying down \$25 million every three years.

Mr. Blain noted if you get the Authority rated and you try to sell bonds through the Authority, doesn't the rating agency still tie the Authority to the Township in regards to its ability to repay it. He suggested if the Township borrows the money, you have X amount of users of the sewer system that are paying a fee to the Authority which happens to pass through the municipality, wouldn't the rating agency look at it in the same fashion; therefore, the rating would be the same as the Township. Mr. Wenger answered not exactly. He noted if the Authority borrows the money and it is backed strictly by the revenues of the utility system, then the Township has no legal obligation to step in and cover debt service. Mr. Blain noted that the Township is holding the debt for the Authority, isn't that debt tied to the users and the ability of the users to pay for the sewer system. Mr. Wenger answered yes. Mr. Blain questioned how you go about leveraging the sewer users again to have separate debt that goes through the Authority versus the municipality. Mr. Wenger noted if the Authority borrowed the next financing, the rating agency will look at the Authorities ability to cover debt service based on its rate structure and operating budgets. He noted that we will have to demonstrate that there is a rate structure in place to cover debt service as we do now because we want it to appear as though it is a standalone and it doesn't require tax payer dollars. He noted that the rating agency on the Township's side will look at it in that the Township is not borrowing as much money as they said they would back in February, but it is in fact an additional costs for all the residents in the Township. He noted that they measure the total taxpayer burden paying debt service. He noted that it becomes a much less significant factor in assessing the Township's rating because it is

considered overlapping debt and not a direct obligation of the Township. He noted it is something they will look at, if your taxes are very low and the utility rates are high, it is still a burden of the community; therefore it effects ultimately the ability to cover debt service and pay bills. He noted that it is a much less significant factor then if it is a direct obligation of the Township and you are covered by a subsidy agreement.

Mr. Wolfe noted in answer to Mrs. Lindsey's question, when the Township borrowed in February of this year to refund existing debt, the total municipal debt service through 2014 was \$168,000,000. He noted that would be principal and interest.

Mr. Wenger noted that he would recommend to have the Township borrow the money this time in addition to the approximate \$25 million for the utility system, there was a discussion for another \$3 million for Township stormwater projects. He noted that it would be more efficient to do a single financing then to break them apart. He noted that it would involve internal accounting for both projects and it would minimize costs and the efficiency of marketing the bonds.

Mr. Bova agreed with that.

Mr. Wenger noted that the total financing would be closer to \$28 million

Mr. Eby noted that he agreed with the idea to move forward sooner than later. He question if borrowing sooner than what was projected in the past, if it would change the rate schedule, having to increase user rates. Mr. Weaver noted in the May meeting, Mr. Wendle did a table revision to show that it doesn't change anything other than a nominal amount. He noted that it turns out to be an increase of \$8.75 per quarter when you look at the long term borrowing over the next 20 years. Mr. Weaver noted if we borrow a couple of months early when you are borrowing \$150 million it did not amount to anything for the debt service. Mr. Wenger agreed.

Mr. Seeds noted that Mr. Weaver will go over his budget later in the meeting and there is a projected \$9 rate increase, regardless of whether we borrow this year or next year, to continue the program. He noted that it does not make a whole lot of difference if we do it in the fall or next spring. Mr. Wenger noted relative to the rate structure that is correct.

Mr. Wenger suggested that we start the rating process and if you need me he can attend the meetings if requested but he will keep Mr. Wolfe apprised of what is going on in the market, and if it needs to be accelerated or slowed down, he will report back to the Authority Board. He noted that he would like to be poised to be in the market the latter part of October or early

November. He noted that we can make a decision at that time if it is the right time to move or wait.

Mr. Seeds noted in Mr. Crissman's absence, he would want level debt service.

Mr. Seeds suggested that we entertain a motion to take action authorizing Mr. Wenger to move ahead. Mr. Wenger explained that it does not require action on the Board to go through the rating process, but formal action is needed if you are going to borrow money. Mr. Seeds questioned if the November Authority meeting would be too late to have formal action. Mr. Weaver noted that the Township takes the formal action, then the Authority, so we would do it at the regular meeting on October 20th. Mr. Seeds asked Mr. Stine if the Authority needs to take action at this time to move ahead. Mr. Stine answered that Mr. Wenger already stated that it was not necessary. Mr. Wenger noted that he is looking for direction to start the rating process and it would not obligate the Township for anything.

Mr. Blain instructed Mr. Wenger to start the rating process. Mr. Wenger stated that he will check back in October with the Authority Board.

Old Business

Action on Resolution 15-02 establishing a tapping fee reimbursement part

Mr. Weaver noted that Resolution 15-02 was tabled at the last meeting because the developer, Donco Construction had not gotten back to Susquehanna with the number of EDU's that he planned on developing on the property. He noted that Donco has contacted Susquehanna Township Authority and they approved the resolution, and it is now before this Board. He noted that Resolution 15-02 amends resolution 98-01 to establish a tapping fee reimbursement part pursuant to Act 57 of 2003 and it would become effective today. He noted that the Authority entered into a sewer extension agreement with Susquehanna Township Authority and Donco Construction for construction of the Oakhurst Interceptor which requires a reimbursement to Donco from other users of the section to be included in the tapping fees of Susquehanna Township Authority and Lower Paxton Township Authority to be updated annually. He noted this is the main purpose of the resolution to reimburse Donco Construction as per the sewer extension agreement between Donco Construction, Susquehanna and Lower Paxton Authorities.

Mr. Weaver noted that the attachment was prepared by GHD and Mr. Shannon can provide comments at any time. He noted if you look at the second page, you can see at the top

that the reimbursement is a dollar value divided by the EDU's to come up with a dollar per EDU with an ENR Index added to it and that is where he came up with the \$279.00 He noted that there is a 5% administrative fee that the Township is permitted to keep that reduces the amount to \$265.00 He noted that the resolution will approve the Authority to take \$265 out of any connection from the Oakhurst Interceptor and return it to Donco Construction.

Mr. Shannon noted that the attachment was provided by Susquehanna Township Authority's engineer who also works for GHD. He noted that it is another Kevin in his office. He noted that he had nothing to add.

Mr. Blain made a motion to approve Resolution 15-02, establishing a tapping fee reimbursement. Mr. Hawk seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

New Business

Review of the Draft 2016 Authority Budget

Mr. Weaver noted that he normally prepares a draft of the 2016 Authority Budget to be reviewed in August; however, staff has limited information from other municipal authorities so it is a draft. He noted that he understands more about the rate structures since Mr. Wendle reviewed that previously with the Board. He noted that we also understand what the program costs will be.

Mr. Weaver noted that he would like to touch on the changes to the budget from last year's budget. He noted under revenues the current sewer rental is \$130 per quarter and he is proposing to raise it to \$139 a quarter as Mr. Wendle indicated in his table. He noted that technically the rate increase would be \$8.75 so it would be \$138.75. He noted that he could change it to that amount if the Board prefers that. He noted that it would be a difference of roughly \$24,000 annually. He noted that there could be a change in the tapping fees as Mr. Wendle suggested since many interceptors were replaced; we may want to consider increasing the tapping fees. He noted that GHD could come up with a proposal for the Board as part of the next budget review in November. He noted that other than that, the revenues are pretty much the same as 2015. He noted that the total Authority operating revenues are proposed to be \$15,310,251.

Mr. Seeds noted that Mr. Weaver had pro-rated new users in the budget, what is that. Mr. Weaver noted that it is taking \$26,000 for the 30 to 60 connections that occur each year. He noted that you take that amount and multiply it by \$139. Mr. Seeds questioned if we are taking in any new areas. Mr. Weaver answered no. He noted that we get 168 permits a year in Beaver Creek and 92 in Paxton Creek. He noted that he is averaging about 40 to 50 permits in Beaver Creek and 30 in Paxton Creek. Mr. Seeds questioned if we lost some permit to West Hanover Township. Mr. Weaver answered that we accept sewage from West Hanover Township but we don't give them any. Mr. Seeds questioned if we accepted them last year. Mr. Weaver answered no as we have had an agreement with them since 1971. Mr. Seeds questioned how many users are there. Mr. Weaver answered about 280.

Ms. Lindsey questioned when we review the rate schedule last year, we moved to \$130 for this year, but what was on that schedule for last year. Mr. Weaver answered that it was \$135. He noted that originally we anticipated a hike of \$5 per quarter, but with the increase of the costs, and with pushing the borrowing up, it amounts to \$8.75 per quarter. Ms. Lindsey questioned if it would start in April of 2016. Mr. Weaver answered that we bill in the arrears, so the bill would go out on April 1, 2016. He noted that Mr. Wendle predicted the old schedule to fluctuate between \$5 and \$8, but he is showing it based on level debt, and the \$25 million that we are borrowing every three years. He noted that the \$8.75 increase will keep you at the 25% reserve that the Board wants to maintain.

Mr. Seeds noted that we had various charts over the years and a couple of years ago, we could have gotten by without the \$5 increase but we chose to do it since we saw this coming. He noted it was thought if the Board did not do it we would be in a hole and we would have to raise the rate significantly. He noted that we have tried to raise the rates slowly but the numbers keep changing due to the costs. Mr. Weaver noted that Mr. Wenger told him that it would be good to keep the cash balance in the account; therefore, rather than use the cash reserves to keep the rates lower, it is better to keep the money as long as you can to help with the credit rating. He noted that Mr. Wendle's rate table shows that the cash will dwindle but it will take 15 to 20 years to go down.

Mr. Seeds noted that years ago the rate was kept low but things were not maintained properly and then what happened is that we have had to raise the rates significantly since they

were not raised as they should have been before Mr. Weaver came into the picture. He noted that you can't do that as you have to pay now or pay later.

Mr. Weaver noted that it is the cost of the consent decree. Mr. Seeds noted that now we are under the gun with the Department of Environmental Protection (DEP) to fix it.

Mr. Hornung noted when we started this program he remembered that we said that we were going to limit our increases to \$5 per quarter. Mr. Weaver noted that Mr. Wendle normally provided the Board two or three alternatives. He noted that \$5 was the target that the Board wanted and at the time the engineer did agree that you could maintain the cash reserve that you wanted and meet your goals short term but it continued to change as Mr. Wendle kept saying that \$5 was not going to make it. He noted that recently, in discussing advancing the borrowing, when we looked at it long term, \$8.75 was the number. He noted if you don't do \$8.75, you do less... Mr. Hornung questioned what would happen if we do \$5. Mr. Weaver answered that you won't be able to keep your 25% reserve and we could go into a deficit.

Mr. Blain noted that the conversation was to keep it at \$5 but then about two years ago we started to have discussions for the acceleration of the projects to borrow more as the original schedule was not as aggressive as it is now. He noted that the construction costs were down and the interest rates were low and that is why the rates are what they are now and not at a \$5 a quarter increase. He noted that we are continuing to borrow more to do more now than spread it out like we initially planned. Mr. Seeds noted that he recalls that as well.

Mr. Hornung questioned if in 2016 the rate is raised by \$8.75, what will it be raised in 2017. Mr. Weaver answered that it will be \$8.75 for the next 12 to 13 years. He noted if you want \$5, Mr. Wendle can rerun the rate table but it will show that you will have to catch up in the later 2020's, maybe having \$10 to \$12 increases. Mr. Hornung questioned when this changed, did he miss something last time. He suggested that the charts at the last meeting were \$5. Mr. Weaver answered that it was \$8.75. He noted that they were \$5 at the meeting before that, showing \$10 later. He noted that Mr. Wendle had a chart and memo. He noted that the increase costs over the past years are due to the increase in construction costs and paving.

Mr. Hornung requested Mr. Weaver to explain the reason for the shortfall from the 2014 bond funds. Mr. Weaver noted that it is due to paving for BC6 and PC5 and the anticipation of BC3. He noted that the old project had the big run overs noting the PC5 is still paving this

Thursday. He noted that the \$2.5 million is an increased bidding cost for the three projects. Mr. Hornung noted that he kind of remembers the \$8.75 now.

Mr. Wenger noted that the presentation that he made in May, which was the discussion of spending cash or hold cash, and we looked at the long term projection rate coverage, that is when the \$8.75 came out as a necessary number to have enough revenues to cover the debt service and operating expenses.

Mr. Weaver noted for expenses there is a change in the dollar amount as we have \$2.2 million budgeted for management reimbursement that covers payroll. He noted that he typically had a lower number in there for using bond money to pay for some of the I&I Inspectors and the I&I crew but the Board was not set with that. He noted that he and Mr. Wolfe discussed, since we are running out of money, the money was never moved over for the payroll from the bond money; we had been expending it through operations anyway; therefore, the audit shows that we have been expending this money in the operations account, He noted that it did not make sense to carry \$600,000 a year in payroll costs as you would pay for the carrying costs every year. He noted over the long term if you borrow the money to pay for it, it doesn't make sense. He noted that it was done to offset costs but we are carrying the money in the operations account now.

Mr. Weaver noted that the only other changes would be for the insurance and DEP fines. He noted that they have been reduced taking out the Spring Creek and Paxton Creek factors because we no longer have the overflows in those basins. He noted that 26 overflows are budgeted for Beaver Creek. He noted if we have one in Spring Creek or Paxton Creek there is enough money to cover it. He noted that it is budgeted at \$9,750 where it used to be \$26,000. He noted that the insurance was increased to \$39,000 as it could go up from the \$33,000 we are paying this year.

Mr. Weaver noted under the Operations Facility and Operations there are no changes; however, for Transmissions, we have not received the budgets from Harrisburg or Swatara so he plugged in the typical increase for Swatara and for Harrisburg, he put in the rate that was approved at the CRW meeting in December for 2014.

Mr. Weaver noted that he received a bill from CRW for \$2 million for past transmissions and treatment costs from 2011 through 2013, and the first bill in 2014. He noted that Mr. Wolfe will keep you apprised of this under executive session for the litigation involved with that. He noted that he is still working on a negotiated rate with CRW. He noted that Mr. Wendle and Mr.

Shambaugh are doing a rate study that should be done in a few months and he hopes to resolve the issues.

Mr. Weaver noted that the debt service is pretty much the same as last year, adding the new debt service schedule. He noted that the Series 2010 principal is now zero as the Board did some refinancing and there were two additions at the end adding the 2014 Interest and the 2015 Interest. He noted that the 2014 interest was paid last year and the 2015 is due. He noted that the 2015 principal is only \$5,000 for this year based on the debt service schedule that Mr. Wenger provided. He noted that it will be put in the packet for budget approval in November. He noted that the total expenses for the operating account for 2016 is \$14,675,267.

Mr. Hornung noted that this year we worked hard in getting the accounts payable down. He questioned where we stand on that. Mr. Weaver noted that he would need to get a report but the last that he saw there has been some pretty good headway, as they should be down to about \$500,000 to \$600,000. Mr. Hornung requested Mr. Weaver to provide a report to the Board. Mr. Weaver noted that it used to be as low as \$300,000 to \$400,000 but since we have raised rates...He noted that the debt for the unpaid portion will look higher but we are very aggressive in the collection department with Modern Recovery, noting that he has a report later in the meeting on sheriff's sales. He noted that they seem to be doing well in the collections.

Mr. Hornung noted that he realizes that the rate increase had an effect, but it boggles his mind that we can't get it below the \$600,000 level.

Mr. Weaver noted that he will discuss the Capital budget next. He noted that the Beaver Creek Pump Station controls project is scheduled to start in January of 2016. He noted that they have bought the pumps this year leaving \$85,000 to finish the program, noting that it is \$96,000 for the capital part. He noted that the rest of the budget is all related to the consent order. He noted that it has not changed from last year but he wanted to point out that the new projects will eat up the majority of the budget is PC-4C/4E, he has \$4,444,000 based on the current schedule and for BC4 is \$4,589,000. He noted that those two projects are the lion's share of the capital budget for 2016, noting that the total for all capital projects is \$9,220,000. He noted that you will start to see, over the next ten to fifteen years, you will be borrowing \$25 million every three years noting that the number should be around \$8.7 million. He noted that we have a little extra starting in March and we had some old money to spend.

Mr. Wolfe noted that the amount is several million dollars less than what was spent each year for the last three years. He noted that we are now below \$10 million in capital expenditures and we should be staying there for a while.

Mr. Weaver noted that the budget is in good shape and he will have the final form ready for the Board to consider in November.

Mr. Hornung noted that you don't spend much money on sump pump removals anymore. Mr. Weaver answered that we are not finding that many as the original program seems to be effective. Mr. Wetzell noted that we are not finding many.

Review of the proposed 2016 Bond Issue for
Paxton and Beaver Creek Mini-Basins

Mr. Weaver noted that Mr. Wenger covered this earlier in the meeting. He noted that we discussed the Mountain Road resurfacing project that is a PennDOT project. He noted that it is \$820,000 and it is slated to be under construction in March of 2016. He noted that the other projects we discussed as part of the budget. He noted that this has been recommended by GHD and staff that \$25 million should be borrowed every three years.

Mr. Weaver noted that he put in the current bond 2014 balance and it is currently \$10,341,095. He noted that it seems like a lot of money to use before March of 2016 but the chart doesn't show when you have paving in the fall and spring, there is an extra million that you have to add to both to the normal costs, noting that you are looking at an extra \$2 million. He noted that we are spending \$800,000 to a \$1 million a month. He noted for the next four months it is \$4 million plus \$3 million for January through March of 2016, and then add \$2 million for paving that gets you to March.

Resolutions 15-11-1 through 15-11-3 authorizing the condemnation
of temporary easements in the BC4-A/B/C mini-basin

Mr. Weaver noted that these resolutions are typical with the consent decree and sewer replacement program. He noted that it forces the Authority to do the condemnations proceeding with Solicitor Stine when the property owners don't sign within the required 60 days that is provided within the resolution. He noted that there are three property owners in the Autumn Ridge Development who have not signed the private sewer replacement agreement. He noted that it is a PVC area and he had hoped to install at "T" and air test and have it pass, but we don't

know until the testing is done. He noted that staff received the agreements from all but three property owners out of 70 to 80 agreements.

Mr. Hawk questioned why they didn't sign. Mr. Weaver suggested that they did not want their lawns torn up. He noted that one property owner stated that they don't want construction in their yard as they have seen what it looks like around the Township.

Mr. Seeds noted that the development was built in the late 1980's, it is PVC pipe. Mr. Weaver noted that it was in the 1990's. Mr. Seeds questioned if it failed the air test. Mr. Weaver answered that he has not air tested the sewers yet so we won't know until we do the testing and we can't do that until we have the easement to do so. He recommended for the Board to approve all three resolutions.

Mr. Blain made a motion to approve Resolutions 15-11-01 through 15-11-3 authorizing the condemnation of temporary easements in the BC-4A/B/C mini basin. Mr. Hawk seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

Mr. Hornung questioned how many miles of paving do we do a year in the Township. Mr. Weaver noted for the Beaver Creek consent order there is 60 miles and Paxton Creek was 62 miles so it would be about 120 miles and if you divide it by 20 years it is about 20 miles a year. Mr. Hilson noted that it is less than that. Mr. Wolfe suggested that last year the total paving in the Township to include sewer and Township was a little less than seven miles and 80% was paved by the Authority as opposed to the Township. Mr. Weaver noted that he has 275 miles of sewer but not all is on the road. Mr. Wolfe suggested that it is more like 200 miles of roads. Mr. Weaver noted that they started Paxton Creek earlier so it would be more like 25 years instead of 20 years. He noted that seven miles a year is probably what we will be doing each year.

Township Reports

Review of 8/11/15 PADEP Annual Meeting Presentation

Mr. Weaver noted that he and staff recently attended the Annual Meeting with the Department of Environmental Protection (DEP) in August, a requirement of the Consent Decree to provide an update of what has been done in the past year and what they project for the following year.

Mr. Weaver noted that it is good news except for one item, the costs. He noted that the Board is very aware of the presentation and he would hit the highlights of the presentation.

Mr. Weaver noted the first graph shows that they completed BC6 and are working in BC3 and BC4. Mr. Whittle noted that BC6 previous peak flow was estimated at 6,000 GPD noting that it had to be estimated as the pipe was too full to get a good reading, but the results from the current metering after the project is estimated at 1,500 GPD per EDU providing a 91% removal rate of excessive I&I in this basin. Mr. Weaver noted that this is one of the first basins that we have done metering on a sub-basin level and to get these results is very good. Mr. Whittle noted that the removed amount of each storm is 3.6 million gallons of peak flow. He noted that it is almost over a full day of being surcharged like that. He noted that we are seeing great results.

Mr. Seeds questioned how much is it costing per gallon for removal. Mr. Weaver noted that we will be getting to that slide later in the presentation.

Mr. Weaver noted that the next slide summarizes where we are in the program. He noted that Beaver Creek Corrective Action Program (CAP) requires as part of the first phase in the first five year period, to complete these minibuses listed by 2018. He noted that the ones highlighted in yellow, BC6 are complete, BC3 and BC4 A are in progress and they are slated to be done in 2016, so we are two years ahead of schedule in Beaver Creek.

Mr. Weaver noted that he skipped over the models as that will be detailed at the next meeting, noting that Phase II is the metering program. He noted that slide 10 is encouraging noting that we had enough wet weather that GHD can provide a prioritization to DEP for the rest of the program to complete all of Beaver Creek. He noted that it started in 2013, so it is good that we have done this so it provides a summary of all the mini-basins and showed what their prioritization currently is. Mr. Whittle noted that we have that underway and he is reviewing it with staff so he will have that shortly to the Board to see how it works out doing it in five-year segments.

Mr. Weaver noted that the next slide shows that the consent order required that we model the system in Beaver and Paxton Creeks to accomplish several different things. He noted that we had to show what areas were to be surcharged after the program is complete and what interceptor improvements would be necessary. He noted that GHD took it a step further and they ran calculations for how the system will perform at various I&I removals. He noted that it is a pretty complicated model. He explained that he hopes to go over this with the Board during the November meeting to get some feedback as he wants to provide a copy of the model to DEP but not until the Board sees it first. He noted that we need to get to 1,500 GPD and 1,000 GPD which

is really tough, and then we will have to replace certain sections of the interceptor in Beaver Creek. Mr. Whittle noted that the good news that we can show with the model is that there are some interceptors that were previously projected to be replaced that are not needed to be done anymore to get to the rate needed. He noted it highlights where the improvements are needed, and where upgrades are not needed. He noted that it is a very detailed model projecting out all your growth and potential removal rates and how these flows add up as you have timing differences since the flow comes down the system rather than assuming every single house's flow gets to the Swatara plant at one time. He noted that it shows, on a sub-basin level, you have an overall reduction at peak flow since some of the timing dissipates in the initial slug of flow coming down the system.

Mr. Weaver noted that slide 20 for Paxton Creek represents the post flow metering results for the selected mini-basins that are now complete. He noted that he is trying to get everyone to use the term sub basins instead of mini-basins. He noted that the next six or seven slides will show the percent of removal. He noted that we had no mini-basins that didn't perform in the metering season as we had 89% being the lowest and 100% the highest. He noted that the next several slides are just a representation. Mr. Whittle noted the very last line is the removal telling what percentage of the excess I&I is removed and the total million gallons of peak and above it is the post number that we are looking for, looking close to 1,000 GPD but 1,800 GPD is what we are experiencing. He noted that the metering results were very good this year as we had a number of significant storms in May and April and we got good results from the crew.

Mr. Weaver noted in PC5 they witnessed that in the area that is north and south of Jonestown Road from the Devon Manor Pool area to Best Buy. He noted that all the basins listed were 86% to 100%.

Mr. Weaver noted that the table for Paxton Creek summarized the mini-basins that are part of the consent decree. He noted that yellow is the construction and purple is the scheduled. He noted that we are ahead of schedule, but we have PC-1I/4C/4E/4A left to do up through 2022. He noted that we are way ahead in both Beaver and Paxton Creeks.

Mr. Weaver noted that table two shows when you look at the peak flows and the difficulty of getting the I&I, it was thought that we could have storage someday so we put it in the consent decree with the understanding that they would be difficult and it would take a lot of research, but these are basins that were done under the first phase repair program. He noted that

all the mini-basins had repairs to them with the exception of the ones that are highlighted in the purple. He noted that PC3B and 5C had replacement done, with 3B being partial and 5C was the first complete replacement. He noted that 5C is in Devon Manor and that is where we have all the underslab issues. He noted that the second column is the peak gallons per day per EDU, where you can see that they are all extremely high, 7,300 gallons per day, 3,800 gallons per day. He noted that part of the program is to re-meter the basins now that the flows are going down, he suggested that we could get better meter data. He noted that the group two mini-basins put us back on schedule in Paxton Creek. He noted that it comes out to \$13.5 million and there is a lot of study that needs to be done even before we can make a recommendation to the Board. He noted that PC-1B, if you look at the next to last column, has a proposed completion date of 2022. He explained that there is 27,000 feet of other which is PVC pipe, and that is a lot. He noted that we have repaired it and we still have all this I&I coming in. He noted that we have to determine if we are going to repair it again or replace it. He noted that staff does not have a recommendation yet as we don't know what is out there. He noted that it has been 12 or 13 years since we did any work in that area of Forest Hills.

Mr. Seeds noted that we have been doing the low fruit first. Mr. Weaver noted that we repaired it, got some flows removed and then it went back up, so PC-3B is an easy decision as we did a partial replacement so we have to go back and finish that. He noted that PC-5C is going to be difficult as it is underslab issues having 150 homes in Devon Manor. He noted that we would have to replace every basement sewer in that development.

Mr. Weaver noted that PC-3D and 1D are similar. He noted that PC-3D has a lot of AC pipe in it and so it should be a little easier from staff level to make a recommendation with a cost involved and the same with PC-1D. He noted that it adds extra work on top of what we have, so it puts Paxton Creek back on schedule, and to get all this work done by 2022 it will cost about \$32 million to do it all. He noted that we have seven years to do all of this and it should be enough time to get it done.

Mr. Seeds noting that DEP should be very pleased with the progress that the Township has made. Mr. Weaver replied that we are so far ahead in Paxton Creek and have got such good results knowing that we were supposed to remove the overflow by 2022 and Mr. Whittle will show you that it was removed by 2015. He noted that GHD is confident with what was seen in the data, noting that we still have overflows in extreme events, but in significant events that

previously overflowed they are not doing that anymore. He noted that he said to DEP that he removed the overflows seven years in advance, and he questioned if that deserves a round of applause and they all clapped. He noted that we removed the overflows but we still have a lot of work to do.

Mr. Weaver noted that the next two slides shows the peak flow reduction for what is remaining. Mr. Whittle noted that it is very encouraging. He noted that they are the total of what is coming out of Paxton Creek. He noted that prior to 2013, you could not measure what was coming out of Paxton Creek because of the restrictions in the lines. He noted that last year he was able to measure all the flow leaving Paxton Creek and the projection is that you removed 55% of the peak flow. He noted that is a huge success. He noted that the next slide shows if you had had storage for the volume leaving Paxton Creek a couple of years ago, your storage tank would have had to store 7 million gallons. He noted that you are currently down to 2 million gallons during a storm event, noting that you removed almost 80% of the volume of excess flow.

Mr. Weaver noted that we still have until 2022 to remove the overflow which we have done, but we have until 2027 to remove the hydraulic overloading to get it down to the 10.57 level.

Mr. Hornung noted that there are certain rate reductions because we get charged on the flow. Mr. Weaver answered no. He noted not yet, but they are talking about a new rate study that they are doing, all the municipalities are getting together to calculate their I&I and what their flows are. He noted that there could be a new billing system that could occur in Paxton Creek but now we pay a flat rate per EDU. Mr. Hornung noted that the treatment costs that is what it affects. He noted you get a savings from the treatment costs. Mr. Weaver answered that it is going to be discussed but he does not have an answer as they haven't done the study yet. He noted that he is not sure what CRW is looking at. He noted if it is anything like Swatara Treatment Plant, there is a reduction in treatment costs but it is not significant. Mr. Wolfe noted that the City of Harrisburg system is a combined system so if we send less, then they have more from the overflows. He noted that they are treating the same amount, but whether we are contributing as much or not we can't say, but it is nothing that we can bill for yet.

Mr. Weaver noted that we will be getting more information to you about that soon once the study is done and they pass the information on to him. He noted that we are not adversarial

with CRW at the staff and engineering level. He noted that there are financial and legal issues that need to be resolved and he will work with them to resolve those issues.

Mr. Weaver noted that slide 39 recommends that we put two flow meters to monitor the surcharge that we discussed previously. He noted in Spring Creek we removed the overflows and removed the overload by maintaining a level below the Swatara 4.5 MGD inter-municipal agreement level and also the peak of 6.5 MGD. He noted that he requested that Spring Creek be removed from the Consent Order to make it part of the Chapter 94 report. He noted that is what all municipalities do. He noted that it is a provision in the consent order that once we believe that we reached that level we could move into a normalcy area. He noted that DEP had no objections to doing that. He noted that Spring Creek will be removed from the Consent Order but Spring Creek 2 is being monitored since nothing was done there and it is 60 year old clay pipe and the flows are starting to go up. He noted that it is not part of the consent order but he would probably recommend to the Board in the 2017 budget to do some repairs and metering in that location. He noted that we don't want to get into a position where we get into a consent decree because you got too far behind so it would be good to do a maintenance program to do a mini-basin.

Ms. Lindsey questioned where that is located. Mr. Weaver answered that it is East Park Drive around Central Dauphin East High School. Mr. Whittle noted that it is along Union Deposit Road and Scenery Drive.

Mr. Hornung questioned how many residents are in that area. Mr. Whittle answered that he did not know. He noted that there are no overflows currently in that area. Mr. Weaver noted that we have 24,000 EDU's in the entire Township and 8,200 in Swatara and the City of Harrisburg is 16,000 EDU's He suggested that it would only be a small part of that in SC 2, maybe 2,000 to 3,000 EDU's.

Mr. Seeds questioned what happened to the flume program in Spring Creek; has it been resolved. Mr. Weaver answered not exactly. He noted that we got the flume out and put in a flowdar meter and now the flow meter is not having any problems. He noted that GHD may recommend that we try other meters as we are not getting the performance out of them that we can repeat. He noted that there could be some manufacturing issues or some training issues that we have to pursue. He noted that we are looking into other metering. Mr. Whittle noted that the restriction was removed and the flows have been down below the 6.5 MGD that we had

modeled. He noted that the two meters are replacing the two overflow boxes with just a meter to monitor.

Mr. Hawk noted that 49 locations have experienced no overflow and that is a significant reduction and success and you have four more years for the plan. Mr. Weaver noted that you can see the overflow as they cause environmental damage as it goes into the streams and causes basement backups. He noted that it is a significant accomplishment but that only gets you halfway as you have it in the pipes and the pipes still have flow and now you have to get the pipe down. He noted that his agreement is that we don't have a threat of an overflow. He noted that is one of the things they spent significant time with DEP was in discussing how we have reduced our overflows.

Mr. Whittle noted that we still have to deal with potential growth.

Mr. Seeds questioned if you have any idea of how many municipalities within the Commonwealth are under consent decree such as ours. Mr. Wolfe answered that there are a lot that are under some type of mandate or order in Pennsylvania, but few who are doing what we are doing. Mr. Seeds suggested that we were singled out and are on the leading edge of doing the consent work.

Mr. Weaver noted that he goes to national conferences and has done papers in Baltimore, and nationally there are many in consent orders but they are not doing what we are doing, they are doing repairs, what we used to do. He noted that replacement started in 2007 and that is the big difference. Mr. Seeds suggested that other communities across the nation and state will be doing what we are doing in the future. Mr. Wolfe agreed. Mr. Seeds noted that we are located in the area of the Capital. Mr. Whittle noted the big difference is that the Township does not have a treatment plant and it does not have control over that factor. He noted that it limits the Township for its options.

Mr. Hawk noted that under the "Lessons Learned" it states that re-plumbing inside can reduce outside replacement costs and damages. Mr. Weaver noted that Mr. Hilson spends a lot of time out in the field and often times there are many trees or outside improvements outside that are in the way and it may be easier and cheaper to redo the plumbing inside the house. He noted that many residents are very supportive of this. Mr. Hornung questioned what you mean. Mr. Hilson explained that sometimes when you are replacing sewer in an area where the septic system was in the back yard. He noted to get to that you would have to dig up the front and side

yards to get to the backyard. He noted occasionally, we have found you can turn the plumbing to the front of the building in the basement and come out the front of the house instead of coming out the back. He noted that you are only digging up the front yard providing less damage to the lawn and it is quicker and cheaper for the Township. He noted that it only works in certain circumstances and it is not conducive if there is a bathroom in the basement or under slab plumbing in the basement. He noted in some of the old houses they go out at multiple points so you may find the pipe in a crawl space under the back wall and somehow they all tie together under a garage. He noted, sometimes to go out the front cleans up a plumbing mess for the homeowner as well. Mr. Seeds noted with the new plumbing it will increase their property values.

Mr. Weaver noted that the project schedules have been hard to predict. He noted that DEP does not hear much from municipalities who are doing as much as we are doing. He noted that Mr. Shannon laid out to his staff of what needs to be done, a multiple page schedule with much interaction with our employees. He noted that it doesn't work that way in real life because Mr. Hilson and Mr. Wetzel are outside everyday working on current construction. He noted that you have to add months to the schedule because they can only be in one place at a time. He noted that we are experiencing some learning curves and we are chasing fires to keep up with the schedule. He noted that 20 years is not enough and 30 would be much better.

Mr. Weaver noted that rehab costs for PVC sewers was never discussed with the Board. He noted that we are realizing that half of the system is PVC pipe and as part of the consent order if you look at the miles of sewer, we have an equal amount of PVC sewer that needs to be addressed. He noted it is difficult to predict the time that it will take and what it will cost and how much will pass the air test and if it will have to be replaced. He questioned how much we want to test if it is only five or ten years old. He noted that there are a lot of questions at staff level and we will be talking to the Board more about that in the future.

Mr. Weaver noted that the paving, engineering, construction costs, and inspections were significantly underestimated. He noted that we originally talked about this program costing \$85 million in Beaver Creek and \$70 million in Paxton Creek which would have been \$155 million and we are now looking at between \$250 and \$300 million.

Mr. Weaver noted that the last slide shows the rate table to provide the costs adding a \$100 million dollars to the overall costs. He noted when you look at the non-paving lineal foot

cost of construction, we started out at \$122 a foot and the recent projects over the past ten years are at \$187, \$218, \$214 and \$190. He noted that it is a significant increase from \$122. He noted that does not include the paving. He noted that he wants to research the paving costs more as they are up 33%; however, since the other costs are going up it skews the paving percentage.

Mr. Weaver note that ends the DEP Presentation and it was all good news other than the costs and he pointed out to them that the rates will go up much more than anticipated. He noted that John Kerschner was sitting next to him, representing the developers and builders and he said that he was glad to be a representative to help the Township as a PR Person. He noted that he was thrilled to hear the results of the program and how it is effective. He noted that he made a comment that when you compare it to your cell phone bill or cable bill it is not a whole lot of money that you are talking about.

Mr. Hornung questioned why it went from \$118 to \$218. Mr. Weaver answered that we changed how we do things. He noted that there is compaction testing, traffic control, noting that contractors are used to going into a Township and running havoc. He noted that they know when they come to Lower Paxton they can't do that, but you pay for it.

Mr. Hilson noted that we have to consider when the PC5 project was let. He noted that there are increase in costs, and those bids came in before the significant increase in oil and stone. He noted that it was before the quarries started to charge surcharges for diesel and all those kinds of things. He noted that there was a big jump in paving costs after that. Mr. Wolfe suggested that PC5 was also geographically easier than some of the others that we have done. He noted that we had more uniformity in plot size, distance from the street to the house. He noted that some of the other areas have been more difficult.

Mr. Whittle noted when you look at the basins that we are working on we did the low hanging fruit first. He noted that they had 16,000 GPD per day per use so when you take the cost for removal, it will skew your numbers.

Mr. Hornung noted that he was looking at the dollar per lineal foot for the main line. Mr. Weaver noted that he was not looking at the flow. Mr. Weaver noted that stone and paving are a big part of it. Mr. Hilson noted that stone is a big part of it. He noted that the other caveat at the dollar per foot for main line does not provide a perspective on how deep it was. He noted that a 16 foot deep sewer is more than double the cost of an 8 foot deep sewer. He noted that it is a good high elevation number to look at but you can't put a lot of credence in it without drilling

down. **Mr. Hornung** noted that he was under the assumption that we are still getting favorable bids because of the economic environment but when you look at the numbers you question that because the price keeps going up for mainline replacements. **Mr. Hilson** noted in talking with the contractors, looking at the bids, and how hard and important the projects are to them, we are getting very competitive bids. He noted that they are slitting each other throats to get the work. He noted that there is not a lot of sewer replacement work out in the streets, nothing that there is some pipeline work here and there but not a whole lot of big projects in Pennsylvania.

Mr. Weaver noted that the costs have gone up as the charts shows. He questioned how you predict the costs. He noted that it was disappointing when you put it on a chart and it does not follow the normal construction index of 3% or 5% a year. He noted that it is more like 8% or 10% a year. He noted that it is discouraging.

Mr. Hornung questioned if using the Wenrich Street site for fill helped to lower the pricing. **Mr. Weaver** noted that he does not know as it was not included in the bid, but we might want to do that for the next one to see. He noted that the Authority is providing money to the Township for sole use of the park but we can't tell as it is not in the bid. **Mr. Hilson** noted that it is in the bid but it was not broken out as a line item or a credit so we can't state a dollar amount. He noted in talking to the contractors, the main advantage was trucking time and he questioned if the site worked out the way they expected in the bid. He noted that the contractor answered yes. He noted that they don't use the same number of trucks on a mainline crew that they normally will have. He noted that some days they only have one truck which is unheard of in that kind of operation. He questioned if all the savings was passed on in this bid or were there some risks. He noted that the contractors held back a bit until they got used to using it. He noted when it was bid, the park was not constructed, so they were putting in a number without knowing what kind of road it would be and how long the road was going to be. He noted that they had plans but there was risk there and they did not know how we would operate it.

Mr. Hornung questioned when you do millings, do you allow them to use the millings instead of 2A modified. **Mr. Hilson** answered sometimes. He noted that we tried to in the current BC-3/4 project, the millings go up to the park. He noted that we are using those to maintain the access road into the park and will be used for future park roads. He noted for previous projects, the contractors wanted to trade millings between contractors privately and it was theirs to do what they wanted. He noted that occasionally they would use it for backfill if it was good, but

we had to have tests on those because the property of millings is not the same for trench backfill as 2A is. He noted that they cannot just willy-nilly use them.

Mr. Hornung noted that Mr. Hilson mentioned that the price of stone went way up. He thought that maybe you could get a more favorable bid by using the millings for backfill. Mr. Hilson noted in the previous projects we did but in the current ones in BC3/4 they were going to the park. He noted when you are milling and want to reuse the millings you would have to store the millings somewhere for a later work zone so the logistics don't always work out for the contractor. He noted that some contractors trade millings for top soil.

Mr. Eby noted that he talked to a contractor who was doing bidding in Lancaster County and they tried to bid certain projects in Lower Paxton Township and said it was very competitive. He noted that they stopped bidding as they can't compete with the bids in the Township. Mr. Weaver suggested that there are three or four contractors who can do the work and make a profit.

Mr. Weaver noted that he took Mr. Wolfe for a road tour of Paxtonia area and the biggest issue that will be addressed for the next 20 years is paving. He noted that those roads haven't been touched in 40 or 50 years and they will fall apart. He noted that he will spend \$1.5 to \$2 million in paving alone in that neighborhood. He noted that once you start digging trenches and running trucks over them there is nothing there. He explained that he is working with Mr. Wolfe and Mr. Hilson to determine other alternatives for trying to save some of that money for roads that are not traveled a lot, like maybe putting three inches of base instead of five inches.

Mr. Seeds noted when those roads were built there were not many standards at that time. He noted that many were cow pastures and they were put over shale and they just put down some macadam. Mr. Weaver noted that the discussion for the last 15 minutes was for costs and if you drive those street you will understand that we have to go edge to edge to rebuild the entire street and that was never anticipated as part of this program.

Mr. Seeds noted that there is always a question for who should pay but after all the mess that people are going through with having their streets dug up they are ending up with a much better product and better road. He noted that many were not good roads to start with. Mr. Weaver noted that legally the Authority is required to pave the roads. He noted that he is not looking at the legal aspect, but the cost aspect.

Mr. Wolfe noted that we can take a look at it on Road Tour.

BC-3A/B/C and BC-4A/B/C projects

Mr. Hilson noted that 3A/B is on schedule and he hopes to start trench restoration next week or the following week. He noted that there is a substantial amount of paving to do at that location, probably three to four weeks. He noted that BC-4A/B/C are in the first work zone and it is a long work zone, about 8,000 feet of cross country right-of-way work, 6,000 feet is outside the existing trench. He noted that they hit rock and it slowed them down and they are behind schedule. He noted that they requested a time extension which we are carefully evaluating to make sure that they are fair and reasonable with that. He noted that they had a few days of weather related delays as well so he anticipated a time extension but probably not in the amount that the contractor is recommending. He noted that they are overestimating the impact of the rock. He explained that we are in Big Bobs parking lot replacing sewers heading towards South Blue Ribbon Avenue. He noted that a second crew is pulling spurs out of that up to Jonestown Road and up to Elderberry Lane. He noted that they hit rock in the spurs as well and it slowed the program resulting in a longer closure of Jonestown Road than what we had hoped. He noted that the speed of traffic on that road, with the loading and unloading of vehicles, we had a safety concern and decided to close it a little longer than anticipated. He noted that they will need to get the right of way restored having a few more laterals to do and then it is on to work zone two that goes up through Ollie's to include some of the southern streets like Arlene and Karns Shopping Center. He noted that would be only the eastern part of the shopping center.

Ms. Lindsey questioned if we got to the area where the Sycamore Trees are. Mr. Hilson answered no as they will be in a future work zone. He noted that we have not hit them or cut them down. He noted that they are still standing. Mr. Weaver noted that we did cut down the ones for the property owners who requested it.

Mr. Hornung noted that Wenrich Street is really taking a beating. He questioned if they could throw a little bit of macadam on the road. Mr. Hilson noted that he is watching it. He noted that we are getting some ruts in the road and there are drainage issues on that road as the road is very soft. He noted that we will have an issue there but we may get through the winter. Mr. Hornung noted that it is bad. Mr. Weaver noted that he will have some discussion with the Township about splitting the costs. Mr. Hornung noted that you will have to fill in some of the spots since you won't make it through the winter time. Mr. Hilson noted that the road is alligatored, deformed and wet. Mr. Hornung noted that you have mush there and typically you

need to throw in some stone or even concrete. Mr. Weaver noted that we will have to get a price to fix it. Mr. Hilson noted that they would honor the unit price for fixing it. Mr. Wolfe noted that Mr. Hilson is talking about a moving patch; we just have to do it. Mr. Hilson noted that he would hate to spend a couple thousand dollars for something that last six months. He noted that we may just want to mill it, but some base in and leave it at a 19 mm base over the winter. Ms. Lindsey noted that she is concerned about the plowing over the winter as she was down that road on Friday night and she would not want to be the person driving the plow. Mr. Hilson noted that we have two projects going up Wenrich Street, BC4 and BC3, both dumping at the same dump so we are getting double the truck traffic now. Mr. Hornung noted that they are not light. He noted that they are hauling between 20 to 24 tons plus the weight of the truck.

Electric Box Investigation

Mr. Weaver noted that this project was unique as we used the GIS and hired GHD to investigate electrical boxes that are over the sewer lines. He noted that developers have created this problem. He noted that Mr. Wetzel provided pictures that are attached to the GHD memo. He wanted to show the Board that it is a significant problem. He noted that the electrical boxes occasionally are installed a foot away from the sewer line. He noted that it is very rare when you look at the amount of boxes but when you look at the cost involved, estimated at \$60,000 to \$80,000 each for a power shutdown to repair the line. He noted that the box is centered in our easement and the sewer may be 10 to 12 feet deep.

Mr. Seeds questioned if the sewer line was there first. Mr. Weaver answered yes. Mr. Seeds noted if they do a one call... Mr. Weaver noted that PPL does not provide a plan to the Township or the Authority as they show something on a plan but it is not final. He noted that they come in after all the other utilities are in and what he is finding is that it is illegal as the Pennsylvania Utility Commission (PUC) regulates them and they are violating PUC regulations. He noted that he has not confirmed that yet as he has to make some phone calls. He noted that from what he has read it implies that they have to submit their plans to the Township.

Mr. Seeds questioned if we have had this problem. Mr. Weaver noted that is what we are showing you, the existing problems. He noted that they have never submitted plans to the Township or Authority. Mr. Seeds noted that we will be stuck with an extra \$60,000 to \$80,000... Mr. Hilson noted if we have to dig it up. Mr. Weaver noted that some of these we

will have to dig up. Mr. Hornung questioned if you could line that area. Mr. Weaver answered that lining has been proven not to be effective. He noted that we could do it and it would save us a lot of money in these cases and it may be the option that we will choose.

Mr. Hilson that you may not be able to line it as you will fix yourself to that elevation and it may not work. He noted when they mark these out they do that ten feet from the transformer. He noted that ten feet in front and behind you have to hand dig assuming that you can hand dig it. He noted that you have to work it with a shovel but the other option is to do a power shutdown which is extremely expensive.

Mr. Weaver noted that going forward we need to resolve this as it provides for a significant expense to the Authority for improper planning by the utility company. He noted when he brought this up with a developer where it occurred recently, he stated that we can't require PPL to do this as they will say they will not supply the power. He noted when he read the PUC regulations, it stated that they are not allowed to do that. He noted that they wait until everyone is in and then they plop their utility wherever they want.

Mr. Seeds questioned what Mr. Weaver is asking from the Board. Mr. Weaver answered that he wanted to point out a significant problem and expense and going forward he will recommend that we enact an ordinance if it is not required in the PUC regulations. He suggested that it would be something Mr. Stine could research.

Update on Odors at Parkchester Station/Devonshire Road

Mr. Weaver noted that he is waiting for a recommendation for the owners who live next to the Parkchester Road Pump station, but he has seen significant improvement. He noted that we will do more testing but we have pumped out more grease. He noted that the high BOD's are creating sulfides providing the smell of rotten eggs. He noted that it comes from Old Country Buffet, Arby's and Wendy's. He explained that he sent additional letters but they did not comply with their sampling manholes. Mr. Seeds questioned if you were referring to their cleaning their grease traps. Mr. Weaver answered no; there is a requirement in the ordinance that they must have a sampling manhole to get samples and results. He noted that we can't document the results we are taking as we are scooping it out of the sewer at our manhole. He noted that you have to have an appropriate sewer manhole that has the pipe closer to the building for you to collect. He

noted that we have specifications for it and it is in the ordinance but we have never enforced it before. He noted in this case we have to.

Mr. Seeds noted that you mentioned odors, do they have to take BOD samples. Mr. Weaver answered yes, the BOD is degrading and once all the oxygen is gone then you develop sulfide which is the raw egg smell. He noted that residents are getting that smell in their house. Mr. Seeds noted that you don't need any action as we have an ordinance in place. Mr. Weaver answered yes; we need to start sampling the restaurants but GHD has to come up with a recommendation.

Delinquent Account Sheriff Sales

Mr. Weaver noted for the delinquent sheriff's sale, Modern Recovery has moved ahead and starting collecting debts for people who do not have public water. He noted that they filed a complaint at the Magistrate to get a judgement and if the property owner does not pay, you sheriff their property. He noted that it came about very quickly, and unfortunately we had to stay some of the sales to get better organized to better estimate what the property value is for some of the items.

Mr. Hornung questioned if that included a dining room set. Mr. Weaver answered yes. He noted that the sheriff is in charge of the entire program and they have a deputy that goes out and puts a value on each item that is in or outside the house. He noted if there is a car involved, it could have a lien on it. He noted that in order to do that research you have to file paperwork at PennDOT and it takes days to get the information. He noted that we did not have enough time so we stayed the sale. He noted that it only cost \$25 to schedule the sale again. He explained that he had one property where the sheriff showed up and we were getting ready to do the sale and the property owner came out, she was very upset, a divorced couple, and we took a payment plan at that point. He noted that the sheriff stated that it was our call, so we accepted the payment plan and she understands that she has to make regular payments. He noted that we did not have to sheriff anyone.

Mr. Weaver noted that we did not have a sheriff sale go through yet, but we have to be prepared as we have been lucky so far. He noted if it happens when a property owner is not present, a warrant for their arrest would be issued over a sewer bill. He noted that he wanted to make sure the Board was aware of this. He noted that it could happen a very few times, if ever,

but he wanted to make sure the Board was aware that we are having these sales. He noted that he will get some recommendations to Mr. Wolfe from staff for where to store the material, when to take over cars, and met with Mr. Stine to go over the bidding laws in terms of how to sell the property once we take it over.

Mr. Seeds questioned what you are going to do with the property when you take it over. Mr. Weaver answered that we had an issue as the union employees did not want to go out and repossess people's property. He noted that being a sewer guy is a great job but repossessing property at a house is not something they were signed up to do.

Mr. Seeds questioned if someone agrees to a payment plan and they don't follow through with those payments, do you go back through the same process. Mr. Weaver answered yes. He noted that the theory is that now the property owners will know that we are serious. He noted that Mr. Wolfe asked why we can't put a lien on the property. He noted that putting a lien on property was the old Portanoff method from 20 years ago. He noted that we created thousands of liens but there is the threat that you can lose that if it is a bankruptcy. Mr. Stine answered not really, it is one of the best ways to collect money. Mr. Weaver noted that it may be an option as the Board may want to look at liens, but he was told from the collection people that liens don't produce the money and the debt will continue to accumulate. Mr. Stine noted that he has other clients who use that method and it works like a charm, they get their money. He noted that they take it the sheriff's sale if they have to. Mr. Weaver answered we are doing the same thing. Mr. Stine noted that is not for personal property but for the real property. He noted if you are doing it for the personal property it is dead end. Mr. Weaver noted that he needs to speak to Mr. Stine. Mr. Stine noted that personal property is not worth that much.

Mr. Seeds suggested that a lien on property might not get it for 20 years or later. Mr. Stine answered no, he noted that you go right through the process. He noted that you can have it done in six months. Mr. Seeds noted that you can put it to the sheriff's sale but you don't have to wait until it sold. Mr. Stine answered if there is a mortgage on the property, you get paid, and the bank pays you because they don't want to lose their mortgage. He noted that the Authority is first in time and trumps the mortgage. He noted that it has always been the best way to collect money but for some reason it is not done that way here as it is done in other places.

Ms. Lindsey suggested that we should look into that. Mr. Weaver noted that he planned to speak to Mr. Stine about selling the property and some of the other methods that Mr. Wolfe

wanted to look into. He noted that we have not really pursued the people who do not have public water for how to get the money.

Ms. Lindsey questioned what the highest amount that someone owes is. Mr. Weaver answered that the old Portanoff liens that were allowed to accumulate, we collected most of those through the threat of sheriff's sales; he suggested that it would be \$9,000 to \$10,000. He noted that there are only about ten or 15 of those.

Mr. Seeds questioned how many liens are left on properties from years ago. Mr. Weaver answered not that many. He noted for the \$600,000 debt that we have, only \$200,000 is older than five or ten years. Ms. Lindsey questioned what the excuse is when you get in contact with them for why they haven't paid their sewer bills for years and years. Mr. Weaver answered that much of it is from a divorced situation or those who do not have work. He noted that they have a house and a nice car in the driveway. He noted that they typically always pay the cell phone bill first and cable but sewer is the last. He stated that they take advantage of us.

Ms. Lindsey noted that Mr. Stine stated that the way to get the money is through the lien system; we should look into that. Mr. Weaver noted for the people who do not have water. He noted those that have water, we just shut the water off and they can't live without water.

Mr. Eby noted that he is looking to do a land bank in Lancaster County and when you go through that legislation with the sheriff's offset sale, the property that is going to sale, the creditors will pay that money and tack it on to refinancing the mortgage so that the property owners can keep the property. He noted that it is the advantage of going that way instead of the personal property. He noted that he recommends that you go after the property, and not the personal property. Mr. Weaver noted that he will provide an update to the Board at the next meeting.

Engineers Report

Mr. Shannon noted that there was a question earlier by Mr. Seeds about the cost per gallon of removed. The chart can be found on page two of the report. He noted that it is a running history noting that we are still waiting for final costs on the last couple of projects, but the most recent ones that he has the data for are creeping up to and slightly above \$3 per gallon removed level. He noted that it is partly due to the increase in program costs and that we have

done the low hanging fruit first as there was not as many gallons to be removed as in the projects going forward.

Mr. Shannon noted that it was a busy period for data analysis as there were several significant storm events at the end of the metering season, some of which were captured and analyzed for the annual report and some which did not. He noted that we had almost ten inches of rain in June and he has not analyzed all the data, although the ground water was not as high in June as the previous events.

Mr. Shannon noted that PennDOT will be paving Mountain Road from Allentown Boulevard to past that light where the Colonial Lounge is located. He noted that there are three areas of sanitary sewers in that location, noting that they want to incorporate those sewers in that project and he will have to finish the design quickly and do the cost estimates to prepare a resolution for the board to pass at a September or October meeting.

Mr. Seeds questioned what Section 2.4 special study of the Board of Supervisors. Mr. Shannon noted that is a Board of Supervisors item that GHD prepared as DEP wanted planning module forms to cover the DEP planning for the flow swale from South Arlene Avenue into the Paxton Square shopping center, a swap of 12 EDU's from the Beaver Creek Basin into the Paxton Creek Basin. He noted that he has prepared that, noting that the two treatment plants must sign off on it which they have done, and Susquehanna Township must also sign off on it for the additional conveyance for the 12 EDU's. He noted that the Board of Supervisors will need to adopt the planning module as an official revision to the Act 537 Plan. He noted that it is a simple thing with a long drawn out process. He explained that Susquehanna Township Authority is considering action at their meeting on September 1, 2015. He noted that there is also a 30-day public comment time period as well. Mr. Weaver noted that he would be advertising that tomorrow. He noted that DEP should approve that before the work is done in work zone 2. He noted that it has a critical time zone.

Mr. Seeds noted for Section 8, the Harrisburg settlement. He noted that because it is in litigation you may not be able to discuss that. Mr. Shannon noted that he is not directly involved with that, he noted that Mr. Wendle and Mr. Wyland, the solicitor, and Mr. Shambaugh as the financial representatives are representing the tributary municipalities. He noted that there was a meeting in June that was not with the engineering and staff that he deals with, but more the financial and legal people and it did not go well. He noted that they were trying to get a meeting

with Shannon Williams and Dave Stewart at the PMA conference this afternoon. He noted that he has no updates for this meeting on August 25th, but as soon as he knows something he will let you know.

GHD Budget

Mr. Shannon noted that Ms. Smith worked with Mr. Weaver to create a preliminary budget. He noted that she is present in the event you have any questions. He noted that he provided a letter advising the Board of the work that GHD is doing with CRW.

Mr. Seeds noted that the budget shows no increase from last year. Mr. Shannon noted that there are some changes in certain areas of the budget... Mr. Seeds suggested that it has to do with salaries. Mr. Shannon answered no as they do not know what their salaries for next year will be. He noted that for years GHD was not using the budget, even though we were doing all this work. He noted that the 2015 budget had areas that were under budgeted so he took a more active look at each line item and what was expected to be doing next year. He noted that it was thought that some work would be done in 2014 that was pushed into 2015. He noted that two inspectors were budgeted but the Authority used three inspectors. He noted that staff took all of that into account, noting that metering analysis and modeling was pretty much on budget but it was front loaded in the first part of the year. He noted that we were over budget for the first six months.

Mr. Seeds questioned if the retainer is the same. Mr. Shannon noted that there is no change but we don't know about increases in salaries. He noted that each year GHD provides the Authority with an amendment to the 1999 agreement containing the rate schedule. He noted last year we did that at the November meeting. He noted that historically it was done in February but whenever that meeting is held, we will have a rate schedule.

Mr. Seeds questioned if anyone had any questions in regards to the letter to the Board about the CRW work situation. He noted that the letter questioned if the Board wanted to be notified of the work. He noted that he would like to be notified of any future works that GHD plans to do with CRW. Mr. Shannon noted that over the years, GHD has notified the Board several times of opportunities that we have had to work with the former Harrisburg Authority with their planning for the treatment plant upgrades and he has always notified the Board as he wants to make sure that there are no issues on the Township's side as you are our primary client.

Adjournment

Mr. Hornung made a motion to adjourn the meeting. Mr. Hawk seconded the motion, and the meeting adjourned at 8:30 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by:

William L. Hornung
Township Secretary