

**LOWER PAXTON TOWNSHIP
AUTHORITY MEETING**

Minutes of Township Authority Meeting held June 16, 2015

A meeting of the Lower Paxton Township Authority was called to order at 7:40 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, Gary A. Crissman, Robin Lindsey, and David B. Blain. Also in attendance were George Wolfe, Township Manager, Steve Stine, Authority Solicitor, William Weaver, Lower Paxton Township Authority; Jay Wenger and John Hewlett, Susquehanna Financial Group; Kevin Shannon, GHD; and Watson Fisher, SWAN.

Pledge of Allegiance

Ms. Lindsey led in the recitation of the Pledge of Allegiance to the Flag

Approval of Minutes

Mr. Blain made a motion to approve the May 26, 2015 Authority meeting minutes. Mr. Crissman seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

Public Comment

No comments were provided.

New Business

Resolution 15-10, authorizing an amendment to the
meaning of the term EDU for non-residential tapping fees

Mr. Weaver noted that Resolution 15-10 is intended to amend resolution 98-01 for the meaning of the term Equivalent Dwelling Unit (EDU). He noted that the resolution will become effective immediately if adopted. He noted that Resolution 98-01 was created by Gannet Fleming and then GHD has amended the resolution several times based on new figures for EDU's and

total capacity in the system. He noted as we amended the resolution over the years we discovered that there was a discrepancy in calculation of gallons per day that is used in an EDU. He noted that Mr. Jeff Wendle had indicated that it is appropriate to use 180 gallons per day which is the average water consumption for the City of Harrisburg drainage area and also for Swatara Township. He noted that it is the average usage for a residential household.

Mr. Weaver noted in doing the review of Resolution 98-01, when a property owner inquired for how many EDU's were available as they were looking to set up their building, he took a look at the resolution, permit and tapping fee regulations and found that the old Gannet Fleming resolution had 350 gallons per day which is a planning number used by the Department of Environmental Protection (DEP). He noted that GHD intends to present to the Board next year, as part of the 2016 budget, revised tapping fee numbers to reflect the construction cost index and interest rates that the Authority is paying on its bonds. He noted that the tapping fees could be slightly increased to reflect those costs. He explained that he will propose a new resolution, but in the interim, because he could have a commercial property that could come in and apply for a permit, it was felt that it was necessary for the Board to consider this resolution at this time because 180 gallons per day is the appropriate figure to use as recommended by GHD.

Mr. Weaver noted that he would be happy to answer questions on the Resolution.

Mr. Seeds questioned if Mr. Weaver has been using for commercial business 16,000 gallons per quarter. Mr. Weaver answered yes. He noted that 90 days times 180 comes out to 16,200 gallons per quarter. Mr. Weaver answered that is what we used for the quarterly sewer billings. Mr. Seeds noted that this resolution will clarify the correct amount.

Mr. Weaver noted that Mr. Stine recommended that when you amend old resolutions, it is better to look at it as a whole and adopt a new resolution that would rescind all the prior resolutions so you don't miss little things like this. He noted that it is in the definition under the first section and no one ever thought of looking at the definition of an EDU for the gallons per day. He noted that EDU's are used by different municipalities for different flows. He noted that some use 350 gallons per day and some use 180 gallons per day. He noted that GHD is recommending the use of 180 gallons per day.

Mr. Crissman made a motion to approve Resolution 15-10 that authorizes an amendment to the meaning of the term EDU for non-residential tapping fees as presenting by Mr. Weaver.

Mr. Blain seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

Approval of the Inter-Municipal Agreement
for the Swatara Township Treatment Plant

Mr. Weaver noted that he had the final Inter-Municipal Agreement for the Swatara Treatment facility that was sent to him by their Authority Manager, Jerry Miller. He noted that Mr. Miller requests that Lower Paxton Township and Lower Paxton Authority re-approve the agreement that was approved last year. He explained that there were typographical errors in the document and the solicitor for Hummelstown and South Hanover recommended some minor changes in the whereas clauses. He noted that they also wanted to revise the exhibit that showed the total project costs now that the upgrades to the treatment plant has been completed as part of the Chesapeake Bay initiative. He noted that the agreement that you approved before is identical with some minor changes. He noted that GHD and staff recommend approval of the agreement.

Mr. Seeds questioned if Mr. Stine has reviewed this document. Mr. Stine answered many times, yes. Mr. Weaver noted that Mr. Stine and Jeff Wendle from GHD worked with Swatara and himself extensively over the last four years to get the agreement completed.

Ms. Lindsey questioned if the other municipalities are okay with the agreement. Mr. Weaver answered that the same law firm represented South Hanover Township and Hummelstown Borough. He noted that West Hanover Township is not included anymore. He noted that Hummelstown will approve it next week and South Hanover Township the week after.

Mr. Crissman made a motion to approve the Inter-Municipal Agreement for the Swatara Township Facility. Ms. Lindsey seconded the motion. Mr. Seeds called for a voice vote and a unanimous vote followed.

Review of the revised Sewer Rate Projections

Mr. Kevin Shannon noted that there are three pieces to Mr. Wendle's presentation, the first is a memo dated June 12, 2015 that summarizes everything that he did. He noted during the February meeting, Mr. Wendle presented projections that showed steady rate increases over time to fund the program costs for the Paxton Creek and Beaver Creek Action Plans at \$8.50 increase each year. He noted during the May meeting, it was reported that it appears that the Authority will need to borrow money a year ahead of time because of the increase program costs. He noted

that Mr. Wendle updated his projections maintaining the 25% rate for the annual Operations and Maintenance cost, noting that the 15% coverage on the debt service was removed after discussions with the financial advisors and the 25% operating reserve will also serve as the coverage. He noted that Mr. Wendle had a formula that showed for every year that requirement was made. He noted that the \$8.50 does not meet the required increase, but \$8.75 almost meets the requirements. He noted that there is a dip in about 20 years where it falls slightly below the operating reserve requirement. He noted that Mr. Wendle ran the figure of \$8.80 for the table and that met all the requirements. He noted that the conclusion is that the impact of moving borrowing up one year and then borrowing every three years after that is about an additional \$.25 per quarter annually that will be required.

Mr. Seeds noted that this was the big question in May.

Mr. Crissman noted that this makes an assumption that in 2026 we will be borrowing again as the debt service goes from \$12 million to \$16 million in 2026. Mr. Shannon noted that it makes an assumption that there is a new borrowing every three years, 2016, 2019, 2022, 2025, 2027, and 2031.

Mr. Crissman noted if you look at the debt service going across they are pretty reasonable starting in 2020 at \$10,710,760, \$10,762,510, \$10,943,541, and then \$12,138,905, \$12,630,622, \$12,654,867 and then when we hit 2026 it goes up to \$16,088,544. He noted that is a major jump. He noted that he is concerned about that.

Mr. John Wenger noted you will see along the bottom the projected bond issue borrowing, you see \$25 million in 2016, \$35 million in 2019, \$25 million in 2022, and in 2025 it is \$50 million. He noted that you will see a bigger jump in debt service starting 2026 as a result of that size of borrowing. Mr. Crissman noted that he sees what impact it has on the annual rate, which is rather consistent, but as a public official the public could care less about the debt service we are paying out in our annual budget. He noted that he needs to know how to accommodate the debt service when it is particularly higher as his goal has always been level debt service.

Mr. Shannon noted that the larger borrowings in 2019 and 2025 are the assumption that storage would be implanted in Paxton Creek in 2019 and Beaver Creek in 2025. He noted that you actually have a little longer than those dates to make those decisions so they could be pushed back as the program progresses.

Ms. Lindsey noted at the end of the project in 2031 how much will the debt be then. Mr. Wenger noted that that it would be \$180 million. Mr. Hewlett noted that you can't tell from this information as some debt would be paid down. He noted that we would have to get back to you with that information.

Mr. Weaver noted that the Board asked Mr. Wenger and Mr. Hewlett to come to the meeting to review the rates that Mr. Wendle prepared to see what affect it would have for the earlier borrowing. He questioned when the Board intended to go to market. He questioned if Mr. Wenger would make a recommendation to the Board. He noted that discussions were held on when we need to get the ball rolling and Mr. Wenger indicated that it should be six to nine months before the money will run out. He noted that it is the end of June and we project that the money will run out in mid-March.

Mr. Wenger noted that normally he would suggest when you need the money, we would borrow the money but it could be clouded by the fact that we expect interest rates to rise so we might look to do it a little earlier than we otherwise would. He noted in order to make the bond counsel happy and do the right thing for the community we want to make sure that the projects are 100% go and that you have defined the project. He noted that we don't want to borrow money so far in advance that it is just sitting there unused and you are paying debt on it. He suggested that the fourth quarter of this year would be the appropriate time, after Labor Day, to talk about it, update the remaining fund schedule and if we need to accelerate it we can be back as early as the middle of October with the bond sales so you would have money in the fourth quarter of this year. He noted if the rates are not rising, we might suggest that you wait for early 2016 to move.

Mr. Crissman noted that he likes the idea of starting the process in October as it will have an impact on next year's budget. He noted that it is imperative that we begin the process early so we know if there will be an impact and to what extent it will have on the 2016 budget. Mr. Wenger noted that we should be back in mid-September to have this conversation again. He noted that we can talk about whether we need to add capitalized interest to help you through the 2016 budget year. He noted that there are ways to help offset the effect of the increase of debt service immediately.

Mr. Seeds noted the Board must decide when and if to move ahead. He noted that we have to do it to meet the schedule for next year. Mr. Crissman noted that it has to be based upon

the needs for the projects so that is why we need to come back in September to see what projects Mr. Weaver has in mind and determine if this is financially the time to do this, now or for the next fiscal year, and what impact will it have on the budget.

Mr. Seeds suggested that we could do it at the August Sewer Authority meeting. Mr. Wenger noted that he could come back in August if that is the Board's wish. He noted that September would provide enough time to work through the early part of the budget and as you get closer to the end of the fiscal year you would be in a position to better develop the budget to raise assumptions. He noted if it helps to start in August he can do that as well.

Mr. Hornung noted if we started, at what point can you hold off, and at what point you would have to go through the process again as some things are time sensitive. Mr. Wenger answered that the only thing that is time sensitive is when we go to the rating agency as once we receive the rating we only have eight to ten weeks where we can delay and not issue bonds without having to go back and refresh the rating. He noted that going back is a much easier process as it is a follow up conference call to ensure the numbers have not changed and the budget is on track. He noted that we would not be starting over entirely, but we don't like to get a rating and then just sit on it for a long period of time and not use it. He noted if something came up and you were not ready to move forward it is not that big of an issue from his side.

Mr. Hornung noted that everyone keeps talking about rates going up but what typically happens during an election year with the rates. Mr. Wenger answered that the Fed tries to present itself as being a-political, so they try not to be moving interest rates too much in one direction or the other during a national election year; however, they have waited longer than they would have liked to raise the rates and it won't be until September. He noted that the history of raising rates is when they start it is not just one rate of increase as it continues over a period of time. He noted that he would expect that to be the case again but it is a different economic cycle and there are a lot of pressures internationally not to raise rates. He noted that there has been a lot of stalling through 2015 and they are always coming up with a data point that says we don't have to do it right now but it is coming so you know it. He noted that going back many years, the Fed was criticized for not telegraphing its actions and surprising the market. He noted that a lot of what they have done in 2015 is to make sure that the buyers understand that there is a rate height coming but the delay is because there is a lot of pressure internationally not to raise rates.

Mr. Crissman suggested that since Mr. Wenger is the expert, he would ask Mr. Wenger to monitor everything and if it is necessary to talk in August to return to have those discussions or if you feel we should wait until September we can do that as well. Mr. Wenger noted that he would be happy to do that as the rates are up quite a bit since we did the last refinancing. Mr. Hornung asked how much. Mr. Wenger answered about 40 basis points higher on the tax-exempt rates from when we did the refinancing. He noted that the ten-year hit a low of 1.6 in January and it is up to almost 2.4 today so we have had an 80 basis point move in a matter of three or four months. He noted that it is a pretty significant move given that the Fed hasn't done anything yet other than say that they are going to do something.

Mr. Crissman noted that Mr. Wenger will monitor the trends and make a decision to come in August or delay for another month. Mr. Wenger noted that he may come back in August to provide an update to stay ahead of it as opposed to trying to play catchup. Mr. Crissman noted by September we are very involved in the budget process.

Mr. Weaver noted that staff prepares the budget in August, noting that a large part of the budget is the unknown costs from the City of Harrisburg and Swatara Township. He noted that we have a regular scheduled meeting the third week of September as well. Mr. Crissman noted if we need to move faster, you could recommend to schedule a special meeting. Mr. Wenger stated that he will plan to come back in August with an update and then decide when to move.

Mr. Seeds noted that we have a regular Authority meeting the fourth Tuesday in August and that would be a good time. Mr. Wenger answered that he is fine with that.

Adjournment

Mr. Blain made a motion to adjourn the meeting. Mr. Crissman seconded the motion, and the meeting adjourned at 8:08 a.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by:

William L. Hornung
Township Secretary