

**LOWER PAXTON TOWNSHIP
AUTHORITY MEETING**

Minutes of Township Authority Meeting held December 17, 2013

A special meeting of the Lower Paxton Township Authority was called to order at 7:34 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, and David B. Blain. Also in attendance were George Wolfe, Township Manager; Steven Stine, Authority Solicitor; William Weaver, Authority Director, Jeff Wendle, GHD; Jay Wenger, Susquehanna Advisors Group; Scott Wyland, Saltzman and Hughes; and Watson Fisher, SWAN.

Pledge of Allegiance

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

Public Comment

No public comment was presented.

Board Members' Comment

No comments were provided by Board members.

New Business

Action on the 2014 Authority Budget
and
Resolution 13-16; increasing sewer rental rates

Mr. Weaver noted that the budget adoption was tabled during the November 26th Authority Meeting. He noted that the budget did not include a sewer increase rate at that time. He noted that Mr. Wendle, from GHD normally prepares a rate analysis projection to goes out five years and staff was directed to show an increase of \$5 per quarter from \$120 to \$125 for the 2014 budget. He noted that the revised budget reflects the sewer rate increase and he has prepared a resolution increasing the sewer rental rates for 2014. Mr. Weaver requested the

Board to approve the revised budget and accompanying resolution that will accommodate the increase in the sewer rental rate for 2014.

Mr. Weaver explained that Mr. Wendle has prepared a revised rate projection that goes out 30 years. Mr. Wendle distributed those rates to the Authority Board members. He noted that there will be a significant amount of borrowing over the next 20 years to complete the Consent Decree Programs mandated by Department of Environmental Protection (DEP). He noted that Mr. Jay Wenger from Susquehanna Advisors Group will make some comments after Mr. Wendle's presentation in regards to the borrowing.

Mr. Wendle noted that his projections go out to the year 2045 with borrowing through 2015, 2018, 2012, 2024, 2027, 2030, and 2033 in order to have enough money to do the projects as they are projected forward. He noted that the last borrowing would occur in 2033 with the debt service peaking at that time. He noted that the debt service will drop in 2039 by about \$5 million since the Build America Bonds (BAB) that were borrowed in 2009 will be paid off.

Mr. Wendle noted that the five dollar increase to \$125 a quarter is shown projected up to 2045, but he changed some of the parameters. He noted that previously, he was instructed to maintain a cushion of \$5 million with no rate increases more than \$5 or \$10 per quarter. He noted with some creative financing, as the Authority moves out into some of these borrowings, it may be able to smooth it out even more; however, the reserve drops to \$1 million in years out. He explained that he used the reserve funds that are available to finance some of the increases to keep from having any drastic rate increases. He noted that the current surplus will be drawn down over the years and eventually moved forward if all the numbers comes in as projected.

Mr. Wendle noted that this assumes the replacement and rehabilitation of all mini-basins within the 20 year corrective action plans (CAP) and construction of storage facilities in both Beaver and Paxton Creeks basins. He noted that it represents a possible worse case scenario as he is suggesting doing all the necessary work within the 20 year CAP and also storage. He suggested if the Authority chooses to do storage towards the end of the plan; it may be able to push out some of the other projects beyond the current projection. He explained that the plan should be evaluated every year or at least every five years, and that storage could be done earlier to spread out the remaining work over a longer period of time. He noted that this projection assumes that the Authority spends all it could based on the current estimates noting that he included inflation for borrowing by 3% each year going forward. He noted if the cost of sewer replacement is \$1 million today, next year it will increase 3% and be compounded out through

the end of the projection. He noted that future borrowing is taken into account and that the plan to increase the rate to \$125 in 2014 is reasonable and solid within the plan.

Mr. Seeds noted that it has been three or four years since the Township raised the rate and the Board doesn't want to do it but the rate will go from \$120 to \$125 per quarter. He noted if the Board failed to do it this year, then the following year the Board would levy a much higher increase and it is better to raise the rates a little at a time to pay for the repairs needed to the sanitary sewer system. He noted that four or five projects are ongoing at these times that are mandated by the Department of Environmental Protection (DEP) to be completed. He noted that no one wants to raise any of the fees but obviously the Board has no choice.

Mr. Hornung noted that the expected borrowing from 2015 to 2033 for the Authority will be \$170 million. Mr. Wendle answered that was correct and it is needed to complete all the replacement projects. He noted part of the reason for doing this and revisiting it every couple of years is because there may be changes in the government to allow satellite treatment or storage. He noted as we complete the projects, the volume of storage needed would shrink drastically and at some point, before ten years from now, the Authority should be able to build storage and stretch out the projects over a longer period of time. He noted if the Authority does all the projects mandated by the CAP in order to eliminate overflows that are required fifteen years into the CAP, for Paxton Creek, it would be in 2022, so he assumed a storage project in 2021. He noted for the Beaver Creek Basin, it would be 2028, therefore he assumed storage in 2027. He noted that the Board may decide prior to those dates that it wants to build storage facilities earlier since it is comfortable with the work that had been done to date and with the results. He noted that it would stretch out the remaining work that needs to be done. He suggested that it is the worst case scenario.

Mr. Hornung noted that things like satellite treatment would reduce the borrowing significantly. Mr. Wendle answered yes. He noted if the Authority was able to do that or build a storage facility at some point that cost \$20 million, then it could take the remaining work out 30 years so that a future Board would still have to borrow money to rehabilitate the sewers but it could be stretch out over many years.

Mr. Crissman noted it will cost the taxpayers more as it goes from a \$6 million debt service to a jump in 2021 of \$11 million, in 2024 it jumps up to \$12 million, in 2027 it is almost \$15 million, and by 2030 the debt service is at \$17 million. He noted that he will probably be in the audience at that time yelling and screaming. He noted that even though he wants level

debt service, it is not so much level debt service but a continued increase. He noted that he understands why but at some point in time the debt service will jump from \$6 million to \$17 million. Mr. Wendle noted that he tried to use the reserve fund to keep the increases from any more drastic than \$10 a quarter. He noted when the bonds are refinanced over the years when new borrowings occur; it may be able to spread out the debt service more.

Mr. Blain noted that it is a great exercise to project out to 2045 but the bottom line is that projecting out past 2019 is difficult as there are so many variables that could happen between now and then. He noted when the Authority gets to 2019; it may be in a completely different scenario. He noted that those numbers show a significant debt service that will have to be paid every year. He questioned if new sewer hookups have been taken into account. Mr. Wendle answered yes. Mr. Blain noted that it is only a projection at this time. Mr. Wendle noted that it is a tool that needs to be revisited every couple of years.

Mr. Blain noted if the Board is going to replace sewer lines, this is how long it will take and how we are able to do it. He noted that everything else is moot at this point.

Mr. Hornung noted he likes it because it gives the Board something to beat. He noted that it is a measurement tool. He noted that it allows the Board to put its arms around the projects, noting that \$175 million will have to be borrowed in the future and he questioned what the Board could do differently to prevent this from happening. He noted that it is a lot of money for this Township with all the efforts by staff to try to beat the projections and come up with innovative ideas such as lining and the different attempts to try to do things that would help to reduce the expenses.

Mr. Jay Wenger, Susquehanna Advisors Group, noted that it is important to step back and remember that it is very early in the process that the Board is looking at. He noted that the numbers might be shocking to look at on paper; there is a lot of revision that will be done over the coming months and years. He noted that technology will change and if it is not affordable in Lower Paxton Township, there will be a lot of communities like the Township that are facing the same types of projects and you would have to expect that the market and technology will change to react to project costs like this. He noted that he would liken it to going to a home owner who says they would like to build a house with so many bedrooms and bathroom and square feet and after they are provided with a number, it is only a starting point with a lot of work to be done. He noted that Mr. Crissman pointed out that these are all well within the studies and the debt service goes so far and then it drops off. He noted that part of the process will be looking at that most

efficient way, from a financial perspective, but also from a ratepayer perspective. He noted to lay all the projects on line is a reasonable process showing a big spike and then it starts dropping off. He noted that staff followed the simple format of each project advancing as projected as well as the debt service on its own. He noted that is why you keep seeing the spikes as staff keeps adding debt until it gets to a peak and then it starts dropping off. He noted that there is a lot of work and revision left to be done to make it a more acceptable proposition for the Board and the ratepayers.

Mr. Hornung noted as technology improves, the problem is getting DEP to accept the technology that is already there and also allowing the Township to apply it. He noted that there is proven technology that we have shown that works, but the ability for the regulatory political climate to accept it has been the issue. Mr. Wenger noted that the other assumption was that all the bonds were 25 year debt service studies and many communities make it longer than that. He noted that he will look at amortizing this debt a little longer to make the out front rate increases acceptable and to smooth out the debt service. He noted, due to the aggregate plan that is in front of the Board, it will take very careful planning to ensure that it is not short sighted and could have long-term financial implications. He noted that a lot more work has to be done.

Mr. Seeds explained that Mr. Wenger is the Authority Financial Consultant for bonds.

Mr. Weaver recommended that the Board consider approval of the 2014 annual budget as presented by staff and approve Resolution 13-16, increasing the sewer rates at the same time.

Mr. Crissman made a motion to approve the 2014 Authority Budget with the increase of \$125 for the sewer rental rate and move to adopt Resolution 13-16, increasing the sewer rental rate. Mr. Seeds noted that the rate for commercial use is \$7.81 per gallon with a minimum of 125 a quarter. Mr. Blain seconded the motion. Mr. Seeds called for a roll call vote: Mr. Blain, aye; Mr. Crissman, aye; Mr. Hornung, aye; Mr. Hawk, aye; and Mr. Seeds, aye.

Acceptance of a Settlement Agreement between Lower Paxton Township and other suburban municipalities with the City of Harrisburg, and Harrisburg Authority

Mr. Wolfe noted that the Authority has been asked to accept a settlement agreement with the City of Harrisburg and The Harrisburg Authority along with other suburban municipalities. He noted that the Authority met in executive session with its special council to discuss a legal settlement that was reached this afternoon providing for certain items. He requested Mr. Scott

Wyland to provide a brief summary of the settlement agreement in order to allow the Board to take action this evening.

Mr. Scott Wyland noted that this concerns a settlement agreement for action. He noted that the recommendation is for the Board to approve the settlement agreement conditioned upon the other signatory parties similarly approving it. He noted that it is proposed to settle certain claims that Lower Paxton Township and Lower Paxton Township Authority have along with the other suburban customers related to overcharges by the City of Harrisburg for sewer services. He noted that the Harrisburg Strong Plan allows for certain repayments to the suburban municipalities in exchange for the compromise of those claims through March of 2012. He noted that the terms of the settlement in the broad sense are included in the Harrisburg Strong Plan and are already subject to approval by the Commonwealth Court. He noted that he reviewed the agreement with the Board and he recommends approval.

Mr. Blain made a motion to approve the settlement agreement with the City of Harrisburg and The Harrisburg Authority. Mr. Hawk seconded the motion. Mr. Crissman suggested that the motion needs to be subject to approval by the other suburban municipalities. Mr. Blain noted that he is fine with Mr. Crissman's amendment. Mr. Hawk noted that he was also in agreement to the amendment.

Mr. Wolfe noted that the Board of Supervisors will have to take similar action in the Board of Supervisor's business meeting that will follow.

Mr. Seeds noted that the Board will vote on the amendment to the motion first and called for a roll call vote: Mr. Blain, aye; Mr. Crissman, aye; Mr. Hornung, aye; Mr. Hawk, aye; and Mr. Seeds, aye.

Mr. Seeds called for a roll call vote for the main motion which includes the amendment: Mr. Blain, aye; Mr. Crissman, aye; Mr. Hornung, aye; Mr. Hawk, aye; and Mr. Seeds, aye.

Adjournment

Mr. Crissman made a motion to adjourn the meeting, and the meeting adjourned at 7:58 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

William L. Hornung
Authority Secretary