

**PENN TOWNSHIP MUNICIPAL AUTHORITY
PERRY COUNTY**

102 Municipal Building Road
Duncannon, PA 17020

April 5, 2006

The Penn Township Municipal Authority (Authority) met on Wednesday, April 5, 2006 in the Penn Township Municipal Building. The meeting was called to order at 7:00 p.m. by Chairman Robert E. Shaffer, Sr., who led the group in the recitation of the *Pledge of Allegiance* and a moment of silence. Chairman Shaffer then announced that the meeting was being recorded to aid in the preparation of the minutes.

Authority members present:

Robert E. Shaffer, Sr., Chairman
Franklin Reidlinger, Vice-Chairman
Irene Graybill, Executive Secretary/Treasurer
Henry Holman, III, Secretary
Lee Wright, Assistant Secretary/Assistant Treasurer

Professional staff present:

Dennis Shatto, Esq., Cleckner and Fearen, (CF), Solicitor
Don Lavine, The ARRO Group, (ARRO)
Frank Grottola, Resident Project Representative (RPR), ARRO
Dennis Crabill, P.E., Buchart Horn (Engineer)

Authority staff present:

Edward Chism, Plant Operator
Sam Auxt, Inspector
Susan Long, Billing and Payroll Clerk, and Recording Secretary

Visitors present:

The list of visitors is on file in the Authority office.

Insurance Review

Prior to the meeting, at 6:45 p.m., Andrew DiProstero of H. A. Thompson reviewed the Authority's insurance package.

Minutes

After discussion, and upon a Reidlinger/Holman motion, the Authority voted unanimously to approve the March 1, 2006 minutes as presented.

Visitors

James Kocher

Mr. Kocher stated that he had worked with the Authority for the past eight years and knew the members to be customer-oriented. He stated that there has only been one \$5.00 increase in sewer rates in the past eighteen years and that the Authority has never failed to meet its financial obligations. He questioned the justification of the potential 68% increase in sewer rates and

offered that it was unwarranted and unfair to the ratepayers. He urged the Authority to examine the draft 2006 budget more closely and consider the economic impact of the proposed rate increase on its customers. He then requested that Chairman Shaffer move discussion of the draft 2006 budget to the beginning of the agenda.

Henry Holman, Jr., Penn Township Supervisor (PTS)

Mr. Holman stated that the PUC granted a time extension until March 18, 2006 for the Authority to reach an agreement with Duncannon Borough (Borough) concerning the supply of water to Petersburg Commons, but that an agreement still has not been reached. He noted that he has seen copies of letters between lawyers for both sides but no direct letter from the Authority to the Borough.

Mr. Holman stated that he attended the court proceedings on the arbitration with the Borough over the Water Street sewer line and heard sworn Authority testimony that the Borough engineer drafted the Intermunicipal agreement. He stated that this conflicts with comments made at Authority meetings that he (Mr. Holman) should know what was in the agreement since he helped write it. He also stated he was bothered that comments made at JOAC meetings were denied under oath at the arbitration proceedings.

Mr. Holman stated that, at the March 29, 2006 PTS meeting, he made a motion requesting that the Authority take four actions. He now added a fifth item for consideration, stating that the Authority needed new leadership, and noting that Chairman Shaffer has been Chairman since the inception of the Authority. He commented that there are five members on the Authority and no one member is responsible for its financial conditions, but, in his opinion, the direction of the leadership has caused the problem.

Mr. Holman stated that he believes that the previous engineering firm was correct that rates will have to go to \$800/year and that the PennVest loan was based on the premise that rates would have to be increased to that amount. He added that the Authority knew in October 2004 that rates would need to be increased to that level. He expressed concern that the increase will not be sufficient to cover payments on the principal of the PennVest loan that is to begin in 2008. He offered that, had he known then what he knows now, he would never have signed the PennVest loan agreement.

Mr. Holman urged that the Authority consider an independent financial audit. He stated he does not believe there are any missing funds, or money taken illegally, but thinks there is mismanagement of the Authority's funds.

Chairman Shaffer acknowledged that he has been Chairman since the inception of the Authority, and that he, as well as the Authority as a whole, has done the best job possible, relying on advisors and common sense. He reported that there are two components to a budget – operation and maintenance (O&M) costs, and debt repayment. He stated that the budget committee is comprised of two Authority members, Irene Graybill and Lee Wright, and two staff personnel, Inspector Sam Auxt and Operator Ed Chism. He commented that the Authority is frugal with its O&M expenses. Concerning the debt repayment, he reported that the sewer project is almost completed and is coming in at more than \$300,000 under projected cost. He stated that the original pre-project goal was to charge the rate the current customers are paying. He noted that the interest rate on the PennVest loan was only 1%, and the Authority hoped to obtain grant money, which never materialized, either from PennVest or the Perry County Commissioners. He continued that a year ago the Authority lost 10% of its income when a reservation-of-capacity agreement expired, and his suggestion to increase rates by 10% at that time was never acted on.

2006 Draft Budget

Chairman Shaffer stated he was surprised, as was the rest of the Authority, when the budget committee reported that a 68% increase was necessary. He stated that was the reason, as a Supervisor, he supported Mr. Holman's motion for an independent audit and separation of the duties of the executive secretary/treasurer. He offered that an independent audit should accomplish two things – determine why rates may have to be increased so far from the original goal and what the Authority can do about it. Chairman Shaffer stated that he supports a rate increase, although not one in the magnitude of 68%.

Lee reported three reasons for the potential 68% increase. A reduction in the amount of tapping fees received, the loss of the reservation-of-capacity agreement, and the repayment of the \$6.4 million PENNVEST loan. Irene stated that only 83 residents have prepaid their tapping fees, with approximately 110 residents remaining to pay. Lee stated that tapping fees from the Susquenita Hills and Penn Manor segment of this project have been spent, and the tapping fees from Petersburg Commons have yet to be received, with only the remaining 110 tapping fees to be used for expenses. He expressed concern that some of those tapping fees will not be received because of inability of the homeowners to pay.

Franklin stated that he has been opposed to the Perdix/Lower Cove sewer project and had previously suggested that it be constructed in segments. He noted that he had attended meetings with Mr. Holman where annual sewer rates of \$800-\$1200 had been discussed. He stated his agreement that the Authority needs a balanced budget, but not at a 68% increase in rates. He reiterated prior comments that the residents of Perdix can not afford those rates.

Franklin also stated that he has reservations about asking residents of Susquenita Hills and Penn Manor to help pay for the Perdix/Lower Cove project, but has been told that the Authority can not legally charge different sewer rates for different areas.

Henry asked where the revenue would come from if the budget is not balanced. Franklin replied that he did not know, and that the Authority has not had success in obtaining grant money to this time.

Lee noted that tapping fee revenue in 2004 was \$270,494, with only \$84,150 projected for 2006, a deficiency that would need to be made up. Chairman Shaffer asked why the budget committee only projects \$84,150 when there are 110 tapping fees still to be paid. Irene offered that there might be a lot of residents who can not afford to pay. Chairman Shaffer responded that payment plans had been set up in the past for residents in the same situation. Lee stated that had not been taken into consideration. A discussion was then held on funding assistance that might be available for individual homeowners.

The Solicitor reported that there is no state statute placing limitations on the amount of sewer rate increases and that rates could theoretically increase to the level necessary to provide operating revenue for a balanced budget, although there is a practical limitation. He added that there is also no statute requiring a balanced budget, although the Authority has the duty to make sure it has the financial wherewithal to pay its obligations when due. He offered that the Authority could consider loan restructuring or interim borrowing, if needed.

Franklin suggested that the Authority seek assistance from someone knowledgeable in municipal finances to review the budget and provide guidance.

Henry noted that there was a \$154,513 shortfall in revenue for 2005, with Irene responding that all bills were paid in 2005. Lee noted that the loan with the First National Bank of Marysville is \$1.5 million. Irene stated that money from the loan was never used to pay operating expenses. Lee offered that she had stated in a budget committee meeting that it was. Irene replied that it was used to pay project costs but was emphatic that it was never used to pay

monthly expenses. She stated \$758,000 was used to pay the contractor and some money was used to pay right-of-way acquisition costs. Lee asked if PennVest had reimbursed the \$758,000 and Irene responded that it was deposited in the savings account and not used to repay the Marysville loan. She stated that Authority members received the financial reports every month, and that if a member wanted money paid on the loan they should have told her because she does not take \$750,000 out of an account without the Authority's approval. She reiterated that the money was not used to pay monthly bills. Franklin stated that he recalled a recommendation from HRG that the money not be paid toward the loan until the Lower Cove/Perdix project was completed, in case it was needed for overruns. Lee stated that there is \$750,000 of the \$1.5 million loan unaccounted for. Chairman Shaffer noted that the independent audit should clarify that issue as well as explain what rate increase is needed.

Henry stated that delaying a rate increase would result in less revenue for 2006, with Chairman Shaffer agreeing that some percentage of an increase should be implemented at this time. Franklin asked when the rate increase would take effect – the next billing cycle or when the residents of Lower Cove/Perdix connect to the sewer, with the consensus that it would be the next billing cycle in May 2006.

Chairman Shaffer asked Don Lavine when the Authority would be in a position to issue connection notices. Frank Grottola replied that the collection system – mains, laterals, low-pressure pipes – has been tested to satisfaction. He reported that the manufacturer is currently certifying the grinder pumps, with 105 of the 190 tested, and the remainder to be certified by the beginning of next week. Chairman Shaffer asked if that meant some lines could be offered for connection by the May 3, 2006 meeting. Mr. Grottola replied that the design of the collection system allows for connection in any sequence suitable to the Authority. Chairman Shaffer stated that the Authority would not issue 190 connection notices simultaneously, and requested that ARRO divide the project area into several geographical components and provide the information at the next meeting. He then offered that connections might begin as early as June, with tapping fee revenue also beginning at that time.

Chairman Shaffer then offered an opportunity for every visitor to comment on the budget and the following comments were offered.

A resident noted that everyone had an opportunity to save 20% on tapping fees by pre-paying and that some residents borrowed money to obtain that reduced price. Some residents were concerned that, even though they had to borrow to pay the tapping fee, others might not have to connect if they could not afford it. Chairman Shaffer responded with his understanding that everyone would have to connect and that there were legal actions that could be taken to ensure connection. The Solicitor explained that the Authority has obligations to PennVest to pay back the loan and would use its best effort to obtain revenue.

A question was raised about why residents whose sewage flows to the Borough wastewater treatment plant (WWTP) should pay the same rate as residents whose sewage flows to the Cove WWTP, and the possibility of having separate rate schedules for the Duncannon and Perdix areas. The Solicitor stated that there can be different sewer districts, with different rates, but that it would aggravate the financial hardship for one district while it lessened it for another. He continued that public sewer is for the betterment of the entire community and often entails some "subsidization" of certain districts.

Lee reported that part of the funding to pay for the Township's sewage expenses at the Borough WWTP comes from Perdix customers. The Operator explained further that Penn Township had to borrow money for its share of the collection facilities for the Borough WWTP, while the Cove WWTP was contributed by developers and did not involve nearly as much borrowed money. The fees for service collected by customers of the Cove WWTP have been

used in part to help pay the indebtedness for the Borough WWTP, but those fees for service would now be needed to pay the indebtedness for the collection facilities for the Cove WWTP.

A question was raised how the tapping fee for the Perdix project compared with the Susquenita Hills and Penn Manor project, with the answer that the tapping fee for all three areas was \$2,650.

In response to a question concerning the amount of homes that could be connected to the Cove WWTP after the Perdix project is completed, the Operator estimated that there is capacity for at least 100 additional homes.

A question was raised if the 68% increase was due to the Perdix project, with Chairman Shaffer responding that was part of it and Lee adding that it was a combination of debts that are coming due.

Chairman Shaffer noted that there has been only one \$5 increase in eighteen years and offered that possibly there should have been more. A comment was made that the \$5 increase was done very quickly and that a lot of "shady" stuff was going on. Chairman Shaffer responded that he resented the term "shady" and that all meetings were public.

A question was raised about whether the Authority considered requesting proposals from plumbers to connect the entire project area, to ensure that residents get the best deal. Chairman Shaffer replied that the concept of one plumber under the direction of the Authority was considered briefly, but there were too many resulting concerns. It was discussed that a group of residents could join together to enlist a plumber for a group rate.

A question was raised if the PTS would pay for the cost of the independent audit, since it was their motion. Chairman Shaffer offered his opinion that, since it was a sewer and water issue, the Authority should pay for the cost.

A comment was made that the Authority continued with the Perdix project, even though the search for grant money proved fruitless. Chairman Shaffer responded that the Authority was still actively searching/applying for grant money.

Chairman Shaffer requested the discussion now center on members' thoughts on an immediate rate increase. He offered that he felt a rate increase of 20% should be approved. Franklin offered that the Authority should enlist the services of a financial advisor to determine what % of increase is necessary. Lee offered that the budget committee recommends a 68% increase, but that he could support a 40% increase now, with the provision that an audit and review of the finances be completed, and the increase be reviewed after completion of the audit. Henry offered that he has trust in the recommendation of the budget committee and that he is concerned over not having a balanced budget and that he would support a 68% increase. Irene offered that she would go with Franklin's recommendation. Chairman Shaffer noted that Franklin was not in favor of an increase until after an audit was completed, and asked Irene if she would favor an increase before the audit. She replied that she would go with a 20% increase.

Lee asked about holding public workshops to inform the ratepayers of the rationale for the increase, with Chairman Shaffer suggesting they be held after the audit was completed. The Operator noted that one-fourth of the increase in revenue is already lost because it was calculated from the beginning of the year. Upon questioning by Lee, the Inspector stated that he felt the figures arrived at by the budget committee were relatively good numbers. He added that while there may be some numbers that could come down, he did not think they would come down much lower. He also offered that he did not want to pay the 68% increase, but realizes the Authority must do what it has to do. He asked the visitors in attendance to contact Rep. Mark Keller, the county commissioners, and anyone else they can think of and ask for any financial assistance that was available.

After discussion, there was a Graybill/Shaffer motion to raise sewer rates 20%, for a total cost of \$125/quarter, effective the next billing period. Franklin asked if approval of an audit was included in the motion, with Irene stating that had already been decided. Chairman Shaffer responded that the approval for a second audit would have to be done by motion, and had no opinion whether it should be a separate motion or included with this one. The Solicitor explained the different tiers of audits, with costs in the \$4,000 to \$20,000 range, and suggested that the Authority get quotes on the type of audit they would want. Chairman Shaffer then suggested that approval of an audit be a separate motion. He then called for a vote on the motion. Motion did not pass, with Franklin, Lee and Henry voting against it.

After further discussion, there was a Reidlinger/Shaffer motion to raise sewer rates 20% effective the next billing period, and to seek the assistance of a qualified financial advisor on matters of budget and rates. The financial review is to be completed within sixty days, after which the rate increase will be revisited. Motion passed by unanimous vote of the Authority. Henry offered his understanding that the Authority would be working from a "temporary" budget that could be revised at a later date, with Chairman Shaffer responding that it could be called that.

A discussion was then held on water rates. Lee stated that the Sunshine Hills/Petersburg Commons water system budget had a year-end deficit of \$30,000 and the budget committee was recommending a \$10 increase per quarter in the base amount, which would still leave a \$29,000 deficit. He offered that the Authority was losing almost as much money as it was bringing in. Irene noted that the \$50,000 cost of the meter chamber resulting from the PUC decision was included in the budget, but felt that the cost would be reduced. The Engineer responded that the revenue to reduce that cost was already included in the budget as tapping fees. After discussion, there was a Wright/Shaffer motion to increase the base rate for water \$10 per quarter, effective the next billing period, and to seek the assistance of a qualified financial advisor on matters of budget and rates. The financial review is to be completed within sixty days, after which the rate increase will be revisited. Motion passed by unanimous vote of the Authority. It was the consensus that Irene would send a letter to the customers before the next billing, informing them of the increase and stating that future rates could fluctuate up or down, depending on the results of the financial review.

Plant Operator's Report See April 2006 Operator's Report

DMRs – (see written Discharge Monitoring Reports dated February 2006). The DMRs were reviewed with the note that the average influent BOD level of the Cove WWTP was 351 mg/l, which is above the design amount of 240 mg/l. The Operator offered that the increase might be attributed to the grease problem. He then extended an invitation that Authority members contact him at any time with questions.

Clark Street Wastewater Flow Meter – The Operator reported that the Inspector, Borough representatives and he met with Tri-Star on March 23, 2006 to discuss the problem with the wastewater flow meter shutting down. He stated that Tri-Star was apprised of the situation, and he is awaiting a response from the manufacturer.

Cove Collection System – The Operator noted that there was an invoice in the amount of \$500, payable to the Commonwealth of PA, to be approved with the payment of bills. He explained that additional aerators were installed during the WWTP expansion, increasing the BOD treatment capability, and the invoice was for an application for organic re-rating of the Cove WWTP to account for that increase.

Cove Centre – The Operator reported that grease was removed from the Cove Centre grinder pump station and grease trap and they were steam washed on March 22. The Inspector added that Mr. Rohrer has been working diligently with the Operator and himself to resolve the grease problem at the Cove Centre. The Operator noted that the grease trap would be inspected on a weekly basis, unless conditions warrant a change in the schedule.

Henry asked the Operator to describe the type of grease trap on site. The Operator explained that it was a manhole with an influent and effluent pipe and no baffles. He continued that, ordinarily, the water enters under a baffle, which keeps the grease from floating to the other side. Henry made a motion that the Authority not accept the Deed of Dedication for the Cove Centre sewer facilities until proper plans are submitted for the installation of an engineer-approved grease trap. Lee seconded the motion, noting that this grease trap has been the cause of on-going problems. Chairman Shaffer agreed that the situation needed to be corrected, but asked why the owner would care whether or not the Authority accepts the facilities, since he is already receiving sewer service, and stated that a better "hammer" was needed. Lee asked if the BOD surcharge could be the "hammer". Franklin asked what were the Authority's requirements for the grease trap when Cove Centre was constructed. The Inspector gave his understanding that the grease trap was an add-on to the system requested by the Authority's previous engineer and stated that the Authority has not been able to obtain a shop drawing for it. He offered his opinion that the current grease trap could be modified to make it perform better. After it was noted that the tank was a standard four-foot manhole, Henry stated that a traditional grease trap might fit inside the tank. The Inspector reported that the grease trap had not been cleaned from the onset of operation until March 22, 2006 and offered that a diligent preventative maintenance program might resolve the problem.

Chairman Shaffer offered that he would vote against the motion at this time because he felt there were better ways to resolve the situation. Henry stated that his motion was meant to support the Operator and Inspector, since they were dealing with the situation on an on-going basis. The Operator offered his opinion that the lack of support had been from the owner, but that he was now cooperating with the Authority. Chairman Shaffer called for a vote on the motion. Motion failed, with Franklin, Irene and Chairman Shaffer voting against the motion.

The Inspector offered in closing that the grease trap was installed at the time when the Uniform Construction Code (UCC) went into effect and there was a gray area over who would do the inspections, the Authority or Glace Associates.

Grinder Pump Inspections – The Operator reported that he observed Site Specific, a subcontractor to Doli, as it performed inspections of the installed grinder pumps in Perdix earlier in the day. He noted that, along with Site Specific, Frank Grottola has the authority to perform inspections and fail the grinder pumps.

2006 Draft Budget – The Operator stated that he had spent many hours working with the Budget Committee and offered his personal opinion that the Authority should pay \$700,000 - \$1,000,000 on the Marysville bank loan as soon as possible.

Inspector's Report See Inspector's Report for April 2006.

The Master Meter reports were reviewed without comment.

The following items were discussed:

Grease Traps – The Inspector asked if the Authority would like to specify an optimal retention time for grease traps. Chairman Shaffer asked what the UCC standards are, with the Inspector stating that he would research the regulations.

Sheetz Car Wash – The Inspector stated that he had not researched the extent to which the car wash recycles its water and would try to present the information at the May 3 meeting.

Business Campus One (BCO) – The Inspector stated that he had contacted Steve Daniels about the Deed of Dedication and record drawings for BCO. Irene stated that she had sent letters to the Perry County Commissioners and to William Bunt, and that she would also send a letter to Mr. Daniels. To date, the Authority has not received record drawings or a Deed of Dedication. Chairman Shaffer requested that the Inspector continue his efforts to obtain the documents.

Susquenita School District – The Inspector reported that he had received and reviewed the record drawings for the Preston property sewer extension and that they appeared satisfactory. He asked the Engineer to review them and contact the District's engineer, Act One, if he had any questions.

User Instructions for Grinder Pumps – The Inspector noted a flyer containing use and care instructions from the manufacturer of the grinder pumps being installed in the Lower Cove/Perdix project and suggested that the information be provided to every customer with a grinder pump. It was the consensus that this was a good idea. The information will be mailed out with the rate increase letters.

Construction Phase Engineering Report See written report dated March 22, 2005

Contract 04-01 – Don Lavine reviewed the work completed to-date by Doli and stated that the final completion date would be May 6, 2006.

Mr. Lavine advised the Authority that the contractor has submitted Application and Certificate for Payment No. 10 in the amount of \$121,195.30.

Contract 04-02 – Mr. Lavine reviewed the work completed to-date by Dutchland, Inc. and stated that the final grading and restoration at the WWTP has been completed. He noted that some restoration work remains to be completed on the William Rohrer property.

Mr. Lavine advised the Authority that the contractor has not submitted an Application and Certificate for Payment.

Contract 04-03 – Mr. Lavine reviewed the work completed to-date by Herr Signal and Lighting and stated that they only need to complete the final paperwork.

Mr. Lavine advised the Authority that the contractor has submitted Application and Certificate for Payment No. 4 in the amount of \$18,999.94.

Complaint Log Spreadsheet – Mr. Lavine reviewed the complaint log and noted that many of the pending issues have now been resolved. Chairman Shaffer inquired about the status of the letter that was to be sent to property owners who had filed complaints. Mr. Lavine responded that he had not yet seen the letter, but that it should be sent out soon, as the contractor would soon be finished. Irene was requested to fax a copy of the letter to him, and if he approves it, to send it out as soon as possible. A discussion was then held on who was to receive the letter, those who have filed a complaint or everyone involved in the project. After discussion, there was a

Reidlinger/Shaffer motion to send a letter and a complaint form to everyone involved in the project, asking if restoration has been completed to their satisfaction. Motion passed by unanimous vote of the Authority.

After discussion, there was a Graybill/Reidlinger motion for approval of Application and Certificate for Payment for Contract 04-01, Application No. 10, in the amount of \$121,195.30 and Contract 04-03, Application No. 4, in the amount of \$18,999.94. Motion passed by unanimous vote of the Authority. Next there was a Graybill/Wright motion for approval of PENNVEST Reimbursement Request No. 14, in the amount of \$367,289.43. Motion passed by unanimous vote of the Authority.

Engineer's Report See written report dated March 30, 2006

The following items were discussed:

John Warden Subdivision Plan, File #2005-06 – The Engineer reported that he had not received a re-submittal of this plan from the developer.

Kinkora Land Development Plan, File #2005-05 – The Engineer reported that he had not yet received the Authority's approval to review Kinkora's plan because Kinkora had not yet established an escrow account.

2005 Flow Analysis Report – The Engineer recommended that, as a result of the 2005 Flow Analysis Report, the Kinkora Nursing Home's EDUs be reduced from 27 to 26, and the District's EDUs be reduced from 67 to 42. A discussion was held on the implication of the flow analysis summary with no action taken, pending the performance of a financial audit.

2006 Budget Assistance – Chairman Shaffer offered that the Engineer has done a considerable amount of extra work towards the 2006 budget planning process and requested that he present a quote for those additional financial services at the next meeting.

Solicitor's Report See written report dated April 3, 2006.

The following issues were discussed.

Resolution for Imposition of Counsel Fees – The Solicitor reminded the members of a draft resolution he had previously presented that would allow the Authority to impose counsel fees on actions taken against delinquent customers. He stated that the issue should be discussed at some future meeting.

PUC Decision – The Solicitor reported that he had provided the Borough's solicitor with a revised draft agreement and explanatory letter on February 23, 2006 and had written to the solicitor on March 10th asking for a status report and informing her that the Authority had approved the specifications of the meter pit. He stated that he made follow-up calls on March 31st and April 4th and sent a fax on April 4th asking the status of the revised draft and had not yet received a response from the Borough's solicitor. He added that, in the February 23rd letter, he indicated his willingness to coordinate a meeting between the two parties to resolve any remaining issues.

Mr. Holman stated that he has read all correspondence between the Authority and Borough and would like to see a letter from the Authority telling the Borough that it would be willing to meet with them to pick a site for the meter pit. Chairman Shaffer asked why the Authority

should do that before the Borough agrees with the draft agreement. He informed Mr. Holman that, in the March 10th letter, the Authority notified the Borough it was satisfied with their requirements. He said he is waiting for the Borough to give the go-ahead, and that the ball is not in the Authority's court. The Solicitor stated that the location of the meter pit has not been addressed in any draft agreement, and if it is an issue, the Borough should notify the Authority.

John Myers then noted the PUC's deadline requirements and stated that there has been no attempt by the Authority to negotiate any terms of the agreement. He added that the Borough has notified the Authority several times of its willingness to meet at any time to discuss the agreement. Lee asked if it would make better financial sense to notify the Borough that the Authority was not interested in installing a \$50,000 meter pit, and turn over the Petersburg Commons customers to the Borough. He noted that this would also stop future legal fees. The Solicitor responded that the option was discussed in the past but was not well-received by the Authority. He stated that the \$50,000 cost of the water pit could be borrowed and expensed over several years. He also noted that the Authority would lose future tapping fees and revenue, and stated that turning the system over to the Borough probably does not make financial sense.

A lengthy discussion was then held concerning dates and contents of letters exchanged between the Authority and Borough, and previous meetings held. Henry noted that 50% of the 2005 water budget was paid to the Solicitor for Petersburg Commons legal issues and stressed that the Authority must resolve the Petersburg Commons impasse. Mr. Myers polled the Borough Utilities Committee members by phone for suitable dates for a meeting. After discussion, there was a Holman/Reidlinger motion to advertise that the Authority would meet with the Borough Utilities Committee on April 13, 2006 at 7:00 p.m. to discuss an agreement on Petersburg Commons water issues. Motion passed by unanimous vote of the Authority.

Henry offered his concern that one meeting per month is not sufficient to allow in-depth discussion of issues like this, and suggested that the Authority consider holding a workshop session each month.

Motion to Extend Meeting – At 10:10 p.m. there was a Reidlinger/Holman motion to extend the meeting to complete all business before the Authority. Motion passed by unanimous vote of the Authority.

Legal Issues – The Solicitor recommended that further discussion on any litigation issues be discussed in executive session later in the evening.

Billing Clerk's Report

There was no Billing Clerk report.

Treasurer's Report See written Balance Sheet dated March 31, 2006.

After discussion, there was a Reidlinger/Holman motion to approve the Treasurer's Report as presented, subject to audit. Motion passed by unanimous vote of the Authority.

The Treasurer presented the Accounts Payable and requested a motion to approve payment of the bills itemized on the Accounts Payable list totaling \$249,040.91 as follows: \$243,538.43 drawn on the First National Bank of Newport regular account, and \$5,502.48 drawn on the First National Bank of Newport payroll account. The Treasurer noted that the \$500 check payable to the Commonwealth of PA was with the checks to be signed this evening, but would appear on the May 3, 2006 Treasurer's Report. After discussion, there was a Reidlinger/Graybill motion to approve the Accounts Payable. Motion passed by unanimous vote of the Authority.

Incoming Correspondence

A list of all incoming correspondence can be found on the April 5, 2006 agenda. All incoming correspondence was discussed during the meeting.

Outgoing Correspondence

Outgoing correspondence was circulated among the members. Members were directed to request a copy of the correspondence if they so desired.

Old Business

2005 Financial Audit – Irene reported that the auditor has received all information requested and should present her findings at the May 3, 2006 meeting.

James T. O'Hara, Contractor – Irene reported that she had received a call asking for an Authority recommendation on the work performed by James T. O'Hara during the Penn Manor/Susquenita Hills sewer construction. It was the consensus that the Authority does not provide such recommendations.

Tedd Carr, Lower Duncannon – Irene reported that Mr. Carr would be away from his house for two years, that the Borough is disconnecting his water, and that he is requesting he not be charged for sewer during that period. Irene stated that she would check with the Borough to make sure that the water is disconnected. After discussion, there was a Reidlinger/Graybill motion that Mr. Carr would not have to pay his sewer for the length of time that his water was disconnected. Motion passed by unanimous vote of the Authority.

Norm's Tire and Auto, 1616 State Road – Irene noted that a copy of a letter from the PTS to Robert Kerlin, dated May 12, 2000, was in the packets as requested at the March 1, 2006 meeting. It was discussed that the requirement for Mr. Kerlin to connect 1616 State Road to the sanitary collection system was being met with the completion of the current sewer project. Chairman Shaffer offered that the building at 1620 State Road was outside the 150' connection requirement.

New Business

By-Laws – Henry asked if the Authority's by-laws addressed a deadline for completion of the annual budget, with the Solicitor offering that he did not think it was addressed. When asked if there was a deadline for completion of the annual audit, the Solicitor offered that it might be addressed in the by-laws, but that the Commonwealth of PA governs when the annual report is due to DCED. Henry noted that it is almost halfway through the year before a budget is adopted and suggested that budget discussions start in October each year. He was informed that discussions do start at that time. He then asked if the by-laws could be amended to include a date when the audit and budget must be completed. It was then discussed that discounts are offered by accountants in the cost of the audit because municipal authorities are not required to file their annual reports with DCED until after the end of the tax season, when accountants are not as busy. Henry then requested that the subject be discussed further at the May 3, 2006 meeting.

Water Street Issues – Henry noted that legal fees for the resolution of the shared expenses for the Water Street line have approached \$6,000, with no end in sight. Irene offered her opinion that legal fees may be ending and that she feels she will be receiving the bills she has been

requesting. Henry offered that holding "workshop" sessions might reduce some legal expense by having the Authority do some of the work themselves. Chairman Shaffer offered that, if Henry was suggesting the workshop sessions be just for Authority members with no professional staff present, he was in agreement. Several other members also agreed with the concept. Henry explained that by working some of the issues out by themselves, the Authority might be able to reduce the amount of letters sent by the Solicitor.

Inspection of Lateral Connection to the Grinder Pumps – Mr. Holman stated that he would be meeting with Glace Associates to discuss the importance of coordinating electrical and plumbing inspections when the septic system line is abandoned and the house is connected to the sanitary sewer facilities. He asked if the Authority wanted a follow-up report of that meeting. Chairman Shaffer agreed to the importance of coordination, but noted that, ultimately, the responsibility for the inspections lies with the UCC inspector. He suggested that, when connection notices are sent by the Township office, a letter detailing the inspection procedures could be included. No action was taken.

Executive Session

At 10:50 p.m., the Authority entered into executive session to discuss legal issues. At 12:03 a.m. the executive session ended with no action taken.

Selection of Financial Advisor - Chairman Shaffer suggested that the Authority authorize the Solicitor and himself to contact prospective financial advisors, secure quotes and set up interviews. After discussion, and upon a Reidlinger/Wright motion, the Authority voted unanimously to authorize Chairman Shaffer and the Solicitor to obtain a candidate to perform the financial review, and report back verbally to the Authority within two weeks for a consensus of approval, with ratification of the individual at the May 3, 2006 meeting. Motion passed by unanimous vote of the Authority.

Authority Treasurer Position – Chairman Shaffer noted that the PTS has recommended that the Authority separate the positions of the Executive Secretary/ Treasurer. He offered that it is difficult for a part-time employee to have both positions and still do an effective job of each, and suggested that the Authority consider advertising for an individual to perform the duties of treasurer. Lee concurred with Chairman Shaffer, noting that payments should have been made on the \$1.5 million loan and that the treasurer is responsible for making sound financial decisions. Henry stated that he has noticed when he is in the office that Irene is very busy and has a lot of work to do. Irene asked who the Authority has in mind for treasurer and would it be someone on the Authority. Chairman Shaffer offered his opinion that the treasurer should not be an Authority member and that the position should be advertised. Irene asked if the Authority would be getting someone to do the office work, and Chairman Shaffer replied that the person would act as treasurer of the Authority, doing check preparation and budget reporting.

The Solicitor offered that he was not sure if the treasurer could be a non-member and stated that the law should be researched.

Franklin asked if the Authority would be looking for an individual or a firm and said that Irene would still need to be responsible if someone comes to the office to make payments because the Authority can not afford to have a treasurer sitting in the office all day. Irene asked if she would stop making deposits and what would she do. Chairman Shaffer responded that she would perform the duties of executive secretary.

Henry offered that the executive secretary would still be the nucleus of the operation, only with "number-crunching" duties removed. Lee offered that he envisions it as a ten-hour per month job, with Chairman Shaffer offering that it might be as much as two half-days per week.

A discussion was then held on the duties of a treasurer, with the Solicitor saying that the by-laws describe the duties and Chairman Shaffer stating that the Township has written job descriptions, including one for a treasurer. Lee was requested to provide a job description of a treasurer's duties for Authority review at the May 3, 2006 meeting. Franklin offered that the position should not be advertised until the job description is reviewed.

Comments on March 1, 2006 Authority Meeting – Irene reported that Supervisor Holman had stated at the March 1st meeting that there was a \$75,000 difference between the amount stated on the contract with the Catholic Diocese and the amount the Diocese said was paid to the Authority. He also stated that he would like to see any records that would verify the amount received by the Authority, and if there were no such records, he would take the word of the Diocese as to the amount of money that was paid.

Irene reported that she contacted two individuals at the Diocese office who told her that the amount the Diocese paid was the amount the Authority deposited. Irene apologized to Henry about the comments she was about to make about his father. She offered that she should attend a PTS meeting and discuss the issue and embarrass Supervisor Holman like he embarrasses her, but that she is a better person than that. She said that she does not have to grandstand like he does, standing up in a public meeting and accusing another person, who is not in attendance, of a \$75,000 discrepancy. She stated that she asked the Diocese to meet with the Solicitor and herself and was told they had no idea when Supervisor Holman was there, or who showed him any records. Irene noted that, as far as the Diocese is concerned, there is nothing wrong with the records. They paid the \$353,074 they were supposed to pay, and Authority deposits in the amount of \$353,074 are recorded. She offered to provide any information about the checks that the Authority desired. Irene stated that it would be very nice if Supervisor Holman had the guts and the courtesy and the fortitude to stand up and say he was wrong and made a mistake about the difference.

Irene stated that the Diocese had sent her a spreadsheet listing a \$120,620 payment, a payment she knew had not been made to the Authority. Upon questioning the Diocese, she found out that the \$120,620 payment was for the purchase of the land. She informed them that the Authority did not own the land and did not sell it to the Diocese.

Irene stated that she should attend a PTS meeting and embarrass him like he embarrassed her, because he does not have the right to make accusations like that at a public meeting when he had no proof.

Other Recommendations from the Supervisors – It was the consensus that discussion of any sewer rate increase necessary to meet the payments on the loan principal coming due in the next year would be delayed until after the financial advisor performs his review. The Solicitor asked if the recommendation for an independent audit was being replaced by a financial advisor. Chairman Shaffer offered his opinion that it was, because of the type of information the Authority was looking for. The Solicitor offered that a second audit would provide the same information the Authority receives every year, unless a more intensive (and expensive) audit is required. Franklin offered that all that would be accomplished by a second audit was verification of the results of the first audit and gave his understanding that the financial advisor would suggest ways to improve the Authority's financial condition.

Adjournment

With all business completed, a Reidlinger/Graybill motion for adjournment was made at 12:30 p.m. Motion passed by unanimous vote of the Authority.

Submitted by Susan E. Long
Recording Secretary