

**PENN TOWNSHIP MUNICIPAL AUTHORITY  
PERRY COUNTY**

102 Municipal Building Road  
Duncannon, PA 17020

June 7, 2006

The Penn Township Municipal Authority (Authority) met on Wednesday, June 7, 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  
Dennis Crabill, P.E., Buchart Horn, Engineer  
Mark Derr, Consultant  
Kim Zeiders, Auditor

Authority staff present:

Susan Long, Billing and Payroll Clerk, and Recording Secretary

Visitors present:

|               |                          |
|---------------|--------------------------|
| John Myers    | Henry Holman, Jr.        |
| Lynn Allandar | Mary Allandar            |
| Carl Fox      | Jeff McGaw, Patriot News |

The Authority met at 6:00 p.m. and received verbal reports by the Auditor and Financial Consultant until 7:00 p.m. Chairman Shaffer noted that the 6:00 p.m. start time was not advertised and that no deliberations or decisions would be made before the advertised start time of 7:00 p.m.

**2005 Financial Report (Audit)**

Kim Zeiders presented the results of the 2005 financial audit conducted by Karchner, McClellan & Riddell, LLP. She noted certain findings of the audit. Cash and cash equivalents increased over the 2004 amount. Property and equipment values increased significantly due to the sewer expansion. Depreciation on the Penn Manor and Susquenita Hills collection systems was reported for the first time in 2005. Current liabilities are at \$1.5 million due to the line of credit (LOC) at the Marysville Bank; this LOC will be absorbed into the PennVest loan. Interest revenue increased approximately \$11,000, due to deposits of tapping fee prepayments. The

majority of the revenue came from PennVest loan proceeds and the majority of the expenses went for construction costs.

Ms. Zeiders reported that she found no discrepancies or exceptions during the audit. She reported that the annual DCED report was completed and that the Authority must forward a copy to the paper and the Township. She also provided information for the required advertisement in the newspaper. She noted her concern over the PennVest loan that must start to be repaid and whether there would be sufficient income under the present rate structure for those payments.

Mr. Holman, Jr. questioned the auditor's explanation in Note D regarding escrow deposits. He stated his understanding that the escrow deposits were being made by the Authority for the Market Street project, while the arbitration was for the Water Street project. The Solicitor agreed with Mr. Holman, Jr. and offered to provide revised language to Ms. Zeiders.

Lee noted that revenue did not cover expenses in 2005, with Ms. Zeiders stating that expenses were paid with the LOC. She added that she has wondered for several years whether there would be a sufficient number of customers available to provide revenue under the present rate structure for debt repayment that begins in 2007.

Mr. Holman, Jr. stated that he keeps hearing that the Perdix sewer project is the cause of the rate increase. He said that if the Authority had increased annual fees to \$660 in 2003 as recommended, the increase would not need to be so large, and the Perdix project would not be taking the blame. Lee noted that, according to the review of the Authority's financial condition completed by Mark Derr, the Perdix project is responsible for less than 10% of this year's rate increase. Henry asked Ms. Zeiders if the deficit she has reported for the past two years was for both the sewer and water systems, with Ms. Zeiders responding in the affirmative. He offered his opinion that there had been no major expenses associated with the water system and the deficit was due to water rates being too low to cover normal operating expenses.

Lee asked if the auditor's figures for water treatment and operating expenses included the purchase of bulk water from Duncannon Borough (Borough), with Ms. Zeiders answering that \$4,928 was spent to purchase water. Irene then explained how that amount was calculated. Henry asked for a breakdown of professional fees, with Ms. Zeiders responding that Irene would have to provide a complete breakdown, but that approximately \$40,000 was legal fees associated with water issues, with the remaining attributable to engineering and auditing fees. Lee asked if Ms. Zeiders could provide a breakdown of the water treatment and operating expenses not attributable to the purchase of bulk water. Irene then provided a description of accounts and amounts involved in that expense.

Chairman Shaffer stated that action on approval of the audit and submission of the report to DCED would be taken after 7:00 p.m. Mr. Holman, Jr. stated that he would like to receive a copy of the DCED report for 2004 and 2005.

### **Review of Financial Condition**

Mark Derr presented his final report on the Authority's financial condition, adding that he had incorporated suggestions provided at the May 24, 2006 meeting into his report. He stated that he had made revisions based on the projected number of new sewer customers and had extended the payoff of the LOC over a 10-year period because of extending installment payments of the tapping fee for 10 years. He reported that, even with those changes, sewer rates need to be increased to \$210/quarter for 2006 and 2007, \$220/quarter for 2008 and 2009, and \$230/quarter for 2010.

Lee informed Mr. Derr that Don Lavine of ARRO is reporting that PennVest will not allow \$125,000 of right-of-way (ROW) expense as part of the Authority's contribution, in case that was included in his calculations. It was discussed that PennVest does not reimburse for ROW

expense, with the Solicitor noting that PennVest should allow it as part of the Authority's contribution, and that he believes that Mr. Lavine should be able to resolve it.

Mr. Derr referred to his calculations for the payoff of the \$1.473 million LOC, noting that \$199,473 would need to come from the remaining tapping fees. He suggested negotiating a 10-year payoff of the LOC, with the \$2,214/month payments coming from the revenue of the tapping fee installments. Mr. Derr then stated that, if tapping fees come in as expected, net positive income in 2007 would be \$111,409, which could be applied to the LOC. He cautioned that, in 2008, rates would need to be increased again to compensate for the PennVest loan repayment.

Mr. Derr offered that the total debt divided by the number of customers equates to \$110/quarter per customer applied to debt service. With \$125/quarter sewer rates, only \$15 remains to pay operating expenses.

Mr. Derr projected that water rates would need to be \$85/quarter for 2006, 2007, and 2008, and \$90/quarter for 2009 and 2010.

Irene asked how the Authority could justify raising sewer rates to \$210/quarter when a \$111,409 surplus is projected for 2007. Mr. Derr replied that the sewer system lost a total of \$110,000 in 2005 and 2006 and was only able to pay operating expenses by using the LOC. Now that it is time to pay back the debt service, LOC funds are not available. The Solicitor clarified that the Authority is "non-profit" and there is a balancing act between setting aside money for capital funds and paying expenses.

Henry offered his concern that, if the Authority were to incur substantial water system expense, rates would have to rise significantly. Mr. Derr agreed that the water system does not have a large number of customers to share expenses. He added that, if the Authority would sell Petersburg Commons, it would save the 5-year amortization cost of the water meter vault, but operating expenses for the water system would have to be shared by the remaining water customers

The official meeting convened at 7:00 p.m.

### **Minutes**

After discussion, and upon a Reidlinger/Holman motion, the Authority voted unanimously to approve the April 25, 2006 minutes as presented.

### **Visitors**

Lynn and Mary Allandar

Mr. Allandar stated that he was upset over the projected sewer rate increase and was concerned about how he was going to be able to pay for it. He asked if the Authority followed up on grant funding and where that money was used. Chairman Shaffer replied that the Authority applied for grants and never received them. Franklin described to Mr. Allandar all of the grants that were applied for and the personal contacts that were made, and told Mr. Allandar that he is just as frustrated as Mr. Allandar.

Henry Holman, Jr.

Mr. Holman, Jr. stated that, when he signed the paperwork guaranteeing Penn Township Supervisors (PTS) backing of the PennVest loan, he knew that rates would have to increase to \$810/year. He added that, in hindsight, he wishes he had not signed the guarantee. He requested that documentation of the grants applied for by the Authority during the past five years be made

available to him, with Chairman Shaffer responding that the files are in the Authority office and that Irene would make that information available.

Mr. Holman, Jr. stated that, when he requests information from the Authority, it is never his intention to embarrass anyone or discredit the Authority, referring to a previous question about the \$81,000 difference between what the Authority said was received from the Catholic Diocese and what the Catholic Diocese informed him it had paid to the Authority.

Mr. Holman, Jr. offered his doubts that the budget adopted by the Authority will be able to project the upcoming legal expenses that are going to be incurred, and noted the amount of correspondence between the Borough and Authority solicitors and the upcoming June 28, 2006 arbitration meeting at the County courthouse.

Mr. Holman, Jr. stated his understanding that the Authority had approved an Interconnection Agreement, but that the Borough had not yet received it. Irene responded that it was being signed this evening.

Mr. Holman, Jr. stated that he has received no response to his latest set of questions. Irene responded that she has prepared answers to the questions but is waiting to forward them to him until after the Authority has reviewed them.

Mr. Holman, Jr. thanked the Engineer for explaining to him the basis of calculating the water tapping fee and noted that legal expenses were used in that calculation.

Mr. Holman, Jr. stated that Mr. Allandar can not understand why he lives four miles away from the Perdix project and yet, because of it, his rates are going up. He offered that was a hard thing to explain to the residents. Chairman Shaffer offered that the whole process of water and sewer service and funding is not easy to understand, and invited the residents to attend meetings on a regular basis as it was not easy to explain the process in five to ten minutes.

Carl Fox

Mr. Fox was present to discuss the possibility of separate rate districts for Cove and Duncannon wastewater treatment plant (WWTP) customers, admitting that it would put an extra burden on Cove customers. He stated that a number of individuals have indicated a willingness to file a lawsuit requesting split rates. Mr. Fox stated that Duncannon WWTP customers are established and now their rates are increasing because of the Perdix sewer project. Chairman Shaffer noted Mr. Derr's comments to the effect that the Perdix project's effect on rates is not a significant factor. He stated that the Authority has always had one rate schedule and offered that he was unsure whether a lawsuit could force a change. Mr. Fox stated that he was not aware that a presentation of the Authority's finances was being held at 6:00 p.m. and did not hear all of Mr. Derr's comments. Mr. Derr repeated that, as of now, the debt cost of the Perdix project has not kicked in, and that it was unfair to say that the project was the only cause for the increase. He noted that the Cove WWTP upgrade and the Penn Manor/Susquenita Hills sewer project also contributed to the increase. Mr. Derr explained that when the debt for the Duncannon WWTP expansion is added in with debt for all other sewer projects, and the total number of customers is factored in, debt service is \$110 per customer. Mr. Fox stated that he thought the Penn Manor project was associated with the Sunshine Hill or Lower Duncannon project and did not realize it was a stand-alone project.

Mr. Fox stated that tonight's meeting was advertised for 7:00 p.m. and asked why the 6:00 p.m. meeting was not a public meeting. Irene responded that she thought the 6:00 p.m. meeting was to be an executive session, as opposed to a public meeting, and as such did not have to be advertised. Chairman Shaffer informed Mr. Fox that the auditor presented her findings at 6:00 p.m., with Mr. Derr presenting his report immediately after that and that the meeting room door

was always open. He also stated that no decisions were made and that copies of both reports were available for public review.

Mr. and Mrs. Raymond Hammaker

Mr. Hammaker asked when his property on Schoolhouse Road could be connected to the sanitary sewer system and if he could do the work himself. Chairman Shaffer informed him that he would be receiving a notice to connect within the next several days. He told Mr. Hammaker he could do the work himself but he should follow the procedure outlined in the packet that he would receive. Mrs. Hammaker asked if the Authority had asked Kuser Home to send a letter about doing the connection work. She stated that they had received a brochure stamped from Penn Township describing the firm's services. She said that she called the firm asking for prices and was told it would cost \$900 to connect two pipes. Chairman Shaffer stated that the Authority does not have contractors send information on its behalf nor does it recommend contractors; however, it can not control what is sent to residents. He suggested that everyone in attendance get quotes from several contractors for their connection work and told the Hammakers to contact the Better Business Bureau if they felt they were misled by Kuser.

Mr. Hammaker stated that he lived behind the Cove WWTP and questioned why there was no odor during the week, but there was during the weekend. Chairman Shaffer noted that the Operator was not at this evening's meeting and stated that he would have him get in touch with Mr. Hammaker. Mr. Hammaker asked if no one worked there on the weekends, with Chairman Shaffer replying that the Operator goes to the WWTP every day. He asked Mr. Hammaker to give his phone number to Irene, who would forward the information to the Operator.

### **Plant Operator's Report**

In the absence of Operator Ed Chism, Chairman Shaffer presented the DMRs – (see written Discharge Monitoring Reports dated April 2006) for review. He asked the Authority to contact the Operator if they had any questions.

**Inspector's Report** See Inspector's Report for June 2006.

In the absence of Inspector Sam Auxt, Chairman Shaffer presented the written report for review. He noted that without the Inspector or Operator, updates on the grease situation in the Cove collection system would have to be delayed until the July meeting. Henry noted correspondence stating that grease trap inspections at Cove Centre are going to be held on a bi-monthly basis. He offered that he felt they should be held on a more frequent basis to prevent major problems.

The Master Meter reports were reviewed without comment.

**Construction Phase Engineering Report** See written report dated May 30, 2006

In the absence of Don Lavine, Chairman Shaffer presented his report.

Complaint Log – Franklin presented and discussed a list of construction complaints that he and the Inspector had investigated earlier in the day at 1017, 1131, 1134, 1135, 1137, 1139, and 1424 State Road. Chairman Shaffer asked Franklin to forward the complaints to Don Lavine for inclusion in the complaint log.

1129 State Road – Chairman Shaffer asked for discussion about a vacant property at 1129 State Road. Franklin noted that the property is being turned over to a bank or realty company. He explained that the property is very narrow and that the grinder pump will have to be installed

where the present septic tank is located. To accomplish this, the present septic tank will need to be removed. He stated that, once verified, the owner will be told not to sell the property until the grinder pump is installed. Chairman Shaffer asked Irene to send a letter to the Township secretary, notifying her that a notice to connect should not be sent to this address until further notice. He stated that the Authority's obligation for installation of the grinder pump will have to be discussed at a later date and noted that the contractor is paid on a per unit basis and did not get paid to install this grinder pump. Franklin stated that the grinder pump is being stored at the Cove WWTP.

**Substantial Completion Certificates** - Chairman Shaffer announced that all work necessary to use the facilities was completed on Contract 04-02 and 04-03 and asked for a motion to issue substantial completion certificates. He stated that the certificates start the warranty period and allow the Authority to use the facilities. After discussion, there was a Wright/Holman motion to accept and agree to the issuance of certificates of substantial completion for Contract 04-02 and Contract 04-03. Motion passed by unanimous vote of the Authority.

After discussion, there was a Graybill/Holman motion for approval of Application and Certificate for Payment for Contract 04-03, Application No. 5, in the amount of \$3,409.68. Motion passed by unanimous vote of the Authority. Next there was a Graybill/Wright motion for approval of PENNVEST Reimbursement Request No. 16, in the amount of \$66,467.73. Motion passed by unanimous vote of the Authority.

**Verification of Abandonment of the Septic Systems** - Chairman Shaffer offered that, based on discussion at the May 31, 2006 PTS meeting, it would be appropriate for the Authority to verify abandonment of the septic systems involved in the Perdix sewer project. He noted, however, that there was no provision in the Authority budget for inspection fees. Franklin offered to conduct the verification of abandonment of the septic systems at no charge to the customer or the Authority. It was noted that the notice to connect will inform the property owners to contact the Authority office to schedule this inspection.

**Engineer's Report** See written report dated June 1, 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.

Petersburg Commons Water Meter Vault – The Engineer reported that a site investigation to establish the location of the water line was conducted on May 17, 2006. He provided a draft sketch of the proposed meter vault for review and stated that he expected to provide the final version to the Borough's engineer by June 16, well in advance of the July 1, 2006 deadline. He noted that the site is tight for the size of the vault needed to meet the specifications supplied by the Borough. A discussion was then held on the draft sketch, with input provided to the Engineer by the Authority and Mr. Holman, Jr. Discussion was also held on the difference in easement and location of the water line shown on several drawings that had been provided to the Engineer. The Engineer offered that the Authority might need to obtain an additional easement due to the

tight fit of the meter vault. Chairman Shaffer asked that any additional comments regarding specifications of the meter vault be forwarded to the Engineer by the end of the week

Lee noted that there was supposed to be a problem with contaminated soil in the Petersburg Commons area at one time. Chairman Shaffer noted that roads and storm sewers have been constructed, and water and sewer lines have been installed, and offered that he did not anticipate any problems.

A discussion was held on the schedule for completion. The Engineer stated that he will forward the drawing and specification to the Borough by June 16, 2006 to allow them time for review and comments. Chairman Shaffer asked the Engineer to inform the Borough that the Authority will authorize the advertisement of bids on July 5, 2005 with a tentative bid opening date of August 2, 2006.

Cove Mountain Development – The Engineer reported that Buchart Horn was not going to submit a proposal for preparation of a Subdivision and Land Development Plan for Cove Mountain Development.

**Solicitor's Report** See written report dated June 2, 2006.

The Solicitor stated that the items on his report should be discussed during executive session later in the meeting.

### **Billing Clerk's Report**

The Billing Clerk reminded the Authority that they had postponed discussion of the audit of metered sewer customers until this evening. She noted that there were four non-residential customers whose water usage exceeded the amount of capacity purchased. She explained that the purchase of one EDU of capacity is the equivalent of 15,750 gallons/quarter or 63,875 gallons/year and is charged at the current cost of a tapping fee. She further explained that non-residential customers were billed quarterly according to water meter readings, paying \$150 for every 15,750 gallons of consumption. The Billing Clerk pointed out that R. A. Barrick used an excess of less than one EDU, Cove Centre used an excess of two EDUs, Mutzabaugh's Market used an excess of 4 EDUs and Sheetz Car Wash used an excess of 6 EDUs. After discussion, there was a Wright/Holman motion to send letters to Mutzabaugh's Market, Cove Centre and Sheetz Car Wash informing them that they are using more capacity than purchased and that if the usage continues through this billing cycle, they will need to purchase additional capacity at a cost of \$3,500 per EDU. The letter will also invite them to attend the July 5, 2006 meeting to discuss any questions they may have. Motion passed by unanimous vote of the Authority.

Sewer and Water Rate Increase – Chairman Shaffer stated that action should be taken on adopting revised sewer and water rates based on Mr. Derr's findings. Lee noted that the Authority has operated on borrowed income since 1999 and has incurred a serious debt load. He stated the need to balance the budget and work at ways to reduce rates in the future. He also stated the need to allow Perdix property owners to pay their tapping fee over a 10-year period and use that revenue to pay against the LOC. Franklin asked him how he would reduce rates. Lee responded that he would encourage development to increase the customer base, noting that development of the Warden property would bring in tapping fees and additional revenue. Mr. Derr agreed that spreading expenses over additional users would allow for rate reductions, reiterating that there is a huge debt load with a limited number of customers to spread the costs over.

Chairman Shaffer agreed that the Authority needed to raise rates and also obtain more customers. He stated he was in favor of trying to buy time until the customer base increased. He offered suggestions to lower expenses, thereby keeping the rate increase lower than projected. He suggested that, when the LOC is re-financed over a 10-year period, the defusing of the PennVest loan for the Borough should be incorporated into the financing. He stated that, according to the Mr. Derr's report, that would equate to approximately \$16 per quarter per customer savings. Irene noted that Mr. Derr had provided information on re-financing the PennVest loan but offered that it would not be a wise thing to do with only six years remaining on the loan when it would cost an additional \$200,000 interest. Mr. Derr explained that borrowing \$532,582 and investing it at 5.2% would yield enough money to pay the annual \$105,600 payment to the Borough for the remaining six years of that debt. He stated that the annual payment for the new loan would be \$45,787, saving \$59,813 per year for the next six years. He added that this would result in a \$17.80 per quarter saving per customer for the next six years. Chairman Shaffer repeated that his suggestion was to buy time and if significant customers were to develop, the loan could be paid off early.

Chairman Shaffer then noted that net income projected for 2007 was \$111,409 and suggested the Authority could take advantage of it this year and perhaps run a \$50,000 deficit, by reducing the projected amount needed for a rate increase. Mr. Derr noted that the Authority is already operating at a \$38,000 deficit in 2006, before implementation of this suggestion.

Chairman Shaffer then offered that the Authority should consider monthly billing, in that it would be easier for the customer to receive monthly bills of approximately \$60 instead of quarterly bills of approximately \$200. The billing clerk noted that, with monthly billing, annual billing costs are estimated to increase \$7,049, equal to \$12/customer.

Franklin offered that he was opposed to a rate increase, noting his great concern that customers on fixed incomes will not be able to make their payments. He stated that he did not feel it was fair for the Authority to balance its budget by putting an extra burden on the backs of customers who are already financially strapped. He stated that the Authority provides a service to the people and was emphatic that the people should be the focus of the Authority and should come first.

Irene stated that she agreed with Franklin and added that she is the only member of the Authority who is an existing customer that will be affected by the rate increase.

Mr. Allandar asked why all of the residents of Penn Township could not pay \$10 to help cover the Authority's expenses. Chairman Shaffer stated that the concept Mr. Allandar is proposing would involve the PTS, and not the Authority, as the Authority has no legal basis to charge anyone not receiving water or sewer service.

Mr. Derr referred to Mr. Fox's earlier comments about split rates. He explained that separate rate districts would force rates for Perdix customers so high that they would not be able to pay, with the result that the Authority would not meet its financial obligations to PennVest and would default on its loan. The PTS would then have to take over the debt and would pass the cost to all residents in the form of a tax increase.

Mr. Holman, Jr. noted that the agreement for the PennVest loan specified that rates would be increased across-the-board for all customers. He agreed with Franklin that government has the responsibility to look out for the people, but noted that the Authority had agreed to raise rates when it borrowed the PennVest money. He offered concern about refinancing the LOC and using tapping fee revenue to re-pay that loan, when it was speculation that the revenue would actually be received.

Lee relayed to Mr. Fox that the Perdix project is responsible for less than 10% of the rate increase. Henry noted that, if rates had been previously raised to the \$600-\$650 range, there

would not be such a shock at this time and the Authority would not have been operating at a deficit. Mr. Fox offered that the Authority chose to operate in the red because it did not want to upset customers by raising rates when they needed to be. He offered that it would have been easier for customers to accept if the increases had been gradual. He also stated that the Perdix project is seen by Duncannon area customers as being the cause of the rate increase. Chairman Shaffer requested that Mr. Fox do what he could to explain the situation to the residents.

Franklin noted that Perdix property owners may have an additional expense that other customers did not have by upgrading their electrical systems for the installment of grinder pumps. Chairman Shaffer offered that Perdix owners might indeed pay more for electrical upgrades, but in general will pay less for plumbing connections due to the shorter length of the connection, while Penn Manor and Susquenita Hills owners paid more for plumbing connections and virtually nothing for electrical upgrades. Franklin stated that his intention was to point out that there may be an additional expense for Perdix customers.

Mr. Derr stated that he sympathized with everyone's concern over a rate increase. He pointed out that the Authority has been able to get by without setting the rates where they needed to be. He stated that if the Authority does not now set rates where they need to be, it will not be able to pay its bills. He also offered that the Authority should review its budget status monthly.

Franklin asked what the Authority would have to do to lower the rate increase, at least for the next year, until all customers come on-line. Chairman Shaffer responded that the Authority would have to borrow more money, with extended payments, to obtain the cash flow sufficient to pay its bills. Lee asked Mr. Derr if he would recommend that the Authority do that, with Mr. Derr saying that he would not. Mr. Derr suggested that the Authority could go back to PennVest and ask for an extension of the loan, adding that he did not think PennVest would agree. Chairman Shaffer asked the Authority to remember that it is still continuing to look for grant money.

Mr. Holman, Jr. noted that current customers of the Cove WWTP have subsidized repayment of the PennVest loan for the Borough's WWTP expansion and helped to keep rates low for Duncannon area customers who use the Borough's WWTP. He added that the customers in the Duncannon area must now help to pay for the Cove WWTP expansion and Perdix project.

Franklin said that he was looking for a smaller rate increase now and, after the Perdix customers absorb all the costs associated with connecting their properties to the sewer line, then increase the rates further.

The Engineer offered that the Authority was told by DEP to install the sewer system in the Perdix area and it has done everything it could to keep rates low, including providing inspections for free. He stated that prolonging a rate increase would only make the financial condition worse. Franklin thanked him for his comments but said it was not much consolation for the customers faced with high rates.

After discussion, there was a Holman/Wright motion to increase sewer rates to \$210/quarter, and water rates to \$55/quarter for the base rate, with customers to be billed monthly, effective July 1, 2006. Chairman Shaffer asked Mr. Derr about his projections for the LOC. Mr. Derr stated that it would be amortized for a 10-year period, and that an additional \$100,000 might be available in 2007 to pay against the LOC. He added that any revenue received as a result of the Authority billing the three non-residential customers for additional capacity, as mentioned earlier in the meeting, could be used to pay against the LOC. Lee stated that the budget committee should meet to research revenue sources for re-payment of the LOC. Henry asked if the fact that the Perdix project came in under bid had any financial effect. Mr. Derr suggested that the Authority should request PennVest to re-amortize the loan based on the actual expense, which would reduce debt service payments starting in 2008.

Lee noted that there was no projection for legal fees for the Water and Market Street sewer issues and added that there was a status conference on June 28, 2006.

Chairman Shaffer then called for the vote on the motion to increase rates. Motion passed, with Irene and Franklin voting against the motion. The Billing Clerk was requested to prepare a revised rate schedule for review at the July 5, 2006 meeting. Lee requested that a letter be sent to all sewer and water customers informing them of the new rates.

Chairman Shaffer asked the Solicitor if the 2006 budget would need to be amended. The Solicitor stated that it did not need to be amended this evening. Chairman Shaffer offered that he would like to refer it to the budget committee and questioned the need for amendment when the 2007 budget preparation would begin in several months. The Solicitor stated that there is no legal requirement for a budget, but the Authority might like to amend it to track revenue. Irene pointed out that the 2006 budget already has projections for sewer revenue based on rates of \$210/quarter

Chairman Shaffer noted that Mr. Derr has finished with the work he was contracted to do. He asked who would take the lead in renegotiating the LOC, stating that the Authority would need guidance through the process. Lee offered that Mr. Derr has done an excellent job with his review and stated that he would like to retain Mr. Derr as an on-going financial advisor. Henry stated that the expense incurred to get a picture of the Authority's financial condition was money well-spent.

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

Irene noted that the escrow for Business Campus One (BCO) was overdrawn by \$2,457.04. She stated that BCO officials wanted a breakdown of the bills and that she is having trouble receiving the necessary information from the previous engineer. She also stated that she would check her records of the Warden escrow to find out if it is overdrawn. Lee asked the Engineer to contact Mr. Warden's engineer to find out if there is any further action planned for that development. Irene noted that the developer would be responsible for any costs associated with additional capacity, with the Engineer cautioning that the Intermunicipal Agreement with the Borough would need to be amended.

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 \$128,316.00 as follows: \$125,714.43 drawn on the First National Bank of Newport regular account, and \$2,601.57 drawn on the First National Bank of Newport payroll account. After discussion, there was a Wright/Holman motion to approve the Accounts Payable. Motion passed by unanimous vote of the Authority.

Henry noted the receipt of the Profit and Loss Budget Performance Report and stated that he had questions on account 515.00, Professional Fees, and that he would meet with Irene at a later date.

### **Motion to Extend Meeting**

At 10:00 p.m. there was a Reidlinger/Wright motion to extend the meeting to complete all business before the Authority. Motion passed by unanimous vote of the Authority.

### **Incoming Correspondence**

A list of all incoming correspondence can be found on the June 7, 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**

Job Description for Authority Treasurer – Lee presented a revised job description for the treasurer position. After review and discussion, there was a Wright/Holman motion to adopt the job description for the position of Authority treasurer and to amend the Authority's By-laws to allow the treasurer to be a non-Authority member. Motion passed by unanimous vote of the Authority. The Solicitor noted that the By-laws had already been amended at the May 3, 2006 meeting and recommended that they be attached to the minutes of tonight's meeting.

After further discussion, there was a Holman/Wright motion to advertise in a paper of local distribution for the position of treasurer, including that the position is part-time with no benefits, and requesting resumes, or letters of interest, and salary desired by June 30, 2006, and that a complete job description is available in the Authority office. Motion passed by unanimous vote of the Authority. Irene is to contact Lee if she wants him to review the advertisement before it is sent.

## **New Business**

Interconnection Agreement with Borough - Chairman Shaffer noted that the Interconnection Agreement concerning the purchase of bulk water from the Borough was signed this evening and would be forwarded to the Borough.

Copier Repair Bill – Irene reported that the office copier was repaired on June 6, 2006 and requested permission to pay the \$90.00 invoice from Mifflin Office Machines when the utility bills are paid in the middle of the month. After discussion, it was the consensus to include this invoice with the utility bills.

2005 Audit - Chairman Shaffer noted that the auditor's findings had been presented at 6:00 p.m. this evening and asked that the 2005 audit now be approved. After discussion, there was a Reidlinger/Graybill motion to approve the 2005 audit and authorize submission of the appropriate documents to DCED. Motion passed by unanimous vote of the Authority.

## **Executive Session**

At 10:10 p.m., the Authority entered into executive session to discuss legal issues. At 11:30 p.m. the executive session ended. There was a Reidlinger/Graybill motion that, to reduce legal fees, if a favorable response is not received for a proposed meeting with the Borough about the Water Street project, the Authority would accept the Solicitor's agreement and offer to handle the litigation. Lee said that he has a problem with the motion because he has not seen a structured lay-out of what the Solicitor's fees would be. The Solicitor offered that his fee could be as high as \$60,000.00, and that he would subtract from the fee what the Authority has already paid him for Water Street expenses. He offered as an example that, if the Authority receives a \$0 verdict from the arbitrator, and the Authority has already paid him \$8,000.00, the Authority would pay him 25% of \$237,644.30, less the \$8,000.00 already paid to him, or approximately \$51,000.00. He added that the amount could be less, depending on the amount of the judgment.

Henry stated that he would like to meet with the Borough first, to see what direction they take. Franklin stated that he would like to have a meeting also, but if the Borough does not want to meet, his motion turns the matter over to the Solicitor for resolution. The Solicitor stated that

if the Borough refuses to meet, then the motion would become operational, but if the Borough agrees to meet, the Authority would wait to see how the situation progresses. Henry suggested that action on the motion could wait until July, after the Authority sees if the Borough is willing to meet. Lee asked about the remainder of the agreement. The Solicitor stated that it says he would use his best effort to represent the Authority's interest; that the Authority would pay 25% of the difference between the amount of the arbitrator's award and the \$237,644.30 the Borough claims it is owed, less any hourly fees paid to-date; that the fee would be paid within 90 days of the arbitrator's award; and that no fee would be charged if the award is greater than the amount the Borough says is owed. He continued that the agreement provides that, if the Authority settles before the hearing in an amount not greater than 10.8% of the allocable project costs, the fee would be converted to an hourly rate of \$85/hour applied to the time spent after the date of the agreement. The Authority would be responsible for filing fees, and expert witness fees.

Franklin offered that the Authority needs this to put sincerity into the meeting with the Borough. Lee stated that he is willing to meet with the Borough but thinks there could be sincerity without holding a sledge hammer over the Borough's head. He asked if the offer would still be available after the meeting, with the Solicitor responding that it would be.

There being no further discussion, Chairman Shaffer called for the vote to the motion. Motion passed, with Lee and Henry voting in opposition to the motion.

### **Adjournment**

With all business completed, a Reidlinger/Graybill motion for adjournment was made at 11:40 p.m. Motion passed by unanimous vote of the Authority.

Submitted by Susan E. Long  
Recording Secretary