

LOWER POTTS GROVE TOWNSHIP AUTHORITY February 11, 2013

The Lower Pottsgrove Township Authority held their regularly scheduled meeting on Monday, February 11, 2013 meeting was called to order at 7:00 P.M. The following attended:

Joseph McGeehan, Vice Chairman	Rodney Hawthorne, Manager
David Richards, Treasurer	Stephen Kalis, Solicitor
Mark Loshnowsky, Secretary	William Dingman, Engineer
Jim Krynski	Chad Camburn, Engineer

APPROVAL OF AUTHORITY MINUTES: Mr. David Richards motioned to approve the minutes of January 14, 2013 and Mr. Mark Loshnowsky seconded the motion. All Approved.

Mr. McGeehan opened the Authority meeting and immediately turned the meeting over Mr. Hawthorne after the meeting minutes were approved. Mr. Hawthorne will moderate the meeting with two other Townships who had representatives in attendance. Mr. Edward Whetstone, Manager, Mr. Lee Mescolotto, Solicitor from West Pottsgrove Township. Mr. Jack Layne, Manager, Mr. John Bealer, Sewer Committee Member and Mr. Chris Pelka, Engineer from Upper Pottsgrove Township. The LPTA along with the representatives from Upper Pottsgrove and West Pottsgrove Townships were in to discuss sewer authority concerns all three municipalities have with Borough of Pottstown Authority & Operations. The following issues were discussed.

1. The sewer service agreements each municipality has with the Borough Authority.
2. A seat at the table for discussion of future and present financial commitments required by the Borough.
3. A 3rd party overview of the Borough's wastewater treatment plant and financial billing issues.
4. Joint grant applications by the municipalities.

Since Mr. Hawthorne was monitoring the meeting we will add the engineer's notes as part of the official meeting minutes dated 2/11/2013. Motions were made during the meeting concerning the sewer service agreement, the 5 year plan letter sent by Borough and PBA Manager Mark Flanders and the study to be completed by our Authority Engineer Bursich Associates to do a comparison study concerning other treatment plants about the same size as Pottstown's. The study would look at budgets and operations the study will cost \$5000.00.

A motion was made by Mr. Richards and seconded by Mr. Krynski to send a draft letter to the Borough manager Mark Flanders with our input on what the townships discussed tonight. Mr. Hawthorne noted that in Mr. Flanders letter to him concerning the 5 year plan, Mr. Flanders was asking for input. We will send the letter once all parties have had a chance to review the draft letter and make changes if needed. Once this is okay Mr. Hawthorne will send the letter out on behalf of the Townships and Authorities involved. The letter will include all concerns discussed at tonight's meeting. All Approved.

A motion was made by Mr. Krynski and seconded by Mr. Richards for Mr. Hawthorne to reply to Mr. Flanders 5 year plan letter concerning capital projects at the WWTP. All involved municipalities will have the opportunity to proof read the draft prior to sending to the Borough Authority manager. All approved.

OLD BUSINESS:

Developers' Discussion & Update (CAP) and (CMP)---Mr. Dingman handed out the CAP/CMP report #67. The report will change in form and moving forward will be in a summary form. The new report is dated 2/11/13, highlights are: (9) manhole inserts were installed and I & I reduction has started, outside inspections were being performed at properties connected to the Villa Drive pump station and 3 laterals were repaired.

Bursich Associates Study Approved---Mr. Loshnowsky made a motion to approve Bursich Engineers to do a comparison financial and operation study of plants that are a similar size and Mr. Richards seconded the motion. The plants discussed were Lower Perkiomen Valley Regional Sewer Authority as well as the Downingtown Area Regional Authority. The study will cost \$5000.00. All approved.

NEW BUSINESS:

Sewer Authority Audit--- Mr. Loshnowsky motioned to approve the annual audit performed by Mallie, Falconiero & Company LLP for the year ending December 31, 2012 and Mr. Richards seconded. All Approved.

Borough of Pottstown Invoice--- Mr. Hawthorne reviewed with the Authority Board the invoice from the Borough Authority for 2013 totaling \$411,613.00. This balance will be broke down into quarterly payments of \$102,903.25 due on 2/15/13, 5/15/13, 7/15/13, and 11/15/13. Mr. Krynski motioned to pay the invoice amount as they are due and Mr. Richards seconded the motion. All Approved.

**February 11, 2013
FINANCIAL REPORT**

I. TREASURERS REPORT:

Mr. Mark Loshnowsky motioned to approve the Treasurer's Report, as reported by Mr. Richards and Mr. Krynski seconded the motion. All approved

SEWER REVENUE ACCOUNT	\$2,264,705.85
CAPITAL IMPROVEMENT RESERVE	\$ 985,154.27
WELLS FARGO 2011 BOND ISSUE	\$ 835,883.28

II. BILLS FOR PAYMENT

Mr. S. Kalis presented the following bills for payment, Mr. Krynski motioned to approve payment and Mr. Loshnowsky seconded the motion. All approved

CAPITAL BILLS

SEWER CAPITAL RESERVE PLGIT

BURSICH ASSOCIATES	\$ 14,573.18
FIDELITY CONTRACTING LLC-Porter Rd Repair	\$ 3,349.00
LONGACRE ELECTRICAL-Air Conditioner Repair	\$ 5,234.10

WELLS FARGO 2011 BOND ISSUE REQUISITIONS

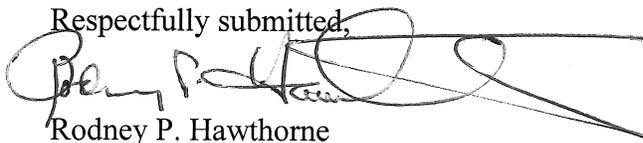
2011-40 GOEL SERVICES	\$ 6,000.00
2011-41 BOROUGH OF POTTSTOWN	\$ 74,143.00

OPERATING ACCT REQUISITIONS

00-316 BURSICH ASSOCIATES	\$ 3,896.90
00-317 FOX ROTHSCHILD, LLP	\$ 4,542.02

There being no further business, the meeting adjourned. The next meeting is Monday, March 11, 2013.

Respectfully submitted,



Rodney P. Hawthorne
Manager



MEETING NOTES

JOINT MUNICIPAL SEWER MEETING FEBRUARY 11, 2013, LPT OFFICE

Attendees: Joe McGeehan, Dave Richards, Jim Krynski, Mark Loshnowsky – LPTA Board
Rodney Hawthorne - LPTA Manager
Stephen Kalis - LPTA Solicitor
Bill Dingman, Chad Camburn – Bursich Associates (LPTA Engineer)
Ed Whetstone – WPT Manager
Lee Mescolotto – WPT Solicitor
Jack Layne – UPT Manager
John Bealer – UPT Sewer Committee Member
Chris Pelka – LTL (UPT Engineer)

Purpose: Discuss the following as relates to Lower Pottsgrove Township (LPT), West Pottsgrove Township (WPT), and Upper Pottsgrove Township (UPT) sewer authorities'/departments' relationship with Pottstown Borough Authority (PBA):

- Amended Sewer Agreement
- Third-party overview of the PBA WWTP and finance operations
- Joint grant applications
- Five-year Plan

Discussion:

Amended Sewer Agreement

- The overwhelming concern from the townships is that they have no say when it comes to decisions pertaining to operation and maintenance and capital improvement projects and expenditures for the WWTP. The townships are expected to simply pay their shares of the costs when the PBA sends a letter.
- The townships must have input into the capital improvements at the WWTP. The amended agreement must include a better-defined arrangement as to the townships' roles in decision-making for optional (non PaDEP-mandated) capital expenditures.
- S. Kalis noted that the existing agreement does not require township approval for capital expenditures.
- WWTP Capital improvement priorities, time frames, and financing options must be discussed.
- Per section 302 of the existing sewer agreement (agreement), the agreement expires in 2023 or the term of the bond life, whichever is later. The group questioned whether "bond life" refers to the terms of the original bonds obtained for purchasing capacity at the WWTP or whether the terms include the refinanced bonds. This question will need to be clarified in the amended agreement.
- The amended agreement must clearly define the townships' interests in the WWTP beyond 2023. Currently it would not be in any of the townships' or PBA's interests to end the agreement in 2023. The townships must be contributing partners in decisions, not simply financing. The townships are not out to harm PBA. The PBA needs to understand the townships want to be partners with the PBA beyond 2023 and they have a vested interest in the WWTP.

- The group discussed that one meeting had taken place with borough staff to discuss the townships having input on capital improvement decisions at the WWTP. The topic was also discussed during other meetings with the borough's finance department.
- When concerns regarding financing improvements were previously brought to the borough by the townships, the borough's response was for the townships to raise their rates. The group discussed that rates cannot be simply raised each year without consequences.
- C. Pelka expressed a concern with the penalties assessed to UPT by the borough for UPT conveying flow above their allocated capacity. The penalties are excessive (approx. \$400k for 2011, a relatively wet year). PBA worked with UPT to reduce the penalties to approximately \$259k, but UPT feels this amount is still excessive.
- C. Pelka indicated that PBA will not allow UPT to purchase additional capacity at the WWTP until it purchases the capacity equivalent to the highest three-month flows of record. Chris feels the way "flow of record" is defined is unfair to the townships.
- B. Dingman questioned if the borough's flow of record exceeded their allocated capacity. The agreement defines the borough's allocated capacity as well as the townships'. C. Pelka has not researched this and agreed it would be a worth-while exercise.
- The group discussed that the penalties are considered "rent" by the PBA and are likely used by the PBA as income.
- J. Bealer noted that some flow data logged is inaccurate due to errors with the flow meters. C. Pelka noted that the PBA adjusted flows randomly and did not adjust for the period encompassing the flow of record.
- Chuck Garner (UPT Solicitor) and Dave Garner (PBA Solicitor) have been in discussion regarding amending the agreement.
- There are concerns with the validity of the PBA's operational, overhead, executive, administration, and hidden costs. There does not appear to be a proper distribution of the PBA's expenses relative to the WWTP and their collection systems (i.e. executive costs for 2012 were distributed entirely to the WWTP and none to the borough's collection systems). This lack of distribution causes the townships to pay for the executive costs relative to the borough's collection systems.
- J. McGeehan feels a steering committee should be created for all decisions relative to the WWTP capital improvements. The portions of the WWTP that are/were funded by all parties are assets of the townships as well as the borough. The townships should be entitled to the benefits that go with the assets including tax and depreciation benefits.
- E. Whetstone had recently attended a PBA meeting to discuss the townships being included in the decision-making process of WWTP capital improvements. Ed did not feel his request was well received by the PBA Board. His request was not included in the PBA Meeting Minutes. E. Whetstone followed his verbal request with a letter to the PBA. He has not received a response to his letter.
- The group feels Tom Weld (PBA Engineer) has significant input in regards to decisions by the PBA.

Third-party Overview of PBA Operations

- The group would like to consider having a third-party audit of PBA's day-to-day operations and finance department. The audit could determine if there are inefficiencies that could be improved for the financial benefit of all contributing parties. The following points were discussed for consideration:
 - An independent engineer will have to do the audit
 - The audit may need to be bid
 - The cost of the audit should be split equally between the four partner municipalities
 - The audit may result in decreased or increased costs to the municipalities

- J. McGeehan asked if anyone has reviewed comparison financial data from similar authorities with WWTPs. B. Dingman stated he has access to data from the Lower Perkiomen Valley Regional Sewer Authority (LPVRS) and the Downingtown Area Regional Authority (DARA), both of which own WWTPs with contributing municipalities. B. Dingman noted there are some differences in the operations such as sludge disposal versus use of a drier and the use of independent contractors for the comparable authorities.

Joint Grant Applications

- There may be benefit to the four contributing municipalities to apply for grants as a group. This "regional" approach could be more attractive to the grant decision makers and would avoid competition for funds by the partnering municipalities.
- The new Borough Assistant Manager has experience in grant application writing and may be the most appropriate person to prepare the applications, with input from the partnering municipalities.
- PennVest and PennWorks are potential sources of grants.
- E. Whetstone noted that WPT approached the PBA approximately two years ago with the idea of submitting joint grant applications. At that time Tom Weld said he would prepare all grant applications.
- The townships should address the potential for grant applications again with the PBA.

Five-year Plan

- C. Pelka noted that there are eight projects outlined on the borough's five-year plan. The townships cannot be sure which projects are justified without additional information being provided.
- The borough must clearly identify which projects are optional versus projects required by DEP.
- J. Layne had requested an extension from the borough for UPT's review of the five-year plan. Mark Flanders agreed to extend the deadline to February 25, 2013.
- E. Whetstone sent the PBA a letter stating that WPT does not agree with the five-year plan and that not enough information has been provided by the PBA.
- E. Whetstone provided R. Hawthorne a copy of his letter to Mark Flanders in regards to the five-year plan.

Actions:

- The representatives from WPT and UPT agreed to have LPTA (R. Hawthorne) prepare a draft letter to the PBA outlining the partnering townships' concerns with the existing agreement, having a third-party audit of the PBA's operations and financing procedures, preparing joint grant applications, and concerns with PBA's proposed five-year plan.
- The LPTA Board voted to authorize Bursich Associates to review and report on the municipal operations and budgets of the LPVRS and DARA as compared to the budget and operations of PBA.
- The LPTA Board voted to authorize R. Hawthorne to prepare a draft letter to Mark Flanders, Pottstown Borough and PBA Manager, outlining the collective concerns of the partner municipalities. The draft letter will be provided to WPT and UPT for their review and comment prior to finalizing. Once all municipalities are in agreement, R. Hawthorne will send the letter to M. Flanders. R. Hawthorne will call M. Flanders prior to sending the letter as a professional courtesy.

Next steps:

- WTP and UPT will provide lists of their concerns with the current agreement to R. Hawthorne.
- R. Hawthorne will prepare a draft letter to Mark Flanders outlining the collective concerns of the partnering municipalities.
- R. Hawthorne will send copies of the draft letter to WPT and UPT for their review and comment prior to finalizing.
- Once all municipalities are in agreement, R. Hawthorne will send the letter to M. Flanders.
- R. Hawthorne will call M. Flanders prior to sending the letter as a professional courtesy.
- The municipalities will attempt to setup a meeting with the appropriate personnel at PBA to review the concerns.
- Bursich will research operating procedures and budgets for comparable authorities and report to the LPTA Board.

Distribution: All attendees via email