

**Red Lion Municipal Authority
Meeting Minutes
Wednesday, February 28th, 2018**

Members

Eric Immel, Chairman
Skip Missimer, Vice Chairman
Brad Smith, Secretary
Mike Poff, Treasurer
Jeff Herrman, Asst. Sec/Treasurer

Others

Keith Kahwajy, Superintendent
Jeff Beard, Asst. Superintendent
Andy Miller, Solicitor
Jason Reichard, Engineer
Stacy Myers, Recording Sec'y

Visitors

Bob Frutiger
Nevin Horne
Michael Vind
Ryan Mentzer

Arrived at 7:55p.m: Tina Frutiger
Stephanie Weaver
Dennis Klinedinst

1. The meeting was called to order @ 7:00p.m. All present participated in the pledge to the flag.
2. Mr. Missimer made a motion to approve the January 24th, 2018 Meeting Minutes; Mr. Smith seconded. All were in favor; motion carried.
3. **WATER USAGE REPORT**—5.51” rainfall was received since last meeting.
4. **CONNECTIONS REPORT**—3 new connections in The Paddock
5. **VISITORS**—Michael Vind from Financial Solutions, LLC, who has served as the Authority’s financial advisor associated with debt, for the past six years was present to discuss the outstanding debt on the Authority’s 2012 Sewer Bond Issue. With the current low interest rates, his suggestion was for the Authority to run a competitive bid for a bank loan, which can be cheaper compared to a Bond Issue, which includes fees, closing costs, etc. The Authority’s water meter purchase was also included in the bid specs, as that will be a large project over the next several years. The bid specs were sent to 25 different banks; only 4 banks responded with bids for the water & sewer projects. Capital One Financing was the lowest bid, with a 3.5% fixed interest rate on the 2018 Sewer Bond and a 3.77% fixed interest rate for the Water Note. Currently, the Authority has an interest rate over 4%.

The bidding process was also being done at this time because of the tax law change, where the corporate tax rate fell from 35% to 21% and banks have decreased their interest in funding loans because of this.

The total debt service of water & sewer combined, all costs included, for the term of the loan are as follows:

- With Capital One Financing would be \$3,925,974.54
- With Fulton Bank would be \$3,924,689.22
- Although Fulton Bank is slightly cheaper, they would require **all** the Municipal Authorities banking relationships be moved to them. RLMA staff did not want to do that. All the time required to do so would not be beneficial to save \$1,500.

- Just refinancing the sewer debt alone, with Capital One would be \$2,442,149.78. At RLMA's current rate, for the life of the loan the total is \$2,604,792.50. Refinancing would yield a net savings of \$162,642.72.
- The terms of the loan are not being changed or extended. The maturity date would remain at 2029.
- The debt service on the water meter replacement project, till 2029 would be \$1,483,824.76 with Capital One Financing.
- The total cost to **borrow** on the water debt service would be \$383,824.76.

Similar to the 2012 Bond Issue, the Authority would not be able to refund these loans before 2023 (for water **and** sewer). On the water note, there is no draw period; the funds would be advanced in full at closing.

Unlike the current sewer debt, there would be no tiers or indentures with the new loan, which would simplify paperwork & bookkeeping for RLMA staff. And the water note would be subordinate to the PENNVEST loan. PENNVEST will not allow any debt notes to be in front of them.

Jason discussed sewer budget calculations in relation to the refinancing proposals. He stated in his previous budget calculations over the past few years, only principal was used, not principal **and** interest. The Authority has been fortunate because there's always been an excess of funds. The "buffer" or the bottom line of the sewer budget will be tighter, going forward, should the Board decide to move forward with this refinance. As far as the water budget, there was a rate increase in 2018. Jason stated there may be the potential for an incremental rate increase in 2019-2020 because of the additional debt being proposed or else the Authority can tap into their Construction Fund. To generate the additional income to meet the debt service, an 8% rate increase on in-town, commercial & industrial customers & a 5% rate increase to bulk water customers may be necessary. However, staff is hoping that income will increase due to the accuracy of the new water meters being installed.

There are funds in the Sewer Bond Redemption Improvement Fund, which is not being proposed to be used to refund the Sewer Bonds. These funds can be placed in an interest-bearing account, if desired.

Capital One Financing's bid rates are for both water **and** sewer refinancing; if the Authority chose to do only the sewer at this time, the rates would be higher than the 3.5%. Settlement on the refinance would be April 3rd; however, these competitive rates cannot be held, and a decision must be to Capital One by March 2nd.

Andy believes everything on the loan looks good from a legal standpoint, but the Board needs to determine the impact on their budget with the additional debt service.

Looking at the budget and the proposed project list, Jason does not believe both water and sewer refinancing can be done right now. North Camp Street was on the list as a "definite" project for 2018; that cost will be approx. \$300,000. Currently, the Construction Fund is approx. \$500,000. In 2019, another \$225,000 will go into the Construction Fund, making the Fund total approx. \$400,000, but with another project in 2019 costing around this amount, the Construction Fund would be depleted.

Keith stated the next three projects are **needs**; getting rid of galvanized lines & eliminating leaks.

Jason & several Board members stated they would like to see the projects get done rather than refinancing the debt service. The money needed for the water meter replacement

has already been budgeted. The cost of the meters **may** increase over the next few years, but that would be our only gamble.

Mr. Vind stated the existing Resolutions can be amended (on the water side) to include various other projects of the Authority. On the budget side, the approx. \$166,000 would no longer be coming from the budget if the \$1.1million from the Capital One loan would be used for the meter purchase. This \$166,000 could then be used for other projects, etc. The Board would like the flexibility of amending the Resolution verbiage to include other projects, not just water meter purchase. But they do not want to increase water rates. And if the water meter replacement was projected to be done within the next five years, why drag it out to 2029?

In order to give Jason & Keith more time to review budget & project costs, a special Authority meeting will be advertised & held on Monday, March 5th @ 6:30p.m.

Andy stated the Resolutions could be approved conditionally tonight. The notice to refund the Sewer Bonds is conditional so the Authority is not obligated to refund those bonds once the Resolution is signed.

Mr. Missimer made a motion to adopt the Sewer Resolution, presented tonight, to allow Financial Solutions, LLC to get the conditional refund notice sent out; Mr. Poff seconded. All were in favor; motion carried. This is only conditional; if the Board decides to do nothing, it will not go any further.

The Water Resolution will be amended to include other capital projects as well as water meter purchases. If the Board wishes to move forward with this Resolution, that can be done at the March 5th meeting.

6. **WATER AND SEWER—OLD BUSINESS**

- **Solicitor's Report**—Andy reported:
 - An Executive Session to be held after tonight's meeting to discuss PUC litigation matters & real estate issues.
 - RFP's for accounting/auditing firms—these will be gathered for March meeting.
- **Engineer's Report**—Jason reported:
 - **Cabin Creek Dam Breach Analysis**—CSD contacted Bill Kappel, a meteorologist from Colorado, working with DEP to update Probable Maximum Precipitation Values for PA. From the study, the rates will be reduced, which is to the Authority's advantage. DEP has concurred with Mr. Kappel's statement & they are allowing RLMA to postpone a formal submission of the H & H model until the rates/values are authorized.
 - **Annual Dam Safety Inspection**—report was submitted; awaiting DEP's response.
 - **2018 Sanitary Sewer Work**—evaluated all repair inventory done by Mr. Rehab. A priority ranking of the necessary improvements has been done & Jason will talk to Authority staff to discuss construction costs.
 - **Act 203 Tapping Fee Update-Water**—concluded and an electronic copy was sent for the Board's review. A Resolution to adopt the update will be available for March meeting.
 - **2018 Water System Improvements**—progress is being made on this. The scope of work & project details will be discussed with Authority staff. The North Camp Street cost estimate is \$300,000. South Camp Street &

Springvale Road projects will be discussed to finalize details, but these may be put on the back burner for 2018.

- **Superintendent's Report**—Keith reported:
 - Authority members attending Borough Council meetings:
 - March 5th—Skip Missimer
 - March 12th—Mike Poff
 - April 2nd & 9th—Brad Smith
 - Since last meeting, a 12” private sprinkler line was repaired behind Redco after being hit by a contractor.
 - Sourcewater Protection Plan Meeting was held on January 31st, 2018. Mr. Missimer reported it was a good meeting and:
 - Rain barrel sales still ongoing
 - A 2nd Cabin Creek Watershed Day is being planned for May 5th, in conjunction with Windsor Township Community Service Day. This will be “kid-focused” but also with information for adults. The event will run from approx. 8am-2pm (or 3pm). If Authority members have some time to give that day, it would be appreciated.
 - April 18th @ 6:30p.m.—next SWPP Meeting @ Stan Saylor’s office.

7. **WATER AND SEWER—NEW BUSINESS**—Keith reported:

- Chapter 110 Report & the Water Allocation Report has been completed & submitted to DEP.
- April 2nd, 2018—flushing of the distribution system will begin (tentatively)
- Customer wishing to install a service line on a 10-acre parcel of property on Manor Road. The five homes beyond the pumpstation are currently fed by a 2” line. The 10-acre lot (and single residence) is behind those homes but will not be fed from that 2” line. Authority staff recommended the property owner extend off a private right-of-way, install a meter pit & extend the line to reach the property. This will be done at the property owner’s expense.
- Felton Fire Company Appreciation Banquet will be held on March 24th, 2018. Mr. Missimer will attend.
- RLMA staff is reviewing privately owned sprinkler systems & how to meter them & have backflow prevention added for public safety. There are approx. 40 properties to install these.
- Drug & Alcohol Policy has been updated.

8. **NEW WATER TREATMENT FACILITIES**—Keith reported:

- The workstation that was not working in November has been repaired & is now working fine.
- The VFD at Beaver Creek was removed & sent to Motor Technology to be cleaned & tested. It was put back into service on February 23rd, 2018, but it hasn’t been running a lot due to the amount of rain received recently.

9. **Bills, Statements & Requisitions**—Mr. Smith made a motion to approve the bills, statements & requisitions; Mr. Missimer seconded. All were in favor; motion carried.

10. **Adjournment**—Authority recessed to Executive Session @ 8:32p.m. Authority reconvened @ 8:53p.m. Meeting adjourned @ 8:53p.m.

11. **Next Authority Meeting will be held Wednesday, March 28th, 2018 @ 7:00p.m.**

Respectfully submitted by:

Stacy Myers, Recording Secretary