

WALLACE TOWNSHIP MUNICIPAL AUTHORITY
JUNE 14, 2011

The Wallace Township Municipal Authority meeting of Tuesday, June 14, 2011, was called to order at 7:00 PM in the Municipal Building by the Chairman.

Members present: Barbara D'Angelo, Chairman
 Steve DePedro, Vice Chairman
 Tom McClung

Also in attendance: Steve Riley, Entech Engineering
 Matthew Boggs, Entech Engineering
 Philip Tiewater, ELM Consulting

PUBLIC COMMENT

None.

ASSET MANAGEMENT PLAN UPDATE

Philip Tiewater attended the meeting to present the spreadsheet which shows a complete list of all the Authority's assets, including both the collection and treatment system. Each asset was ranked in terms of age, original cost, life expectancy, and current condition, then best practice financial planning was used to determine how much money will be needed to replace these assets as they reach the end of their useful life. The spreadsheet shows the grinder pumps have a high probability of failure, mostly due to age, but have a low consequence of failure because a grinder pump failure impacts only one household. Since the grinder pumps were deemed to have an estimated effective life of twenty years, nearly sixty of the original grinder pumps dating from 1992 are on course to be replaced in 2012 at a cost approaching \$300,000. Of course, not all of the original grinder pumps will fail next year, and the estimated effective life could be increased to spread the replacement cost out over the next few years. Also, the spreadsheet does not take into consideration the proposed policy change of turning over ownership of and maintenance responsibility for the grinder pumps to the homeowners. The impact of this policy change will be realized on the operating expenses going forward as the homeowners will pay for their own grinder pump repairs/replacements. Mr. Tiewater explained the purpose of this first step of the asset management planning process was to ascertain how soon an asset is going to fail and how significant the consequence of failure will be in order to calculate the business risk exposure or BRE. Fortunately, the system is still relatively new, and only one asset (a gate valve) has a BRE over fifty. The next step in the process will be to put these expenditure requirements into a rate model to determine what percentage increase is needed in the user rates. The rate model will allow the Authority to run different scenarios by adjusting some of the data, such as estimated life expectancy or level of service. This information will allow the Authority to implement policy changes, manage the assets, and make funding decisions, such as whether to raise rates dramatically now or gradually over time or to obtain financing.

Mr. DePedro stated the projected cost to rehab the grinder pumps may be greater than \$300,000 because the unit price in the spreadsheet is not the cost to completely rehab a grinder station. He suggested increasing the number of grinder pump rehabs per year in order to implement the policy change regarding ownership and maintenance. The Authority may realize a better unit

price to rehab a large number of pumps within a specific time period rather than the current practice of doing them piecemeal as the unit fails. Mr. Riley recommended waiting until the latter part of the year before rehabbing a large number of units to see how many emergency rehabs may be required earlier in the year and then continue that practice year by year. It was suggested now would be a good time to have the Operator update the grinder pump survey he last conducted in 2003 to determine the actual condition of the grinder stations and prioritize them in order of greatest need. Mr. Riley suggested having an intern assist the Operator by documenting and perhaps photographing the individual grinder units, and this data could then be linked to the asset.

MINUTES

On a motion by Mr. DePedro, second by Mr. McClung the minutes of the May meeting were unanimously approved as written.

CORRESPONDENCE

1. Clean Water, Inc., dated 6/12/11, re: Operator's monthly report for Glen Moore.
2. Clean Water, Inc., dated 6/12/11, re: Operator's monthly report for Highspire.
3. J. Keath Fetter, Esq., dated 6/13/11, re: Solicitor's monthly report.
4. Entech Engineering, Inc., dated 6/10/11, re: Engineer's monthly report.
5. J. Keath Fetter, Esq., to Robert Bezgin, dated 5/12/11, re: annual letter for auditor.
6. Robert Bezgin, dated 6/07/11, re: engagement letter for annual audit.
7. Heritage Building Group, dated 6/13/11, re: request to reduce Operating Reserve Letter of Credit.

TREASURER'S REPORT

The following bills were presented for consideration:

- a. Verizon - **\$170.30** for phone @ operations bldgs. (Glen Moore & Highspire)
- b. Clean Water, Inc. - **\$2,345.00** for operator services @ Glen Moore & Highspire (May)
- c. Jan Bednarchik - **\$997.11** for secretarial services (May)
- d. PECO - **\$1,859.43** for electric @ main pump station & Devereux (\$1,079.02) and Highspire WWTP and pump station (\$780.41)
- e. Analytical Laboratory - **\$313.15** for lab testing (Glen Moore & Highspire)
- f. Entech Engineering - **\$2,409.80** for engineering services (4/30 – 5/27/11)
- g. Swartz Campbell - **\$1,155.00** for legal services (May)
- h. Ink's Disposal Service - **\$620.00** for cleaning main, Devereux & B. Hill pump stations; pump tank @ 159 Indiantown; pump EQ & clarifier tank @ Highspire
- i. PreDOC - **\$2,180.00** for rebuilding grinder stations @ Wagenseller Park
- j. G. Bauer Pest Control - **\$93.50** for mosquito treatment @ lagoons
- k. Mull's Electric, Inc. - **\$905.90** for rerouting and replacing conduit at Devereux valve vault; repair float circuit (\$555.90) and troubleshoot Lakeside screen @ Highspire (\$350)

- l. Deckman Electric - **\$450.00** for rebuilding Hydromatic grinder pump
- m. USA BlueBook - **\$93.86** for gate key (curb wrench for valves)
- n. Postmaster - **\$132.00** for stamps

TOTAL: \$13,725.05

Mr. McClung moved to approve invoices “a” through “n” above for the month of June, as presented. Mr. DePedro seconded the motion, and it was unanimously approved.

OPERATOR’S REPORT

Glen Moore WWTP

There were no violations of permit conditions in May.

There were four emergency visits in May: 2001 Creek Road (stuck float), 2030 Creek Road (stuck float), 6 Ashlea Drive (bad float), and 159 Indiantown Road (clogged pump). PreDOC switched out the pump at 159 Indiantown Road because it clogged three times in three weeks. They will try to do this under warranty, even though the warranty expired in April. The Operator believes there may be an air release issue due to high elevation. PreDOC also did an emergency rehab at Wagenseller Park to make the grinder station functional for Community Day on June 24. The park will be added as another billable EDU.

The lagoons were treated for mosquitoes.

The wooden fence at the control building is in bad condition. A fence contractor has been asked to provide estimates for repair/replacements.

Generators at the main plant and Brandywine Hill pump station were serviced.

A new curb wrench for the valves in the street has been ordered.

The Operator reported the phone line at the Brandywine Hill pump station is not operational and, therefore, the auto dialer will not work. The Operator presumes Heritage is not paying the bill because he is not being paid for operating the pump station and maintaining the gravity system. Mr. Riley expressed concern about the event of overflow due to the close proximity of the pump station to the Brandywine Creek. Therefore, the Authority will investigate having the phone bill transferred in its name and then charge Heritage.

The valve vault at Devereux is continuing to leak water from the outside into the tank. A sump pump is removing the water. The Operator believes it would be best to try to stop the leak from the outside by exposing the tank and applying waterproofing to the walls. He obtained a ballpark quote of between \$1,500 and \$2,000. The repair could be accomplished this summer when the ground dries out. Mr. Riley will obtain another quote for comparison.

Highspire WWTP

The Lakeside screen recently malfunctioned. The error code suggests there may be a problem with the variable speed drive. Mull's Electric will diagnose the problem.

Ink's Disposal will be removing sludge soon.

SOLICITOR'S REPORT

Municipal claims were filed against Brian Baum, Sean Clements, Nancy McDonough, and James Trego for unpaid user fees for the 1st quarter of 2011. Delinquent notices for unpaid user fees for the 2nd quarter have been sent to Brian Baum, Paul Doucette, John Hammond, James Jenks, Bryan McDonough, Nancy McDonough, and James Trego in the Glen Moore system and Sean Clements and Claudio Soto in Highspire.

Pursuant to the discussion at the May meeting, a revised resolution was prepared stating that the Authority will accept ownership of and have maintenance responsibility for the force main extension and for the laterals from the force main to the property line, and that the property owner will own and have responsibility for all facilities between the property line and the house, including the curb valve, the pressure lateral from the property line to the grinder pump, the grinder pump and the gravity lateral from the house to the grinder pump. The resolution incorporates a drawing prepared by Entech Engineering (SK-004) which delineates the division of ownership and responsibility between the Authority and the property owner.

The sewer construction and operation agreement with Heritage-Highspire provides for an annual readjustment of the operating reserve and sets forth a formula for calculating the required reserve. Heritage has requested an adjustment in the reserve pursuant to the formula, and the Solicitor is in the process of establishing the correct amount. This will result in a reduction in the amount of the letter of credit issued by Heritage's bank from approximately \$43,000 to approximately \$23,000.

ENGINEER'S REPORT

Dankanich – A revised construction detail was prepared showing the limits of ownership for the residents on Indiantown Road to include the pressure lateral from the grinder pump to the property line as part of the homeowner's responsibility. The Solicitor will be providing the revised resolution language with this detail as an attachment. Final plans were received for the project. Joe Boldaz was notified of a couple of minor items that need to be revised, including a note that all work and materials must comply with Authority specifications. He was also notified of the Authority's change in position about ownership of the sewer laterals between the grinder pump and the property line, and he relayed this position to Ron Dankanich. A quick final review will be done once the revised plans are received. Mr. Riley spoke to Jack Burt (the contractor) about his intended construction schedule so the observation work can be scheduled accordingly. Mr. Burt mentioned that one of the residents appears to be reconsidering his participation in the project.

Asset Management Plan – A meeting was held with Phil Tiewater on 6/03/11 to go over some remaining questions on the spreadsheet. Following the meeting, Mr. Riley was able to make what are believed to be the final edits. Copies were provided to Mr. Tiewater and the Authority Secretary, and a copy was forwarded to Tom McClung for his review in advance of the meeting. Mr. Tiewater provided an update earlier in the meeting.

Highspire Estates – Mr. Riley had several phone conversations with Dan O’Connell at Castle Valley Consultants and John Maczonis of Heritage regarding escrow items being held by the Township. Two of the items related to background sampling of the site prior to the use of the wastewater disposal system. Recognizing that these items were completed long ago, Mr. Riley recommended to Mr. O’Connell that the line items be completely released. There is no action required by the Authority. Heritage’s recent request for a reduction in the amount of the operating reserve escrow in accordance with the Developer’s Agreement was also discussed in a conference call with the Authority Solicitor and Secretary. It was agreed that a reduction in accordance with the terms of the agreement is appropriate.

OLD BUSINESS

Mrs. D’Angelo moved to approve Resolution No. 11-3, a resolution accepting ownership of and maintenance responsibility for the Indiantown Road extension of the Glenmoore sewer system to be constructed in 2011 and delineating the limits of responsibility between the Authority and the individual property owners. Mr. DePedro seconded the motion, and it was unanimously approved.

Bob Bezgin has begun working on the annual audit report and will also review the asset management spreadsheet

NEW BUSINESS

By letter of June 13, 2011, Gia Raffaelli, attorney for Heritage Building Group, requested a reduction of the Operating Reserve Letter of Credit for Highspire Estates from \$43,095 to \$23,575.50, based on the formula in Section 8.B of the Agreement for Construction and Operation of Sewage Facilities. The Authority noted Heritage is entitled to a reduction pursuant to the agreement and, therefore, had no objection to the request for a reduction.

Mrs. Bednarchik advised the Authority received invoices from the Township for reimbursement of insurance premiums, including the property insurance premium for 2008 and the general liability premiums for 2006 through 2010. Mrs. Bednarchik explained the Authority never received an invoice for 2008, which became apparent after the fact when the audit was performed. Thereafter, Mrs. Bednarchik contacted H.A. Thomson directly to obtain the breakdown on the insurance premium due in 2009 and 2010. The Township/Authority liaison at H.A. Thomson advised at that time that there was no easy method to break out the Authority’s share of the general liability portion, and the Authority has never been billed for general liability in the past. Mrs. D’Angelo moved to pay the invoice for the 2008 property insurance in the

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amount of \$1,681 and the invoice for the 2011 property and general liability insurance in the amount of \$2,251.07. Mr. DePedro seconded the motion, and it was unanimously approved. The Authority's share of the general liability premium will be paid going forward.

The consultant fees for the asset management study were also discussed. To date, Mr. Tiewater has been paid \$3,600 for work completed through January 2011, and has submitted an invoice in the amount of \$2,400 for services from February through May 2011. Mrs. Bednarchik noted the invoices are for a lump sum without any description of the actual work performed. Mr. Riley and Mrs. Bednarchik both reported that the burden of work has been shifted onto the Authority, when the intent was for the Authority to identify and grade the assets with the consultant taking over from there to produce the final spreadsheet. The Authority directed Mr. Riley and the Authority Secretary to determine the number of meetings with Mr. Tiewater to date and estimate the number of hours involved. It was noted the spreadsheet and rate maker software were free downloads and not licensed to Mr. Tiewater. The current invoice will be deferred to the next meeting. In the meantime, Mr. Riley will contact David Busch of Keystone Alliance Consulting to obtain an estimate from him to review the current data and help complete the capital reserve/valuation study.

ADJOURNMENT

The meeting adjourned at 8:55 PM. The next meeting is Tuesday, July 12, 2011,

Respectfully submitted,

Jan C. Bednarchik
Secretary