

**WALLACE TOWNSHIP MUNICIPAL AUTHORITY
NOVEMBER 8, 2011**

The Wallace Township Municipal Authority meeting of Tuesday, November 8, 2011, was called to order at 7:02 PM in the Municipal Building by the Chairman.

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

Also in attendance: Steve Riley, Entech Engineering
 Matt Boggs, Entech Engineering
 David Busch, Keystone Alliance Consulting

PUBLIC COMMENT

None.

MINUTES

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

CORRESPONDENCE

1. Clean Water, Inc., dated 11/06/11, re: Operator's monthly report for Glen Moore.
2. Clean Water, Inc., dated 11/06/11, re: Operator's monthly report for Highspire.
3. J. Keath Fetter, Esq., dated 11/07/11, re: Solicitor's monthly report.
4. Entech Engineering, Inc., dated 11/07/11, re: Engineer's monthly report.
5. DEP, dated 10/31/11, re: review and approval of the Annual Groundwater Report for the Highspire Estates WWTP.

TREASURER'S REPORT

The following bills were presented for consideration:

- a. Verizon - **\$168.34** for phone @ operations bldgs. (Glen Moore & Highspire)
- b. Clean Water, Inc. - **\$2,455.00** for operator services @ Glen Moore & Highspire (October)
- c. Jan Bednarchik - **\$687.50** for secretarial services (October)
- d. PECO - **\$561.77** for electric @ main pump station & Devereux (\$373.59) and Highspire WWTP and pump station (\$188.18)
- e. Analytical Laboratory - **\$203.85** for lab testing (Glen Moore & Highspire)
- f. Entech Engineering - **\$2,413.76** for engineering services (10/01 – 10/28/11)
- g. Swartz Campbell - **\$510.00** for legal services (October)
- h. Ink's Disposal Service - **\$985.00** for cleaning main and Devereux pump stations; pump EQ tank and haul sludge @ Highspire
- i. PreDOC - **\$210.00** for service call @ 21 Marty Close Road

- j. Deckman Electric - **\$1,145.00** for rebuilding 2 Hydromatic grinder pumps
 - k. Colonial Electric - **\$35.00** for 100 bulbs for grinder pump alarm lights
- TOTAL: \$9,375.22**

Mr. McClung moved to approve invoices “a” through “k” above for the month of November, 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 October.

There were two emergency visits in October: 1990 Creek Road (bad contactor; blown fuse) and 21 Marty Close Road (pump clogged). The call at 21 Marty Close was handled by PreDOC as a warranty call. PreDOC also did some work at 1790 Creek Road due to confined space issues.

Spray irrigation continues at an elevated rate. Lagoon aerators have been shut down for the season.

The grinder pump inspections are ongoing, and another partial report was submitted electronically.

Highspire WWTP

The plant is running well with no operational issues to report.

The Secretary will contact Rouse Chamberlin to inquire about the possibility of them plowing the entrance to the treatment plant this winter.

SOLICITOR’S REPORT

Municipal claims were filed on 11/04/11 for unpaid third quarter user fees on the following accounts: James Jenks, David Larkins, Noreen Major, Nancy McDonough, and James Trego. The McDonough claim also included second quarter user fees.

A resolution was prepared to officially accept ownership and maintenance responsibility for the force main extension on Indiantown Road and the laterals up to the property line. The payment of partial reimbursement to the five connected property owners at such time as a sixth property owner connects to the force main extension may be handled through a tapping fee. In the event one of the five original properties is sold, the reimbursement would go to the then current owner.

ENGINEER’S REPORT

Indiantown Road Extension – Connection of the last home at 90 Indiantown Road is expected to be completed today. The four homes that are connected have been added to the billing system.

The only item left to complete the Authority's portion of the project is the delivery of the spare grinder pump to the Operator.

Asset Management Plan – Mr. Riley has had additional correspondence back and forth with David Busch as work on the rate study continues. Mr. Busch will present his initial report later in the meeting.

Devereux Valve Vault – No further work has occurred in the last month due to the excessive amount of rain received and the overly wet conditions at the site.

Annual Groundwater Report – DEP has found the annual Groundwater Report submitted for the Highspire system to be acceptable. There was no additional contact from Walter Grube of DEP about the comment letters on the annual Chapter 94 Reports.

OLD BUSINESS

Mr. Irey continues to work with Anthony DiRouso of Site Specific Design regarding pricing to retrofit the existing grinder pump tanks with E-one pumps and has requested a reference of a retrofit job that he can inspect. In the meantime, he will contact PreDOC for updated pricing on a complete retrofit with the Little Giant pumps.

NEW BUSINESS

Mr. DePedro moved to approve Resolution No. 11-5, a resolution for the Authority to officially accept dedication of the force main extension on Indiantown Road and the laterals from the force main to the property line. Mr. McClung seconded the motion, and it was unanimously approved. A copy of the resolution will be provided to each of the five new customers on the force main extension as confirmation of their ownership and maintain responsibility for all facilities between the property line and the house. An accounting of the project costs will be requested in order to determine the prorata share to be included in a tapping fee for property owners that may wish to connect to force main extension in the future. As noted in the Solicitor's report, reimbursement of these costs would be distributed to the then current owners of the five original participating properties.

The Pennsylvania Municipal Authorities Association reported that House Bill 291, which raises the bid threshold for advertising and bidding, was signed into law on 11/03/11. Bidding and advertising requirements now apply to supplies, services, and construction at \$18,500 and above. Phone quote requirements apply for costs between \$10,000 and \$18,500. These threshold limits are also subject to an annual escalator. The law becomes effective 1/01/12.

Draft budgets for both Glen Moore and Highspire were presented for review and discussion. The draft budget for Glen Moore anticipates projected revenue of \$154,150 by maintaining the current quarterly user rate of \$125/EDU. For comparison, the draft budget also showed revenue projections of \$166,162 by adjusting the quarterly user rate to \$135/EDU and \$184,180 by adjusting the quarterly user rate to \$150/EDU. Total expenditures are estimated at \$169,760, or

an increase of approximately \$10,000 more than the current year, due to additional funding being allocated for grinder pump repairs/replacements. The budget for Highspire is roughly the same as last year, and is dependent upon Heritage and Rouse Chamberlin continuing to pay their share of user fees on the unsold lots. The total projected revenue of \$93,750 is also based on maintaining the current quarterly user rate of \$381.25/EDU. Discussion of the draft budgets was deferred until after the presentation on the rate study.

David Busch of Keystone Alliance Consulting attended the meeting to present his initial findings on the rate study for the Glen Moore system. The Authority's recent asset inventory was utilized in the study, and there are now two entries for each grinder pump unit to separate the pump from the tank and other components. In a memo dated 11/07/11, Mr. Busch noted the original cost of the system was \$2,728,621, and the current replacement cost is \$4,323,227. An increase of 37% would be required to generate sufficient funds to replace the sewer system at today's replacement cost. Citing an example of a single grinder pump with a 20-year life expectancy and a \$2,000 replacement cost, Mr. Busch said each user would need to be charged an additional \$100 per year to replace that pump at the end of its useful life. The Authority currently has \$131,607 in capital reserves and, while this is less than the amount needed as determined by the analysis, the Authority is ahead of the curve as compared to some other municipally operated utility systems that have no capital reserve at all. Mr. Busch noted there are a number of acceptable methods of determining the level of capital reserve required for proper management of utility assets. The analysis focused on four alternative methods to determine the amount of capital reserves necessary for future operation of the sewer system. The four methods approach the underlying question of what is the required amount of capital reserves to insure proper operation of the sewer facilities from different perspectives. These methods are described as follows:

- Accumulated Depreciation – This method calculates the accumulated depreciation for all sewer system assets. The accumulated depreciation as of 2011 is \$1,534,724. This method would require an annual increase of 143%.
- Annual Depreciation – This method considers current and future year's annual depreciation for all sewer assets on a replacement cost basis, but does not address prior year's depreciation with the exception that current reserves are not considered, so these funds would be available as an offset to the current level of accumulated depreciation. This method would require an annual increase of 73%.
- Required Capital Funds – This method is a cash needs approach that identifies the replacement cost of assets in the years that they are assumed to be retired based upon the useful life of all assets. This method would require an annual increase of 13%.
- Blended Method – This method combines the annual depreciation method for assets with useful lives greater than 30 years and the required capital funds method for assets with useful lives of 30 years or less. This method would require an annual increase of 86%.

The Authority discussed its goal of turning over ownership and maintenance responsibility for the grinder pumps to the property owners in order to reduce the annual operating cost. However, Mr. McClung noted the annual depreciation cost of \$46,000 as noted in the audit report is not included in the annual budget, so the user rate needs to be increased not only to cover the current

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operating expenses, but also the capital reserve requirement. In addition, the depreciation dollars and the capital reserve dollars are needed in order to replace all of the existing grinder pumps before they can be turned back to the homeowner and before the Authority can realize a reduction in its operating expenses. Mr. DePedro recalled the Authority decided to forego rate increases for the past two years due to the economy and opted instead to use the savings from the mortgage payoff to pay operating expenses. He felt the grinder pump program should definitely be implemented next year with a small increase in the user fee, or the Authority will have to start charging much higher user fees to put those funds back into capital reserves.

Mr. Busch acknowledged there are no easy solutions, but the documentation will support the need for a rate increase at whatever percentage the Authority may determine in order to meet annual operating costs and fund a capital reserve while still making it affordable to the users. He did not suggest trying to recover the fund deficiency all at once, but rather suggested an annual increase of perhaps 5% for the next five years and then reevaluate at the end of that time. He will begin drafting the final report for submission to the Board with an electronic file of all exhibits.

ADJOURNMENT

The meeting adjourned at 8:25 PM. The next meeting will be Tuesday, December 13, 2011.

Respectfully submitted,

Jan C. Bednarchik
Secretary