

**WALLACE TOWNSHIP MUNICIPAL AUTHORITY**  
**JUNE 4, 2012**

A special meeting of the Wallace Township Municipal Authority was called to order on Monday, June 4, 2012, at 7:00 PM in the Municipal Building by the Chairman. The purpose of the meeting was to review the status of the financing for the grinder pump replacement project.

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

Also in attendance:   Matt Boggs, Entech Engineering  
                           J. Keath Fetter, Esq., Wetzel Gagliardi & Fetter  
                           Michael Wolf, Boenning & Scattergood  
                           David Busch, Keystone Consulting  
                           Tim O'Neill, Esq., Lamb McErlane

Bond Counsel Tim O'Neill advised that the loan proposal from DNB First was selected as the best offer for financing the grinder pump replacement project. The terms and conditions of the loan are as previously discussed with a loan amount of up to \$1,000,000 to finance the replacement of approximately 150 existing grinder pumps in the Glenmoore Sewer System, including the control panels, wiring, tank lid, etc., and other necessary system repairs and improvements. The interest rate is 3.25% tax free, which resets after seven years, with a maximum interest rate not to exceed 10% per annum. If the loan is determined not to be tax exempt, the bank would reset the loan to 4.5%. The loan is a drawdown loan for the first twelve months, with interest only payments on the outstanding principal to be made for the first twelve months. The loan is to be payable in monthly interest and principal payments of approximately \$5,884.37. Mr. O'Neill added that the loan commitment is not contingent upon the Authority transferring its accounts to the bank.

Mr. O'Neill reviewed the various loan documents that were distributed electronically in advance of the meeting. The Authority Resolution, which authorizes and approves the project and loan financing, was amended slightly to further define the Glenmoore Sewer System and to specify that the term of the Note shall be twenty years from the date of issuance. The Resolution also authorizes the Authority Chairman or Vice Chairman to execute the Note, the Loan Agreement, the Guaranty and all related agreements and bank loan documents and to move forward with the closing on the loan, predicated on the guaranty by the Township. The Guaranty Agreement is an agreement largely between the Township and the bank, but the Authority is a party to it. In the event of default, the Township would become responsible to repay the full amount of the default to the lender, and the Authority would be obligated to reimburse the township for the amount of the default plus 12% interest per annum. Mr. Fetter added that the Guaranty Agreement also states that the Authority will not undertake any capital improvements without prior approval of the Township and requires the Authority to provide periodic financial reports to the Township and the bank. The Loan and Security Agreement is an agreement between the Authority and the bank and, along with the Guaranty Agreement, obligates the Authority to make the payments specified in the loan documents.

Mr. O'Neill noted that the Township Solicitor has advised the Supervisors do not plan to act on the ordinance and other documents at their upcoming meeting on Thursday, June 7, because they have questions and concerns about the project and the financing and the impact on the user rates, and have requested a formal presentation by the Authority. Mr. O'Neill plans to attend the Township meeting on June 7 along with Mike Wolf and David Busch to try to address these concerns. The Supervisors have expressed particular concern about the proposed change in policy whereby the responsibility for maintenance, repair, and replacement of the new grinder pumps will be transferred to the homeowners. Mr. O'Neill stated that assessments for improvements such as sidewalks, curbs, and the like is common in municipal law and, therefore, it is not unusual for homeowners to be responsible for maintenance of their individual grinder pump. Mr. Fetter added that the next step after the project is completed is the Township and Authority will revise their respective ordinance and resolution to remove the exception for the Glenmoore system, and both documents will state that the homeowner will be responsible for maintaining, repairing and replacing the grinder pump going forward.

At this time, the Authority discussed the revised procedures to be implemented following the installation of the new pumps when the responsibility for maintenance is transferred to the homeowners. Consideration was given to providing the homeowners with a list of approved contractors to use for repairs, an offer of a yearly inspection for a fee, or perhaps an opportunity to buy into an insurance plan for repairs. The Authority will make the point to the Supervisors that the pumps are at the end of their useful lives as documented in the 2011 grinder pump survey, and the Authority is losing money in repair costs. It will also be explained that some customers simply do not follow the guidelines for proper use of their grinder pump system, and it is unfair to the other users to pay for the costs resulting from such negligence. Although the user rate will be increased to repay the loan and establish a capital reserve fund, the rate is expected to be lower by transferring the maintenance responsibility to the homeowners. David Busch will present the user fee projections for maintaining the status quo of repairing pumps as they fail versus adding the debt service for replacement of all the pumps and turning over maintenance responsibility to the homeowners.

Jason and Amy Trego, 1830 Creek Road, attended the meeting to inquire about the project and the brand and cost of the new pumps. Mr. Boggs explained that the E-One pump was selected for the project because it does not have an external float system to cause problems and requires less maintenance. According to Site Specific, the manufacturer's representative for E-One, they average ten years between maintenance calls. The Authority has been paying about \$3,000 to partially rehab a grinder tank with only a new pump. The project will involve replacement of the pumps, control panels and wiring, and will include a 3-year warranty. All components will be brand new except the tank.

Mr. Boggs reported that Stan-Roch Plumbing has been identified as the lowest responsible bidder for the project. Their references and work experience have been thoroughly investigated, and Mr. Boggs recommended them for the bid award. Mr. Fetter also investigated them from the standpoint of litigation, judgments, etc., and found nothing to cause any concern with the bid award.

Mr. DePedro moved to adopt Resolution No. 12-1, a resolution authorizing and approving the grinder pump replacement project and accepting the loan commitment letter offered by DNB First. Mr. Ireys seconded the motion, and it was unanimously approved.

The Authority will conduct a special meeting on Tuesday, June 26, at 7:00 PM in the Municipal Building to discuss the upcoming changes in the sewage collection portion of the system, including replacement of the existing grinder pumps, as well as changes in maintenance responsibility for the new pumps. Mr. McClung volunteered to draft the letter of invitation to the homeowners to attend this meeting. Site Specific will be invited to attend to discuss the E-One pump and the warranty. Mr. Boggs will prepare some questionnaire for the homeowners in order to obtain their contact information for coordinating the work to be done on their property.

The bid award for the project must be made within sixty days of the bid opening on May 8, or on or before Saturday, July 7.

The meeting schedule for enactment of the Township ordinance and approval of financing documents and bid award was discussed. The next meeting of the Board of Supervisors is scheduled for Thursday, June 21, but their Solicitor has indicated this meeting may be canceled. The Board's next scheduled meeting is Thursday, July 5, the sixty days within which to award the bid contract expires on Saturday, July 7, and the next Authority meeting is Tuesday, July 10. Therefore, in the event the Township meeting on June 21<sup>st</sup> is canceled, the Authority may need to enter into an agreement with the lowest responsible bidder to extend the deadline for the award of the contract.

### **ADJOURNMENT**

The meeting was adjourned at 8:45 PM.

Respectfully submitted,

Jan C. Bednarchik  
Secretary