

TOWNSHIP OF LOWER MAKEFIELD
BOARD OF SUPERVISORS
MINUTES – MARCH 19, 2008

The regular meeting of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on March 19, 2008. Chairman Caiola called the meeting to order at 7:30 p.m. noting that the Board met in Executive Session from 6:30 p.m. to 7:30 p.m. discussing personnel and real estate matters. Mr. Maloney called the roll.

Those present:

Board of Supervisors:

Greg Caiola, Chairman
Steve Santarsiero, Vice Chairman
Matt Maloney, Secretary
Ron Smith, Supervisor
Pete Stainthorpe, Supervisor

Others:

Terry Fedorchak, Township Manager
David Truelove, Township Solicitor
Kenneth Coluzzi, Chief of Police
James Majewski, Township Engineer

PUBLIC COMMENT

Mr. Bob Lambert stated he would like an update on the deer management issue and railroad crossings. Mr. Majewski stated he received word today from CSX there may be a problem with establishing quiet zones because of technical issues and he would further investigate and get back to the Township. Mr. Lambert asked if the Township is able to implement equipment for quiet safety zones would the Township be required to purchase the equipment and what is the Township's liability. Mr. Majewski stated the Township would assume liability in the event of an accident.

Mr. Caiola stated as to the deer management issue, an archery group is looking into deer management practices within the Township. He stated the Township has looked at sharpshooters in the past and are assessing the cost. Mr. Lambert asked if Falls Township is using the same archery club that Lower Makefield Township is exploring for their deer management. Mr. Fedorchak stated that Mr. Shissler just worked with Langhorne on their deer management. Mr. Lambert stated he would rather see archery practices at a minimal expense to manage the deer. Mr. Smith stated the Board members recently met with the archery club and many of whom have attended some of our meetings have assured the Township if chosen their services would be at a minimal cost.

Ms. Virginia Torbert, Yardley-Langhorne Road congratulated the Pennsbury Men's basketball team noting what a great year they had. She noted they recently played at the Palestra and the Township is very proud of them.

Mr. Jim Bray from the EAC stated the Township is the recipient of a Smart Power award for signing up more than 200 customers for Smart Power. The Township was given the option of a \$10,000 grant to use towards the installation of a larger solar system which time has now passed for that option or installation of a 1K stand alone system that would power something small but has educational merit and he recommends the Board accept the 1K system. He noted the system must be installed by the end of 2008 and acceptance of the award is required by the end of March. Mr. Bray stated he is asking the Board for a motion to accept the 1K stand alone system.

Mr. Stainthorpe asked if the Township could ask for an extension of time or appeal the award because there are other alternative power sources the Township is looking into. Mr. Bray stated the EAC has asked for an extension a number of times without success but will check again. Mr. Santarsiero stated the Board gives the EAC the authority to agree to the smaller system if they cannot get an extension. Mr. Bray stated we need to commit to the award by the end of the month but we do not have to commit to the location of the system at this time.

Mr. Stainthorpe moved and Mr. Santarsiero seconded in lieu of an extension of time, the Township would accept the 1K solar system. The motion unanimously carried.

Mr. Bray stated as to the deer management program, he and others have expressed that they are opposed to any system that kills deer but if anything should be done it should be by sharp shooters. He stated that killing deer by bow and arrow is inhumane and the majority of Township residents would be opposed to that form of deer management.

APPROVAL OF MINUTES

Mr. Santarsiero moved, Mr. Maloney seconded and it was unanimously carried to approve the Minutes of March 5, 2008 as written.

APPROVAL OF MARCH 3 AND MARCH 17, 2008 WARRANT LISTS AND FEBRUARY, 2008 PAYROLL

Mr. Maloney moved, Mr. Santarsiero seconded and it was unanimously carried to approve the March 3, 2008 and March 17, 2008 Warrant Lists and February, 2008 Payroll as attached to the Minutes.

PROCLAMATION HONORING THE PENNSBURY HIGH SCHOOL MARCHING BAND AND THE PENNSBURY CONCERT JAZZ BAND

Mr. Maloney stated as a former student and part of the music community of Pennsbury he is proud to present Proclamations to the Pennsbury Jazz Band and Marching Band and to congratulate them on their successes. He commended the students, parents and Pennsbury community for upholding this tradition and wished them luck on their trip to

China this Friday. Mr. Maloney stated this trip is a huge undertaking and the students and parents raised \$500,000 for their trip with a total of 175 people traveling. He stated the Pennsbury Marching Band has been a tradition since 1945 and is the only band to perform in Tiananmen Square in China. He also noted the many prestigious locations and performers the Marching Band has played at and with.

Mr. Maloney stated that Mr. Truelove will accompany his son and daughter on the eight-day trip to China. Mr. Truelove stated that all three of his children have participated in the Pennsbury band and is proud that his son received a music scholarship to college after graduating from Pennsbury. Mr. Truelove stated the Pennsbury band will play at Disney in Hong Kong and is the only band in the world to play at all of the Disney locations.

DISCUSSION ON THE PROPOSED SALE OF THE SEWER SYSTEM

Mr. Howard Woods Jr. and Frank Impagliazzo were both present at the meeting. Mr. Caiola stated after the presentation this evening, the Board and public can make comments.

Mr. Woods stated he would go through the presentation that they made at the February 20, 2008 meeting and answer some of the questions and concerns that were raised at that meeting. He stated they were hired in February, 2007 to review the assets of the system and the financial and operating condition of the sewer system. He stated early on in the process they tried to identify any interested buyers. Then they went through a very structured process to organize the potential bidders so those bidders could look at the system, understand its financial and operating condition, and ultimately submit proposals for consideration. He stated he has evaluated the proposals and has a firm offer from a qualified bidder to purchase the system.

Mr. Woods stated the sewer system consists of approximately 155 miles of gravity mains, 10 miles of force mains, and 11 pumping stations. He stated there is no wastewater treatment plant and the pipes collect the wastewater and deliver it to another entity outside the Township for treatment and ultimate disposal. He stated there are 10,500 residential customers and 225 commercial customers. He stated in terms of revenue, the system produces \$4.2 million a year; but looking at the 2008 Budget, it can be seen that the system is consuming cash and the amount of cash coming into the system is not completely covering all of the expenses. He stated in the 2008 Budget, the Township is actually reducing the starting cash balance through the course of the year. Mr. Woods stated of the rates paid funds that come in from the customers pay for certain items with 65% of the funds being paid for treatment charges to other entities. He stated this is a concern to potential bidders because this is not a cost that they could directly control themselves. Mr. Woods stated bidders are interested in stability and like to see that the revenue and expenses do not vary greatly from year to year, and the Lower Makefield Township system is stable as it is made up largely of residential customers.

Mr. Woods stated initially they identified eleven entities expressing interest in the system including a Canadian company, an Australian company, and a number of local companies. Mr. Woods stated once there was a list of potential bidders he organized the records of the system to facilitate review by the potential bidders. He also prepared a detailed list of instructions on how to submit a proposal which included a Draft Agreement of Sale. He stated they also advertised nationally in the Wall Street Journal and a trade publication for the wastewater industry to make sure they did not miss any potential bidders.

Mr. Woods stated those interested were asked to register with the Township to insure that those indicating interest were serious about going through the process. They were also asked to submit a registration statement which included a Confidentiality Agreement prior to the bidders being permitted to look at the financial records of the system. Registered bidders were then permitted to inspect the records of the system as well as to physically look at the system itself. All bidders were required to submit a Qualification Statement which showed their track record as to environmental performance, safety records, etc. The qualified bidders were then asked to submit a proposal which was done the beginning of January.

Mr. Woods stated the list was reduced to seven companies at the Registration stage, and of these seven, he qualified five entities. He stated during the Qualification process, questions were asked of all the entities other than Middlesex as their initial Qualification Statement was extensive and covered all issues of concern. With regard to Falls Township Authority, Mr. Woods stated they asked additional questions regarding their ability to finance the acquisition; and rather than respond to those questions, Falls withdrew from the process at that point.

Mr. Woods stated proposals were received from Middlesex Water Company for \$6.1 million and Aqua Pennsylvania submitted two proposals one at \$15.4 million and one at \$17 million. Although qualified, Pennsylvania American and United Water both opted not to bid. Mr. Woods stated Aqua provided one proposal for a lump sum payment of \$15.4 million due at closing with a guarantee of a one-year rate freeze which was included in the instruction to bidders. Mr. Woods stated Aqua also offered to hire the existing employees of the system provided they followed their hiring practices. Aqua also provided an alternate bid of \$17 million with a deferred payment plan with \$7 million due at closing followed by two \$5 million payments on the second and third anniversary of closing. They also offered in this proposal to extend the rate freeze from one to two years. Mr. Woods stated they have subsequently found out that Aqua is very interested in hiring the employees if the sale is approved because those employees would have knowledge about the operation of the system.

Mr. Woods stated they compared the bids to the twenty-eight sewer system sales that occurred in Pennsylvania between 2000 and 2007. He stated the average price paid per customer was \$1,125 within a range of \$0, which was a system that was in trouble with

DEP and agreed to turn over ownership of the system to another entity to avoid fines, to \$3,472.00 per customer which was a small, developer system which was immediately turned over to another entity to operate when it went in service. Mr. Woods stated they also looked only at sales which occurred in 2006 and 2007 and the median price decreased. He stated the base bid for Aqua would be \$1,436 per customer and \$1,585 for the deferred payment bid and represents a comfortable margin above the median. He stated they also compared the offer to the actual net asset value of the system. He stated after allowing for accumulated depreciation of the assets, the net asset value is \$12.7 million compared against the two proposals from Aqua with the base bid at \$15.4 million and the alternate in terms of present value would be worth about \$15.8 million. He stated comparing the bids to the debt that exists on the sewer system; the base bid would extinguish the debt of \$6.1 million and leave proceeds of \$9.3 million for the Township to apply for other purposes. In terms of present value, the alternate bid would produce net proceeds of slightly more than \$9.7 million.

Mr. Woods stated he next considered the impact on rates, and they considered a base line for rates that were proposed within the Township assuming they did not sell the system. He stated there would be a need to have a rate increase beginning January 1, 2009 and to continue thereafter with annual increases so that the Township could keep up with rising costs and put the system on a firm financial basis where it is not consuming cash, but instead maintains a cash balance about equal to 8% of total expenses for the system or approximately \$500,000 which would be a realistic cushion and allow the Township to respond to an emergency situation. He showed a slide showing the existing average sewer bill of approximately \$323 per year and following the rate increases through 2014, this would rise to \$481 per year which equals a 49% increase in rates. He stated he did a similar analysis with Aqua and their proposal. He showed a comparative chart showing the level of increases anticipated by Aqua. He stated Aqua would not get to decide the increase as they are a regulated entity; and if they want to increase rates, they have to go before the PUC and this process takes approximately nine months and is a fairly detailed process. He stated the Township would have standing in these proceedings. He stated Aqua would have no rate increase for two years from closing if they proceed with the deferred payment plan. He stated at that point the Township would have already had two increases if they were to keep the system. He stated by 2014, there would be approximately \$20 difference between what Aqua would charge and the Township would charge noting that these are only projections.

Mr. Woods stated there are timing considerations related to the offer Aqua has provided. He stated the assets of the system continue to depreciate, and the only way to avoid this would be for the Township to make some fairly significant investments in the system and this has not been embodied in the Township's plan as what has been provided for only covers routine and recurring construction and not anything major. He stated if the offer is accepted, the Township will avoid rate increases for the next two years adding that if the offer is not accepted, the financial condition of the system as it is would require rates being raised 1/1/09. Mr. Woods stated operating a wastewater system does bring with it

some liability and transferring ownership would transfer the liability as well. Mr. Woods stated the offer will extinguish the debt and net the Township \$9.7 million net proceeds on a present value basis.

Mr. Woods stated after deliberating, if the Township decides to sell the system, they would next finalize an Agreement of Sale, obtain regulatory approvals from the PUC and the PA DEP, and proceed to closing. He stated the PUC will look at the financial aspects of the sale to make sure that it is in the best interest of the rate payers.

Mr. Howard stated he has supplemental information to share this evening based on questions asked at the February 20, 2008 meeting. He was asked the history on the sewer system stating the system was constructed in 1964 comprised of 30 to 40 miles of piping and the system is more than 40 years old. Mr. Howard stated the collection mains are made of both PVC pipe and clay pipe, trunk sewers are also made of both PVC and clay pipe and the balance of the system which makes up 10% is a concrete gravity sewer system and force main system and he explained the difference between the two.

Mr. Howard said he was also asked about present day and future maintenance issues the sewer system may have. He stated in 2006 and 2007 the canal interceptor was replaced at a cost of \$6 million. He stated the failure of the canal interceptor was due to blockages and aggressive conditions that compromised that part of the system which only comprises 2% of the total system. Mr. Howard stated the Buck Creek trunk sewer section which is 1 ½ to 2 miles long will be in need of long-term maintenance in the next five years which could be a \$1 million to \$2 million dollar project.

Mr. Howard stated historically collection systems have infrequent collapses and breakages however should a collapse or breakage occurred it is very costly. He noted the most recent maintenance needed on the sewer system was in May 2007 when a pipe collapsed and a force main break at Heacock Road. Mr. Howard stated as the system continues to age ongoing maintenance and capital replacement due to leakages, blockages and tree roots will be necessary.

Mr. Howard stated he was asked how much control the Township would have over the sewer rates if the system was sold to a private entity. He stated the sewer system presently have high fixed costs noting that 65% of the revenue received goes to treatment and the Township does not have a long term aggressive plan to maintain the sewer system which needs to be taken into consideration when forecasting future sewer rates. If the system is sold and the new owner wishes to raise rates they must go before the regulatory agencies for approval and the Township would be a party to that action.

Mr. Howard stated he was asked what will happen to the irrigation credits. Mr. Howard stated a number of residents take advantage of these credits by having a second meter to measure their actual usage. He stated that the credit to the resident only occurs once a

year and the residents pay their full water bill all year long based on their usage; therefore the residents are simply financing the water system in this manner. Mr. Howard stated the industry best practice for irrigation credits should be the practice of separate bills and separate irrigation systems. He illustrated the number of credits issued to residents and the a credit amounts per year noting the median credit is \$135 per year and the highest credit is being taken by Lower Makefield Township.

Mr. Howard stated he was asked what would happen in the event of main extensions of the sewer system to both existing homes and development if the system was sold. He stated if the Township maintains the sewer system the developer would install the system mains to Township specifications. To hook up the sewer system to existing homes the Township would first determine the level of interest, and then grade the septic systems, and then the Township would attempt to cap the costs of hookup to the homeowners. If the system were sold to a company such as Aqua, the developer procedure would stay the same and hook up to an existing home first Aqua would determine the level of interest of homeowners, attempt to cap the hookup fee and fund portion of the installation.

Mr. Caiola stated if looking ahead several years what if the Township had a catastrophic break in the sewer system what then would happen if the Township owns the system. Mr. Howard stated in the case of the canal interceptor project which cost \$6 million, the Township would have to make any repairs and pay for the repairs immediately and pass on the cost to the residents because the Township does not have the in-house capability to repair themselves. Mr. Howard stated the difference between Township ownership of the sewer system and ownership by Aqua is the Township would need to pass on the costs of maintenance and repairs through rate increases immediately and Aqua could absorb the costs until a rate increase is needed.

Mr. Smith asked how much control of the costs does the Township have if the sewer system flowing down to Morrisville. Mr. Howard stated 85% of the costs are fixed to other entities but the Township has an agreement with Morrisville that the Township shares the total costs of operation and maintenance of the system. If the system in Morrisville worsens then Lower Makefield Township will bear the costs.

Mr. Smith asked how long has the sewer fund balance been declining. Mr. Howard stated that decline started a few years ago and will continue to decline without a considerable rate increase. He stated the declining fund balance is due to an increase in expenses and maintenance. Mr. Smith asked if the fact that one third of the system is over 40 years old is unusual. Mr. Howard stated it is not unusual in places like Philadelphia where the sewer system age is in excess of 100 years. He stated one third of the system from accounting purposes has no value. If the Township retains the system it must have a long term plan to maintain the system and when maintenance is needed the Township must look to external entities to repair the sewer system which in turn raises the cost of the repair. If the Township turns over ownership of the system to a company such as Aqua they have the internal entities to constantly maintain the system.

Mr. Smith talked about the Buck Creek system needing replacement in five years. Mr. Howard stated that portion of the system will need maintenance but will be at a cost less than the canal interceptor at approximately \$1 million to \$2 million dollars. Mr. Smith

asked why someone would want to buy a failing sewer system. Mr. Howard stated because companies such as Aqua are in the business to buy existing sewer systems because in the long run it an investment for them.

Mr. Sam Conti, Sutphin Road stated he is disturbed at the conclusion of the February 20th meeting where the Board of Supervisors basically approved the sale of the sewer system and how to spend the proceeds of the sale. He stated the Board chose a group of residents to represent the Township on the sale of the sewer system. The seniors are one representative group of the Township and their only care if the sewer system is sold is that they would get a Senior Center. He stated there is a more reasonable way to get a Senior Center then by the sale of the sewer system. Mr. Conti read for the Board financial information he researched on Aqua and their business and financial projections for the future. He stated if the sewer system is sold to Aqua they will increase the sewer rates regardless of the reason. Mr. Conti stated a sale of the sewer system to Aqua could result in their sale of our system to a foreign company due to the decline of the dollar to the Euro which would net Aqua a substantial profit.

Mr. Conti asked Mr. Stainthorpe and Mr. Santarsiero if they are familiar with the state referendum for low interest loans at 2% for repairs and maintenance of sewer systems. Mr. Santarsiero stated Mr. Conti is referring to the February 29, 2008 Courier Times article stating there is a proposal making its way to Harrisburg to fund repair of sewer systems at low rates which could be many years away from happening if it ever comes to fruition. Mr. Howard stated Pennsylvania has a program called Penn Vest which funds money to municipalities and companies for the repair of sewer systems. Mr. Stainthorpe stated the Township contacted Penn Vest in the past and the Township did not qualify for funding noting that most of the funding goes to more rural areas.

Mr. Gary Cruzan stated several years ago the Board of Supervisors ignored the views of the public on the Matrix project. The Board of Supervisors has changed over the years and this Board now prides itself on being transparent but has made some of the mistakes as the prior Boards. He stated that he has not once heard talk about public referendum on this issue. What he is hearing is this is a done deal and why are the seniors being used as a pawn to make this sale happen. Mr. Cruzan asked why an appraisal has never been done on the sewer system. He stated the public was never told the system was being put out for sale only that a sale of the system was being investigated. He stated the Township received two offers and the one offer from Middlesex was unreasonable therefore leaving only one bid from Aqua. Mr. Cruzan stated he believes the consultant is biased. He stated he has a friend with a sewer background in the mortgage business who he asked what the Wall Street interest would be in financing this sale and his friend replied there

would be no interest. Mr. Cruzan asked the Board to put this issue to referendum. If Aqua were to buy this sewer system they would flip the system to another company for a profit.

Mr. Caiola stated he takes exception to the comment that something is being exchanged for the sale of the sewer system. Mr. Cruzan stated that he heard this directly from the seniors saying they will get a Senior Center if this sewer system is sold. Mr. Santarsiero stated if the system is sold there needs to be a discussion on the priority of projects the Township needs that would cost money.

Roy Perez Dapple, Wrightsfield Road stated he came to the meeting tonight because of Mr. Conti's opinion in the newspaper and he is concerned over the sale of the sewer system. He stated the proposed sale of the sewer system is like mortgaging a home to pay for credit cards and the Board needs to think about its cash flow and ongoing expenses without selling its asset. Mr. Dapple stated if the Township sells the sewer system there needs to be protection of the rates to the residents for more than two years.

Mr. Michael Upton, Cornerstone Drive stated he is very concerned about selling the Township's asset and he agrees that the decision to sell should be in relation to other ongoing Township expenses. As a prospective buyer he would turn away the deal and the presentation tonight would be reason not to buy the system such as the age, the long-term impact 10 to 15 years down the line and losing control of the assets and costs. He hopes the Township would aggressively negotiate the sale of the system to get the best possible scenario for the Township.

Mr. Timothy Malloy, Makefield Road stated that sewer revenues exceeded expenses for the last few years without an increase of rates to residents. He stated to maintain the sewer system the residents have to pay for it. Mr. Malloy stated the sewer system needs repairs and therefore rates will rise. The issue is should the sewer system be sold. Mr. Malloy talked about an article written in May 2007 about the interest in ownership and leasing of municipal utility facilities. He stated whoever owns the sewer if sold would run it as a monopoly in this Township and he asked if the residents would have any control over the rates. Mr. Malloy stated the Upper Dublin sewer system was sold 10 years ago and their sewer rates have decreased. He stated he is in favor of a sale or lease of the sewer system to a private corporation.

Mr. Smith stated Mr. Hoffmeister approached the Board of Supervisors about the possible sale of the sewer system because of the declining condition of the infrastructure. The Board has held several public meetings to discuss the future of the sewer system with the public. He stated we are all being educated on this issue and the appropriate decision will be made. Mr. Malloy stated the proper thing to do if the asset is sold is to refund the money to the residents.

Mr. Santarsiero stated the Township did in fact raise sewer rates by 45% in the last few

years. He stated even if we increase sewer rates the Township will continue to operate in the black and without increases it operates in the red.

Mr. Dave Miller, Yardley-Langhorne Road stated he is in Edgewood Village resident and people are very passionate about this issue. He stated if the Township took away public water and sewer people would be very upset. The 30 people who own properties in Edgewood Village don't even have public water and sewer. Mr. Miller stated he sees this as a public health issue for the residents of Edgewood Village who get nothing from the Township in the way of services. He asked the Board to make public water and sewer a priority for Edgewood Village. He stated he is going to research to find ways to hook up public water and sewer to Edgewood village through grant money especially Act 537.

Mr. Truelove stated Act 537 is a regulatory agency to oversee public owned facilities and mandate that municipalities have oversight over of those systems. He cited the statute number and where it could be found for Mr. Miller. Mr. Santarsiero stated municipalities have oversight over utilities whether they are publicly or privately owned systems.

Mr. Sam Spear, Thompson Lane stated the sewer system is valued at \$12 million and if Aqua purchases the system for \$17 million is it on their books for \$17 million. Mr. Howard stated that Aqua will show its worth at \$17 million for setting the sewer rates. Mr. Spear stated as a public employee in New Jersey he has seen privatization of public utilities in New Jersey and it does not work.

Ms. Virginia Torbert, Yardley-Langhorne Road asked if Aqua has expressed interest in the Morrisville sewer system. Mr. Howard stated he did not know. Mr. Howard was asked why PAWC could not make a reasonable offer. Mr. Howard stated they followed up with PAWC and said they analyzed the system and could not make a reasonable offer. He stated one reason could be the sewer system does not have a treatment facility. Ms. Torbert asked if the Township could get other low-cost loans to fund the maintenance of the system. Mr. Howard replied yes and stated that Growing Greener offers low interest loans. Ms. Torbert asked how Aqua compares to other companies on their rate increases. Mr. Howard stated he looked at rate increases of other companies in comparison to Aqua and their increases fell in the median. He stated when a company requests a rate increase the PUC and Office of Consumer Advocacy are both involved in granting a utility company a rate increase and that process usually takes nine months and in most cases the rate increase is half of what the utility company has requested.

Ms. Torbert stated before we make a decision to sell or not sell the sewer system she asked the Township to contact the PUC and the Office of Consumer Advocacy to obtain the track record on Little Washington who is a subsidiary of Aqua that would administer the sewer on behalf of Aqua. She stated she has nothing to gain from this possible transaction because she has a private well and septic systems. She is concerned there is only one bid and from a very large company who is on a wave of acquisitions. Ms. Torbert read a recent Aqua press release that goes on to describe Aqua is in a mode of

acquisition today but would dispose of any systems that are not performing to add to shareholder value. Lower Makefield is a small fish in a big pond and if the system does not generate revenue Aqua may flip the system. Ms. Torbert continued to share the Aqua press release stating they reported revenue growth from rate increases reported by Aqua especially on the eastern seaboard continues to foster growth of the company. The Township should look at the timing of this and determine if it is right time for the Township.

Ms. Sandy Nuzzolo, 628 Stony Hill Road stated she believes the Township should continue to control the sewer system and the Township will lose ultimate control if we privatize the system. She believes a private company will raise rates out of control more than the Township would. She stated that all townships and counties are facing the same problem that the infrastructure is in need of repair. Ms. Nuzzolo stated from hearing the presentation tonight she feels it was a strong sell of the system and she does not feel comfortable with that. She does not agree a sale of the sewer system would be a wise decision.

Mr. Wes Hackman stated the Board of Supervisors is the acting utility commission and we need to look at the value of the asset the Township is working which is the Township's largest asset. He stated he believes the Township will give greater consideration to the residents than a private company would. Mr. Hackman asked what will happen to people who have wells and private septic systems if the sewer system is sold. Mr. Howard stated properties with wells and septic systems will pay the same rates now and then as set by a utility company. Mr. Hackman asked what will happen to the outstanding sewer bonds if the sewer system is sold and is that free money or will the money be limited to be used only for sewer projects.

Mr. Hackman talked about how he feels the Board of Supervisors view this project and stated the system is what it is and it will leak routinely whether we run it or someone else runs it. If the sewer system is sold to Aqua they are only out to make a profit for themselves. Mr. Howard stated the utility companies get a rate of return of the approximately 8% to 9% on a sewer system. Mr. Hackman stated Mr. Hoffmeister and three people run the Township sewer system. If all expenses are the same and the system is sold the residents will then pay 8% to 9% more to Aqua. Mr. Hackman stated the residents will end up paying for the system twice if it sells and will always be paying increases. If the Township creates a long term maintenance schedule than the Township should borrow the money for the maintenance and should not put off projects.

Mr. Santarsiero stated people have focused on the rates costs and taxes that residents pay more than the need and cost to maintain the system. He stated we have projects the Township has to fund and whether it comes from higher taxes or higher sewer rates we have to look at those costs over the next 10 years. Mr. Santarsiero stated the question is what will happen to the rates if privately owned versus if the Township owns and what is the cost to the taxpayer.

Mr. Howard stated the PUC will not allow a company to pass on the value paid to purchase the sewer system to the residents. Therefore Aqua may not recoup the value of \$12 million but will cover their expenses.

Mr. Hackman stated everyone is guessing at what the expenses and revenues might be and if the system is sold 8% to 9% will be added to the sewer rates on top of an increase to cover expenses. Mr. Smith stated once again this issue arose because Mr. Hoffmeister recommended the Township explore the sale of the system and this is an education process on which way to proceed especially to avoid the same case as the canal interceptor replacement. Mr. Hackman stated if there is an operational problem and people get service right away now with a sale residents will not get the same service.

Mr. Larry Borda, 508 Heritage Drive, stated that he has not heard anything positive about the sale of the sewer system tonight. He stated he is opposed to the Township's sale of its assets. If the Township is not in dire financial straits it should not sell the asset and the Board needs to make a strong case to convince the public. He stated he is sensitive to the case of where the proceeds of the sale should be applied to. He asked why a lease of the sewer system was not explored. Mr. Howard stated if you enter into an operating agreement to lease the system the Township will not transfer responsibility for capital improvements and maintenance of the system. Mr. Borda asked if the Township is still liable for the sewer system if it is sold. Mr. Truelove stated liability is a responsibility of the buyer but Act 537 states the Township still retains some liability.

Mr. Borda asked how this process has worked in other municipalities. Mr. Howard stated in 2001, Media borough sold its sewer system and since then Media borough has seen only one rate increase of 11% and maintenance has been done on the system with no rate increase. Mr. Borda asked how the Township sewer system value was arrived at. Mr. Howard stated the value was arrived at based on a depreciation study. Mr. Borda asked if the sewer system has been videotaped and Mr. Fedorchak replied at least 45% of the system has been videotaped.

Mr. Santarsiero stated that Mr. Borda raised the issue of this being the right time to sell the sewer system and asked Mr. Howard's opinion. Mr. Howard stated if the Township waits to sell the asset and waits it will be worth less and that there were no reservations by buyers to commit to buy the system today. Mr. Stainthorpe made the point that our sewer system may be unattractive to buy because of its small size and the fact that we do not have an on-site wastewater treatment facility.

Mr. Harold Kooper Smith from Langhorne asked how much the Township pays in sewer treatment charges and how much would it cost to build a wastewater treatment facility. Mr. Howard stated 65% of the costs go to treatment and it is not feasible to build a treatment facility because there is no location available within the Township and the cost is prohibitive. Mr. Smith stated he is opposed to the sale of the sewer system. He

thanked the Board and Mr. Howard for the presentation. He proposed the Township manage the sewer system or appoint a group of residents to manage and maintain the sewer system to keep the system within the Township.

Mr. Ethan Shiller representative from the LMT Citizens Budget Committee stated the Budget Committee met with Mr. Howard and looked at all of the details of selling the sewer system. He asked Mr. Howard about Aqua's financial philosophy and how much control they have to justify their rates. Mr. Howard stated recovery of a capital investment occurs over the lifetime of the asset at a depreciation rate. Public Utility Commission regulated systems mandate longer service life that translate into rates they can charge and rates may decline. He stated there is a rate setting process where they have to file a request, the filing request is reviewed by the PUC and Consumer Advocacy Group and the process is like a judicial proceeding where they probe the filing and there is no guarantee of a rate increase request.

Mr. Shiller stated the Citizens Budget Committee participated in several presentations regarding the sale of the sewer system and came to the conclusion the system should be sold. He read a statement prepared by Committee which stated they are in favor of the sale of the Lower Makefield Township sewer system to Aqua as it is in the best interest of the Township, the sale is consistent with other sales, the Township's inability to control rates in the future, Aqua can more effectively manage the system, and other areas of the system are at high risk of needing a costly repairs and maintenance like the canal interceptor.

Mr. Pat Frain, 16 Delaware Drive stated he lives in Sunny Knoll development which has no public water or sewer. When this started he asked why anyone would want to buy a declining asset. He stated that a private company can spread their cross over an entire company rather than the Township who would have to pass on costs directly to the taxpayers. Mr. Frain stated if the state deems a septic system unsafe the state can force the homeowner to connect to the public water and sewer system at a cost of \$20,000 and he does not want to be forced to do that. He stated he is in favor of selling the sewer system to aqua.

APPROVAL OF ORDINANCE NO. 374 – MUNICIPAL WASTE COLLECTION AND TRANSPORTATION

Mr. Stainthorpe moved, Mr. Santarsiero seconded and it was unanimously carried to approve Ordinance No. 374 – Municipal Waste Collection and Transportation.

APPROVAL OF ORDINANCE NO. 375 – AMENDING PROVISIONS OF THE TOWNSHIP CODE RELATING TO THE RECYCLING OF SOLID WASTE

Mr. Santarsiero moved, Mr. Maloney seconded and it was unanimously carried to approve Ordinance No. 375 – Amending provision of the Township code relating to the

recycling of solid waste.

TABLE APPROVAL OF CERTIFICATES OF APPROPRIATENESS FOR 1684
EDGEWOOD ROAD

Mr. Fedorchak stated as to the request for Certificates of Appropriateness for 1684 Edgewood Road Mr. Messick asked that this matter be continued as he wishes to add two additional structures to the demolition permit.

Mr. Smith asked if the Historical Commission has been involved in reviewing this matter. Mr. Fedorchak stated the Historical Commission receives monthly reports from the Building, Planning and Inspections Department on matters such as this.

AWARD BID FOR STONE MATERIAL FOR THE 2008-2009 SEASONS TO BM
(HANSON AGGREGATES) THROUGH THE BUCKS COUNTY CONSORTIUM

Mr. Maloney moved to Mr. Smith second to award the bid for stone material for the 2008-2009 seasons to be BM (Hanson Aggregates) through the Bucks County Consortium.

Mr. Stainthorpe stated the Township has certain items highlighted on the bid the Township is purchasing and asked if we need to include the other items in the bid that are not highlighted. Mr. Fedorchak replied yes. Mr. Stainthorpe stated in the past the Township has awarded bids to multiple bidders. Mr. Hoffmeister stated he looked at the bids and recommended we accept the bids as is with the highlighted areas and non-highlighted areas even though we may not need the products today but may need the products in the future. The bidder is required to keep the bid price in place as is quoted today.

The motion unanimously carried.

AWARD BID FOR REPLACEMENT OF GOLF CARTS AND RELATED
EQUIPMENT FOR MAKEFIELD HIGHLANDS GOLF CLUB

Mr. Fedorchak stated the Township put replacement of the golf carts and related equipment for the golf course out to bid and the Township received three bids from E-Z-GO, Golf Cars Inc. and Yamaha. He stated Kemper Sports recommended the golf course lease golf carts for four-years from E-Z-GO rather than purchase golf carts and related equipment. The golf cart and related equipment lease totals \$5,774.23 per month for a total of \$69,290.76 per year. Mr. Fedorchak stated the golf course would be receiving 75 golf carts, a range picker, beverage cart, utility cart, and various other carts related to the operations of the golf course.

Mr. Maloney stated Mr. Collins said this was a significant price increase for the golf course over prior years and asked if the golf course would be over budget on this line item. Mr. Fedorchak stated Kemper agreed the cost of the golf carts is higher but they are able to make adjustments in the budget so as not to show a budget overage.

Mr. Stainthorpe moved and Mr. Maloney seconded to award the bid for replacement of golf carts and related equipment for Makefield Highlands golf club in the amount of \$69,290.76 per year to E-Z-GO.

Mr. Bob Lambert asked why the golf course chose not to renew the maintenance contract with the golf cart company and asked who would maintain the golf carts and related equipment. Mr. Fedorchak stated the golf course is comfortable with the staff mechanic maintaining the golf carts and related equipment since they are familiar with these golf carts and have worked on the same carts at the golf course of the last four years.

The motion unanimously carried.

SUPERVISORS REPORTS

Mr. Caiola stated the Historical Commission met this week but he was unable to attend the meeting and they are working on the Open House Tour scheduled for May 4, 2008. He updated the Board on the other upcoming meetings this month his is liaison to.

Mr. Stainthorpe stated the Cable TV Advisory Board met last week and noted Mr. Zachary Rubén will be Chairman this year and will hold meetings every other month.

Mr. Maloney stated the Zoning Hearing Board met and the cell tower issue that was discussed at earlier Board of Supervisors meetings has been continued to April 15, 2008 by the Zoning Hearing Board.

Mr. Smith stated the Elm Lowne Committee is scheduled to meet next week, the Sewer Authority did not meet this month, Special Events is very busy with planning the Macclesfield event in May and the Regional Traffic Task Force met and there was discussion on the last traffic report completed.

OTHER BUSINESS

Mr. Santarsiero stated the Citizens Traffic Commission has asked for two Resolutions in response to the Bucks County Regional Traffic Commission report that was recently published and asked Ms. Torbert to come to the podium to explain the Resolutions. Ms. Torbert stated the Citizens Traffic Commission approved a Resolution in October 2007 and January 2008 in response to the Bucks County Regional Traffic Commission final study prepared by the DVRPC. Ms. Torbert read the Resolution and asked the Board to request that the Regional Traffic Planning Task Force prepare a supplemental report to

include all of Lower Makefield Township's comments that were not included in the report and label it as an interim report. She stated the Citizens Traffic Commission also recommends the March 18th letter be sent to the project manager for the DVRPC.

Mr. Santarsiero moved and Mr. Maloney seconded to pass the Resolution requesting the inclusion of Lower Makefield Township's comments into the Bucks County Regional Traffic Commission report and label the report as an interim report. The motion unanimously carried.

Mr. Santarsiero stated the second Resolution talks about clarifying the record of previous meetings and requests publication of a new CD-ROM by the Regional Traffic Planning Task Force to correct the record.

Mr. Santarsiero moved and Mr. Maloney seconded to approve the Resolution to request publication of a new CD-ROM by the Regional Traffic Planning Task Force to correct the record of a prior meeting.

The motion unanimously carried.

APPOINTMENTS TO BOARDS AND COMMISSION

Mr. Maloney moved and Mr. Santarsiero seconded to appoint Ms. Kaaren in Steil to the Historical Commission. The motion unanimously carried.

There being no further business, Mr. Santarsiero moved, Mr. Caiola seconded and it was unanimously carried to adjourn the meeting at 10:40 p.m.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Matt Maloney", written in a cursive style.

Matt Maloney, Secretary



Township of Lower Makefield

BOARD OF SUPERVISORS
Greg Caiola, Chairman
Steve Santarsiero, Vice-Chairman
Matt Maloney, Secretary/Treasurer
Ron Smith, Supervisor
Pete Stainthorpe, Supervisor

**MARCH 2008 WARRANT LISTS AND
FEBRUARY 2008 PAYROLL COSTS FOR APPROVAL
MARCH 19, 2008 BOARD OF SUPERVISORS MEETING**

3/3/2008 Warrant List	\$ 226,044.31	
3/08 Manual Checks	138,617.94	
3/17/2008 Warrant List	414,031.90	
Total Warrants & Prepaids		778,694.15
<u>PAYROLL COSTS:</u>		
FEBRUARY 2008 Payroll	274,349.37	
2/08 Payroll Taxes, etc.	127,403.86	
Total Payroll Costs		<u>401,753.23</u>
TOTAL TO BE APPROVED		\$ <u><u>1,180,447.38</u></u>

