

WILLISTOWN TOWNSHIP SEWER CUSTOMER BENEFIT FUND COMMITTEE
May 5, 2021 AT 7:00 PM via Zoom

Committee members Supervisor Barbara Handelin, Molly Perrin, Norman MacQueen, Martin Kenney, Brian Evarts, and Gerry Bucaccio were present. Township Manager Sally Slook, Finance Director Martin McKenzie, Township Solicitor Bill Christman, and Scott Shearer with Public Financial Management were also present.

Minutes – Ms. Perrin moved to approve the minutes of April 22, 2021. Mr. Evarts seconded the motion. There were no comments from the Board or the public, and the motion carried unanimously.

Announcements – Supervisor Handelin welcomed the 64 attendees. Supervisor Handelin stated the meeting minutes have to be approved before they are made public. Discussion ensued. She announced the objective of tonight’s meeting is to discuss the various proposals that have been submitted to the Committee. PFM will share updated financial projections that the Township considered when exploring selling the system, and the projections were used to forecast different scenarios.

Presentation by PFM (Public Financial Management) – attached to these minutes.

Committee Member Comments – Supervisor Handelin commented on Aqua's numbers for the updated financial projections for PFM’s presentation. The 10% rate increase is a worst-case scenario and was to show the impact on Willistown ratepayers. Other projections are based on the middle-of-the-road scenarios and help decide how much money should be set aside based on Willistown not selling the system. Discussion ensued.

Supervisor Handelin briefly summarized all proposals submitted to the Township concerning sewer sale proceeds:

1. All proceeds, minus paying off bonds, transaction fees, etc., will be placed in a fund to compensate the sewer customers until the fund runs out.
2. All proceeds minus paying off bonds, transaction fees, etc., will be placed in a fund to provide compensation to the sewer customers, and interest from the funds could be held an interest-bearing account. The Township could use it for other General Fund expenditures.
3. A portion or all of the proceeds are placed in a fund till the rate increases are passed by the PUC and decide what to do with the proceeds based on real-time data and not on projections.
4. In addition to the Sewer Customer Benefit Fund and Grinder Pump Replacement Fund, there will be a Risk Insurance Fund that could be used if the Sewer Customer Benefit Fund is depleted sooner than projected.
5. No fund is created; instead, an upfront payment of \$5500 will be given to each sewer customer with no restrictions on its use. In addition, there would be an approximate \$2300 upfront payment to grinder pump customers.

Mr. Evarts asked if any of the proposals would not be allowed for legal reasons. Solicitor Christman cautioned against a direct cash payment. Discussion ensued.

Mr. Kenney commented the ratepayers had paid the majority of the fees to build the system over the years, while the Township has paid a lot less for maintenance and management fees. He recommended tabling the settlement and recommendations, so the Township had more time to discuss how what to do with the proceeds. Finally, he added that he thinks the money allocation perception is essential to residents and setting aside \$5 million is too small of a percentage.

Mr. MacQueen commented he would like \$5 million to go to the ratepayers and set aside another \$5 million to tap into down the road if needed. He’d also like to make sure Aqua and the Township address the meter reading issues for those with onsite water and public sewer, as well as the fund for grinder pump customers. He also recommended setting up a Sewer Advisory Board, similar to the Open Space Review Board. Discussion ensued. Mr. Bucaccio would like to see the proceeds cover all costs associated with running the sewer system over the

years for the Township. He agrees with setting aside \$5 million to the ratepayers and another amount to distribute as needed if the model assumptions are inaccurate down the road.

Ms. Slook commented that the proposed \$5 million also includes replacing a grinder pump for all residents on the low-pressure system.

Mr. Evarts agrees \$5 million will cover the rate increase, and the decision doesn't have to be made immediately on what to do with proceeds. He would like to see some of the money set aside for projects that benefit all residents. Discussion ensued. Mr. Evarts also stated he would like to hear more from the overall community on this matter.

Ms. Perrin commented she agrees with Mr. Evarts remarks. Some of the money can go to the ratepayers to protect against a significant increase, while some can be used for stormwater management issues that benefit the whole community.

The Committee made a motion to create a Customer Benefit Fund of \$5 million for rate stabilization plus another \$5 million in a reserve fund in case the Customer Benefit Fund is inadequate. The Committee also moved the Township to establish a Sewer Advisory Board that will assess future rate increases and whether it is necessary to tap into the additional fund. The decision of what will be done with the balance remaining after expenses will be recommended to the Board of Supervisors by the Sewer Advisory Board. The Committee also moved the Sewer Advisory Board to address all sewer customers' needs, such as those on well water and sewer and those with grinder pumps. Discussion ensued. The motion carried 6-0.

Citizens' Comments

Roby Lentz, 3 Wildwood Drive
Michelle Atchison, 6 Devon Circle
Jerry Childers, 8 Colonial Way
Lucjan Zlotnicki, 3 Pond Lane
Robert Gould, 28 Meadow View Lane
Vincent McAnaney, 25 Chetwynd Road
Vera Robinson, 3 Greentree Lane
Bill Lordan, 112 Spruce Lane
John Seneca, 141 Gable Road
Christian Spuckti, 6 Stoneybrook Lane
Barbara Pettinos, 638 Warren Avenue
Henry Yordan, 152 Grubb Road
Stephen Madjar, 151 Grubb Road
Karen Eriksen, 110 Gable Road
Meredith Haab, 151 Grubb Road
Robert Swift, 13 Devon Road
William Gordon, 42 Meadowview Lane
Tom Johnsen, 32 Long Lane
Julie Frissora, 34 Chetwynd Road
Barbara and Lewis Pettinos, 6 Applewood Road
Terry Borzillo, 101 Chapel Hill Drive
Kathy Schmidt, 2804 Sage Wood Drive

Next Meeting

The next meeting of the Willistown Township Sewer Customer Benefit Fund Committee will be only to pass the

May 5 minutes with a date TBD.

Adjournment

Seeing no further business, the meeting adjourned at 10:00 PM.

Sincerely,



Sally Slook, Township Manager

WILLISTOWN TOWNSHIP - CASHFLOW MODEL

| SEWER SYSTEM | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------------|------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | \$764 | | \$764 | \$764 | \$863 | \$915 | \$970 | \$1,028 | \$1,065 | \$1,103 | \$1,143 | \$1,184 | \$1,226 | \$1,271 | \$1,316 | \$1,364 | \$1,413 | \$1,464 | \$1,464 | \$1,516 | \$1,516 | \$1,571 | \$1,571 | \$1,628 | |
| | Audit | % | Est | Proj. | |
| REVENUES | 2019 | Increase | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 | 12/31/2024 | 12/31/2025 | 12/31/2026 | 12/31/2027 | 12/31/2028 | 12/31/2029 | 12/31/2030 | 12/31/2031 | 12/31/2032 | 12/31/2033 | 12/31/2034 | 12/31/2035 | 12/31/2036 | 12/31/2037 | 12/31/2038 | 12/31/2039 | 12/31/2040 | 12/31/2041 | |
| <u>Operating Revenues</u> | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sewer Charges | 2,211,380 | See Below | 2,211,380 | 2,211,380 | 2,498,859 | 2,648,791 | 2,807,718 | 2,976,182 | 3,083,324 | 3,194,324 | 3,309,319 | 3,428,455 | 3,551,879 | 3,679,747 | 3,812,218 | 3,949,458 | 4,091,638 | 4,238,937 | 4,238,937 | 4,391,539 | 4,391,539 | 4,549,634 | 4,549,634 | 4,713,421 | |
| Subtotal - Operating Revenues | 2,211,380 | | 2,211,380 | 2,211,380 | 2,498,859 | 2,648,791 | 2,807,718 | 2,976,182 | 3,083,324 | 3,194,324 | 3,309,319 | 3,428,455 | 3,551,879 | 3,679,747 | 3,812,218 | 3,949,458 | 4,091,638 | 4,238,937 | 4,238,937 | 4,391,539 | 4,391,539 | 4,549,634 | 4,549,634 | 4,713,421 | |
| TOTAL REVENUES | 2,211,380 | | 2,211,380 | 2,211,380 | 2,498,859 | 2,648,791 | 2,807,718 | 2,976,182 | 3,083,324 | 3,194,324 | 3,309,319 | 3,428,455 | 3,551,879 | 3,679,747 | 3,812,218 | 3,949,458 | 4,091,638 | 4,238,937 | 4,238,937 | 4,391,539 | 4,391,539 | 4,549,634 | 4,549,634 | 4,713,421 | |
| <u>EXPENDITURES</u> | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Audit | % Increase | | Est | Proj. | |
| | 2019 | thru 2030 | 2031-2040 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 |
| <u>Operating Expenses</u> | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sewage treatment | 1,008,250 | 3.90% * | 2.75% | 1,063,572 | 1,105,051 | 1,325,000 | 1,376,675 | 1,430,365 | 1,486,150 | 1,544,109 | 1,604,330 | 1,666,899 | 1,731,908 | 1,799,452 | 1,848,937 | 1,899,783 | 1,952,027 | 2,005,707 | 2,060,864 | 2,117,538 | 2,175,770 | 2,235,604 | 2,297,083 | 2,360,253 | 2,425,160 |
| Operations and maintenance | 639,049 | 2.75% | 2.75% | 656,623 | 674,680 | 693,234 | 712,298 | 731,886 | 752,013 | 772,693 | 793,942 | 815,775 | 838,209 | 861,260 | 884,945 | 909,281 | 934,286 | 959,979 | 986,378 | 1,013,504 | 1,041,375 | 1,070,013 | 1,099,438 | 1,129,673 | 1,160,739 |
| General and administrative | 229,349 | 2.75% | 2.75% | 235,656 | 242,137 | 248,795 | 255,637 | 262,667 | 269,891 | 277,313 | 284,939 | 292,775 | 300,826 | 309,099 | 317,599 | 326,333 | 335,307 | 344,528 | 354,002 | 363,737 | 373,740 | 384,018 | 394,579 | 405,429 | 416,579 |
| \$5mm of additional debt issued in 2021 | - | | | - | 76,875 | 345,825 | 349,825 | 348,600 | 347,225 | 345,700 | 339,100 | 337,425 | 335,600 | 338,550 | 336,275 | 338,775 | 336,050 | 338,100 | 339,850 | 341,300 | 337,525 | 338,525 | 334,300 | 334,850 | 340,025 |
| Amortization of Existing Debt plus additional debt after 10yrs | 477,169 | | | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 405,000 | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 | 275,000 | |
| Subtotal - Operating Expenses | 2,353,817 | | | 2,360,851 | 2,503,743 | 3,017,854 | 3,099,435 | 3,178,518 | 3,260,278 | 3,344,815 | 3,427,310 | 3,517,874 | 3,611,543 | 3,713,361 | 3,792,755 | 3,879,171 | 3,962,669 | 3,923,314 | 4,016,095 | 4,111,079 | 4,203,411 | 4,303,160 | 4,400,400 | 4,505,205 | 4,617,502 |
| TOTAL EXPENDITURES | 2,353,817 | | | 2,360,851 | 2,503,743 | 3,017,854 | 3,099,435 | 3,178,518 | 3,260,278 | 3,344,815 | 3,427,310 | 3,517,874 | 3,611,543 | 3,713,361 | 3,792,755 | 3,879,171 | 3,962,669 | 3,923,314 | 4,016,095 | 4,111,079 | 4,203,411 | 4,303,160 | 4,400,400 | 4,505,205 | 4,617,502 |
| NET INCOME | (142,437) | | | (149,471) | (292,363) | (518,995) | (450,644) | (370,800) | (284,096) | (261,491) | (232,987) | (208,554) | (183,088) | (161,481) | (113,008) | (66,953) | (13,212) | 168,324 | 222,842 | 127,858 | 188,128 | 88,379 | 149,234 | 44,429 | 95,919 |
| USE OF SEWER FUND BEGINNING BALANCE (ASSUMES \$3.0MM) | | | | 175,000 | 490,000 | 445,000 | 360,000 | 275,000 | 250,000 | 225,000 | 200,000 | 200,000 | 200,000 | 200,000 | 100,000 | 80,000 | | | | | | | | | |
| ENDING SEWER FUND BALANCE | | | | 2,825,000 | 2,335,000 | 1,890,000 | 1,530,000 | 1,255,000 | 1,005,000 | 780,000 | 580,000 | 380,000 | 180,000 | 80,000 | - | - | - | | | | | | | | |
| NET INCOME AFTER USE OF SEWER FUND | | | | (117,363) | (28,995) | (5,644) | (10,800) | (9,096) | (11,491) | (7,987) | (8,554) | 16,912 | 38,519 | (13,008) | 13,047 | (13,212) | 168,324 | 222,842 | 127,858 | 188,128 | 88,379 | 149,234 | 44,429 | 95,919 | |

*Adjustment in the trunk line sewer rate in 2022 per the respective agreement.