

Time Line for OASA Act 537 Approval & USDA Loan

- 06-15-10 Mtg: The public comment period for the Act 537 regional plan began on or around June 14. A formal presentation to the Planning Commission was scheduled to take place at the July 6 meeting.
- 07-20-10 Mtg: Act 537 plan formally accepted by the Supervisors; it was sent to the Planning Commission for review and comment before August 20, 2010.
- Mr. Lobb expressed concern about the review schedule and thought that the plan that was put out for review was incomplete and inconsistent in its parts. Mr. Lobb said that he felt that the Sewer Authority should pull the document, make the corrections, and resubmit it for public comment. He told the Board that West Nottingham Township should not accept any blame if the schedule isn't met. The law requires certain things and the requirements are not being met.
- 08-17-10 Mtg: Supervisors asked the Planning Commission to submit their comments on the Act 537 Plan to the Supervisors, the Township Engineer, Rettew, and/or the OASA as soon as their review is complete. They also authorized the secretary to advertise the Board's intent to consider a resolution approving the Act 537 Regional Plan and the needs analysis for West Nottingham Township, located in Appendix A of the plan. The Board asked the Secretary to respond to the email from Steve Gabriel of Rettew and let him know that the Township will make every effort to keep the schedule communicated to DEP in a letter dated May 17, 2010.
- 09-14-10 Mtg: Draft response letters to individuals who made comments on the Act 537 Plan were given to the Board of Supervisors. The Board will address this item at the regular monthly meeting on September 21, 2010.
- 09-21-10 Mtg: The vote on Resolution 12-2010 approving the Act 537 plan revision was tabled until some important issues could be addressed.
- Response letters to the Oxford Area Sewer Authority (OASA) Act 537 Plan approved; Mr. Todd authorized to sign them.
- 10-12-10 Mtg: The Supervisors adopted Resolution 12-2010. Mr. Twardowski gave a brief summary of the resolution and the reason the vote on the resolution had been delayed.
- Mr. Todd appointed as the OASA USDA-RUS Workgroup representative.
- 10-19-10 Mtg: Mr. Twardowski gave a brief summary of the revised resolution adopting the Act 537 plan. Some of the statements in Resolution 12-2010 had to be removed. Mr. Twardowski has a letter from the Sewer Authority's Solicitor stating that the approval of the Act 537 plan does not obligate or approve any

type of financing, and that by approving the Act 537, the Board of Supervisors is not guaranteeing any loans or funding. Resolution 14-2010, which rescinds Resolution 12-2010, and approves the Act 537 plan and its submission to DEP was adopted by the Supervisors.

- 12-21-10 Mtg: Mr. Twardowski told the Board that in a letter from the OASA Solicitor, he has been assured that approving the plan does not approve the financing for the improvements. The Supervisors (Cox & Todd) signed and released the resolution adopted at the November meeting. Mrs. Bell abstained as she was not a member of the Board when the resolution was adopted. The Supervisors authorized Mr. Twardowski to respond to the letter from DEP.
- 01-18-11 Mtg: USDA Loan Guarantee Resolution – Mr. Twardowski presented a draft resolution to the Board which addressed the request of the Oxford Area Sewer Authority (OASA) that the participating municipalities guarantee the funding from the USDA and commit to moving forward with the plan for the expansion. The resolution is needed before Fulton Bank will provide the bridge loan. Mr. Ross asked if the resolution complied with the Local Public Debt Act (LPDA) and whether a public hearing should be held before the Board committed to the OASA’s request. Mr. Twardowski explained that under the LPDA, there is a threshold as to what a municipality can borrow without going through the hearing process. The amount that West Nottingham is being asked to guarantee is less than that maximum amount. He further explained that the resolution states that the Board of Supervisors “*shall execute the necessary documents and take necessary official actions as required to implement such guarantee.*” There was discussion regarding the EDUs and who would install the sewer lines. Mrs. Bell wanted to know if the OASA would have to reserve 812 EDUs for the township. Mr. Twardowski said that based on the cooperative agreement signed in July 1991 the answer is yes. Mr. Cox asked if the OASA could terminate West Nottingham Township. Mr. Twardowski said that the Sewer Board would have to pass a resolution and submit it to the Secretary of Pennsylvania and then it would go to litigation. Mr. Lobb said that OASA’s policy has always been “first come, first served” and they cannot hold EDUs when they could sell them. Mr. Kepler stated that Lower Oxford Township is not interested in seeing West Nottingham Township getting out of the OASA. However, if the Board does not guarantee the loan, he is prepared to join with the other municipalities to pick up West Nottingham’s 12% so plans can move forward. The Supervisors tabled the consideration of the resolution until the February 8th workshop and asked the Solicitor to contact the OASA solicitor for additional information and clarification in writing.
- 02-08-11 Mtg: **Resolution 3-2011, USDA Loan Guarantee** – Mr. Twardowski received a letter from the Oxford Area Sewer Authority (OASA) solicitor responding to questions submitted by him on behalf of the Board of Supervisors. The resolution sets the annual guarantee for the township at

\$164,786.40 or 12%. The 12% was based on the number of EDUs requested in the township's needs analysis. Mr. Hughes wanted to know if the township was getting something in return for the guarantee; for example, EDUs for the guarantee. Mr. Twardowski explained that the OASA policy is first come first serve. If the township wants to buy EDUs to sell or use them later, they can. He added that none of the municipalities get a guarantee of EDUs. Mr. Reynolds stated that all the municipalities need to work with developers to make sure that the pipes they run are large enough to handle the sewage that might be tied in along the line. Mrs. Bell said that she has asked lots of questions, done her own research and listened. As a supervisor, it is the Board's job to provide for the health, safety and welfare of the residents. Although she said she thinks 12% is high, it is based on the EDUs requested by the township. She went on to say that the OASA doesn't need us but we need them. Mr. Todd added that on July 29, 1991, the Board of Supervisors entered into a cooperation agreement with the OASA which stated that the township agreed to back the OASA in finding funding. Mr. Reeves said that it was important for the township to stay involved and for the Board to understand the ramifications if they decide to get out of the OASA. He added that if the township doesn't guarantee to 12% and we get out of the OASA, then we would be non-compliant with the DEP and would spend well more than 12% to get our own plant or find capacity. Being part of the OASA allows us to stay compliant with state regulations. Mr. Cox read from the letter from the OASA solicitor and stated that there are still unanswered questions and a lot he doesn't understand. Mr. Todd moved to adopt Resolution 3-2011 guaranteeing the USDA loan for the Oxford Area Sewer Authority. Mrs. Bell seconded the motion. Mr. Todd and Mrs. Bell voted in favor of the motion. Mr. Cox voted against the motion. Motion carried.

02-15-11 Mtg: In an executive session held on January 20, 2011, the Supervisors met with Ed Lennex and Larry Bonham to discuss the Act 537 plan and USDA loan.

Eric Todd was appointed as a representative to the OASA Board.

05-10-11 Mtg: Ordinance 2-2011 establishing mandatory sewer connections and use regulations for areas in the township that are within 150 feet of a lateral was adopted. Mrs. Bell said that she had received feedback from some residents who were concerned about the ordinance. She said she explained that only new construction, commercial and failing systems within 150 feet of the lateral would be required to connect.

The Supervisors authorized the Secretary to sign and send the letter recommended by the township engineer with the corrections to the date of the Act 537 plan review.

Mr. and Mrs. Horner wanted to know about the sewer line coming down and who would be affected. Mr. Todd explained that construction of the line was at least 5 years away and would depend upon developers paying for it. Herr

Foods is considering paying for a feasibility study for a sewer line coming down the Baltimore Pike corridor. Mrs. Horner wanted to know about tap in fees. Mr. Todd said they would be based on EDUs and there would be limits to what can be charged. Mr. Todd also noted that the USDA approved the requirements in the ordinance that was adopted earlier in the meeting.

05-17-11 Mtg: Fulton Bank Loan Guarantee – Mr. Twardowski gave a brief summary of the Oxford Area Sewer Authority (OASA) facility expansion plans and the progress of the Act 537 plan updated submitted to the Pennsylvania Department of Environmental Protection (PA-DEP). PA-DEP has issued permits to expand the lagoon and spray fields. Fulton Bank has agreed to provide a bridge loan until the USDA loan is received. Fulton Bank is asking for a guarantee from the member municipalities for a prorated amount of two loans totaling \$17.2 million. In the first year, Fulton Bank will provide a \$10 million tax free loan to the OASA, and a \$7.2 million tax free loan in the second year. Each loan is for 36 months. The annual commitment for the Fulton Bank bridge loan for West Nottingham Township will be \$103,515. Mrs. Bell noted that the soonest anything would happen, would be 3 years. The Supervisors approved the completion of the paperwork for the Fulton Bank bridge loan at the June workshop. Mr. Twardowski said the township would not need to issue a bond. Mrs. Kinney wanted to know if the Act 537 reimbursement would include engineering. Mr. Twardowski said that currently, the municipalities will be reimbursed at 50% for engineering and legal fees.

06-21-11 Mtg: Fulton Bank Loan Guarantee: The Supervisors authorized the Secretary to advertise an ordinance for the Fulton Bank guarantee. Mr. Ross wanted to know what would happen if the OASA doesn't fund the reserve. Mr. Todd said that they have to have it for the USDA loan. Mr. Ross said that the September 16, 2010 letter doesn't appear to be an approval letter. Mr. Ross and Mr. Todd agreed that the loan is not approved until all conditions set by the USDA are met. Mr. Ross suggested that the township request an operating budget, rate analysis, and rate structure from the OASA. Mr. Todd said that it will be required by the USDA for the loan. Mr. Ross said that adopting a resolution bypasses the Local Uniform Debt Act. Mr. Todd said that the requirements of the debt act will be met because the Board will consider an ordinance for the loan guarantee.

07-19-11 Mtg: The Supervisors ratified the decision to authorize the Township Engineer to provide comments to the Act 537 Plan on behalf of the township.

Ordinance 3-2011 authorizing WNT to enter into an agreement regarding the USDA letter of conditions to OASA and Fulton Bank Bridge Loan commitment, which establishes a guarantee by WNT of 12% of the permanent financing for funding improvements for the

OASA and other provisions, was adopted. Mr. Ross said he was concerned that the procedure is inconsistent with the Local Unit Government Debt Act (LUGDA). Mr. Twardowski, Township Solicitor, stated that the ordinance being considered states that the OASA and the municipality will comply with the LUGDA. Mr. Ross alleged that there was insufficient data that the OASA will not have the money to make the loan payments and he questioned why the OASA couldn't produce the information since they did it for the USDA loan. He went onto to say that the numbers in the Act 537 Plan don't match the numbers on the spreadsheet distributed by the OASA to the municipalities. Mr. Twardowski said that he asked the OASA Solicitor questions regarding these issues in January; she replied and gave a breakdown on how the reserve will be funded. Mr. Todd added that if the township doesn't get service, then we don't have to pay. Mr. Cox wanted to know if a feasibility study had been conducted. Mr. Todd said it had.

Resolution 6-2011, entering into an Agreement concerning a guarantee of the USDA permanent loan or, in the event that the USDA permanent loan would not close, the \$17,200,000.00 Fulton Bank permanent loan, for 12% of the total debt service of the permanent loan, subject to the terms and conditions of the Agreement Regarding USDA Letter of Conditions to Oxford Area Sewer Authority and Fulton Bank Bridge Loan Commitment, was adopted.

An Agreement was approved and entered into with the OASA regarding the USDA Letter of Conditions and the Fulton Bank Bridge Loan Commitment.

- 11-15-11 Mtg: Patrick Hughes appointed to the OASA to finish out the term vacated by Larry Bonham, expiring December 31, 2011.
- 05-22-12 Mtg: OASA letter regarding the Ross spray fields – The Supervisors acknowledged receipt of the letter from the Oxford Area Sewer Authority regarding the Ross Spray field construction and operation, and to make it available for public review.
- 06-12-12 Mtg: Mr. Cox asked if the township receives minutes from the OASA meetings. He said that they budgeted \$10 million for the lagoon expansion but the contract came in at \$4 million. He wanted to know what happens to the other \$6 million since the OASA had to borrow \$20 million. Mr. Todd said a line of credit was approved up to \$20 million. The OASA doesn't have to borrow the entire sum, only what is needed. If it came in under budget, then that is less money they have to pay back. Mr. Cox wanted to know how much of that payment was the township's responsibility. Mr. Todd said that the OASA has to default on the loan before any of the townships have make payments. He added that the township doesn't have to pay if we don't get sewer.

- 01-22-13 Mtg: The Supervisors discussed the Planning Commission's letter and recommendation regarding the Act 537 reimbursement. Mrs. Miller noted that the township submitted TARs to DEP before work on the on-lot Act 537 plan began. It was at that time, DEP authorized the work and possible reimbursement for expenses in creating the on-lot plan. Mrs. Miller also noted that when the work on the regional Act 537 plan began, reimbursement rates were high; however, DEP reduced those rates due to the poor economy and the amount of money available for reimbursement. She also noted that the time it took to submit the regional Act 537 plan was much longer than planned. Mrs. Miller has contacted Bob Johnston of Gilmore Associates and asked him to contact DEP to find out the current reimbursement rates. The Supervisors also asked her to find out when the on-lot would be available for review.
- 01-30-13 Ltr to PC: "Mr. Johnston of Gilmore & Associates contacted PA-DEP regarding the Act 537 reimbursement. Here is the response that he received: *"The Department reimburses municipalities up to 50% of their eligible plan preparation costs. The waiting period for reimbursement depends on the availability of funds in the state budget for this purpose. Currently, there is a queue of reimbursement applications waiting for funding. These applications are assigned a number based on when they were received. Funds are disbursed as they become available to those applications that are first in line."* In October 2008, the township submitted a Task/Activity Report (TAR) to PA-DEP for the on-lot Act 537 plan. The TAR was approved in January 2009; a draft is expected soon."
- 01-28-14 Mtg: **OASA Bridge Loan:** Mr. Hughes explained the current bridge loan and the Sewer Authority's need to increase the loan by \$1.3 million dollars to cover on-going construction. Ed Lennex will be at the February meeting to answer questions and formally request approval from the Supervisors to increase the bridge loan with Fulton Bank. Mrs. Bell wanted to know the completion date of the project. Mr. Hughes said he thought it was in early 2015. Mr. Hughes noted that the Sewer Authority is not spending more than the initial \$27 million. Mrs. Bell questioned the dollar amounts in the letter and resolution; they were different. Mr. Hughes said he would check on them.
- 02-11-14 Mtg: **OASA Bridge Loan:** Mr. Lennex explained that the Sewer Authority needs to borrow \$1.3 million dollars against the Fulton Bank bridge loan to cover on-going construction. He said that he didn't anticipate needing the full \$1.3 million dollars, but it is nice to have some in reserve in the event of change orders. The additional money is part of the original \$25.8 million approved by the USDA for the project. Mr. Lennex said that Fulton Bank has requested the municipalities to approve the increase in funds. He added that he is not asking the municipalities to commit to anything more than has already been committed to. Mrs. Bell wanted to know why the Sewer Authority approved the increase before getting approval from the municipalities. Mr. Lennex said

the OASA needed to approve the increase before going to municipalities because that is the process. The OASA doesn't want to go to the township without showing that the request is supported by the OASA board. Mrs. Bell asked Mr. Lennex about efforts to bring sewer to other parts of the Oxford Area. Mr. Lennex said that the Sewer Authority is still in line for the grant. He said during the initial round, the Sewer Authority grant was not selected, but we remain on the list for future consideration. The next cycle will be in June or July. Mr. Lennex said there is no need to resubmit and he will continue to pursue everything possible. Mrs. Bell wanted to know when the bridge loan converts. Mr. Lennex said that the plant has to operate for 2 months. It may be a bit longer depending upon the completion date. He explained that it is difficult to complete a 2 month operating cycle in the winter. He anticipates an April close on the loan, if everything goes well. Mrs. Bell wanted to know if there were any concerns or issues brought up by other municipalities. Mr. Lennex said that Oxford Borough residents don't like the rates, which are based on water consumption. Mr. Todd moved to adopt Resolution 4-2014 approving the amendment to the agreement and increase in the OASA bridge loan with Fulton Bank. Mr. Vail seconded the motion. Motion carried unanimously.

- 02-25-14 Mtg: Act 537 Clarification: Mrs. Bell stated that there were some concerns about the resolution and agreement sent to the township. It was thought that the loan amounts were incorrect because another township's resolution had different loan amounts. Everything appears to be okay. There was some discussion about a pump-out schedule for septic systems in the township.
- 09-23-14 Mtg: **Oxford Area Sewer Authority USDA Verification Request:** Ed Lennex dropped off a letter requesting the township provide resolutions, ordinances, and/or codes that address 3 requirements of the USDA loan. There may be requirements in place through other agencies for these requirements. Mrs. Miller requested to send the letter to the township engineer to address the requirements. The Supervisors agreed and authorized her to send the letter to Ron Ragan.
- 02-10-15 Mtg: **Oxford Area Sewer Authority (OASA) Update:** Mr. Hughes talked to the Supervisors about the USDA paperwork that was sent to the Solicitor for review. Ed Lennex will be attending a future meeting to discuss the details with the Supervisors. Currently, construction costs are below the estimated \$27M. The OASA will still get the full amount of the USDA loan and will use any unspent funds to upgrade pump stations and other equipment. The USDA wants the member municipalities to sign-off on the paperwork. Mr. Hughes said that it's no different than when Fulton Bank asked the municipalities to sign the gap-loan paperwork. He added that the USDA loan closing will likely happen in March and the OASA is in a good financial position. He wasn't sure of the term of the loan but said that it could get paid

back early if the rate structure was changed. Mrs. Bell stated that she hoped the OASA had the foresight to pay back the loan early.

03-24-15 Mtg: **Guaranty Agreement for OASA USDA Loan:** The Secretary said that she received an email from the township solicitor with some information about the guaranty agreement. When the OASA representative, Patrick Hughes, was here last month, he said that Ed Lennex would be visiting the township to discuss the guaranty agreement. The Supervisors asked her to reach out to Ed Lennex and see if he will come to one of the April meetings.

04-14-15 Mtg: **Guaranty Agreement for OASA USDA Loan:** Mr. Lennex was present to answer questions about the USDA loan guaranty. Mrs. Bell wanted to know why the townships needed guaranty the loan again. Mr. Lennex explained that the first guaranty was for the Fulton Bank interim loan. The OASA is getting ready to close on the USDA loan and this is the final paperwork due to be submitted with the closing paperwork. He added that the USDA loan would pay off the \$18.5 million dollar loan with Fulton Bank, the bonds, and the lease purchase on the Ross property. There will be four new bonds, all under \$10 million dollars; this was necessary so the banks could purchase and being under \$10 million dollars makes the bonds more competitive. Mr. Lennex said that the original interest rate of the loan was 4%; however, if the OASA closes before the end of June, the rate will be 3.5%, saving the OASA \$80,000 per year. Mrs. Bell wanted to know if the OASA will prepay on the loan to pay off the debt. Mr. Lennex said that the sewer business is a capital intensive business; every 5-10 years capital improvements are needed. The OASA will never really be out of debt. The Authority was formed in 1992; it did capital improvements in 1998. Mrs. Bell said that the debt service for West Nottingham is 12%; in previous discussions, the Supervisors were told that the township would not have to pay until the township receives service. Mr. Lennex said that the OASA is at the top of the list for a grant to extend the sewer line to West Nottingham. He also said that the township is “on the hook for it” because you are a member of the authority. Mrs. Bell said that you can’t do a “Bait and switch”. What was originally presented to the Supervisors was that the township would not be on the hook unless we were using the sewer. Mr. Lennex said that the township is only guarantying 12% of the debt service in any given year. Before the OASA will come to the township for funds, they will tap into the debt service reserve. The OASA will be generating enough revenue to cover the payments. Currently the OASA is generating 110% of the debt service. Mr. Lennex said that he is trying to put in every safe guard that he can. Mrs. Bell said that there needs to be a safeguard for municipalities. Residents who don’t receive service don’t want to pay for someone else’s sewer. Mr. Lennex said that one safeguard

would be the notification for budget preparation. Mrs. Bell said that she originally made a decision based on what the Board was told when guarantying the interim loan. She will talk to the solicitor about the situation and have her get in touch with the OASA solicitor.

Mr. Lennex gave the Supervisors a quick summary of the work that has been done or is being done. He said that the Osborne Lagoon and Ross field are done. The plant is scheduled to start up in about 2 weeks. It will all be wrapped up and done by June 30. Mr. Lennex said that he likes the representatives appointed to serve on the OASA board. They are doing a good job and he hopes they continue to serve.

04-28-15 Mtg: **OASA USDA Loan Guaranty:** There was discussion regarding the original USDA documentation. The Supervisors were lead to believe that the township would be responsible for 12% of the debt service only if the township was receiving sewer service. Somehow, the language stating that did not make its way into the agreement that was signed. The Secretary has been going through the files to see if she can find the original documentation. It was noted that although a sewer line does not currently come down to the township, sewage haulers do take their loads to the OASA for dumping. Mrs. Bell noted that if we don't agree to the USDA terms, then we would have to have our own treatment plant and that would cost more than the debt service the township is being asked to secure. Mrs. Bell moved to advertise the intent to adopt the USDA loan guaranty ordinance at the May 12, 2015 meeting and to have the Secretary ask Mr. Lennex to attend to answer questions. Mr. Todd seconded the motion. DISCUSSION: It was stated that the new lagoons would accommodate the projected EDUs. There was also discussion about the debt service percentages of the other member municipalities and that the OASA now manages Lincoln University's sewage treatment plant. Mr. Todd called for a vote. Motion carried.

05-12-15 Mtg: **Ordinance 4-2015, OASA USDA Loan Guaranty:** Mrs. Bell opened the discussion by asking Mr. Lennex some specific questions. When the member municipalities were being brought up to speed on the USDA loan process and the responsibilities of the member municipalities, the Supervisors were told that the township would not be responsible for paying for any shortfall if the township did not have service. Only those municipalities who received service would have to pay. Mr. Lennex said that he didn't know. Mr. Todd said that the Supervisors were told that the municipalities only needed to back the interim loan with Fulton. Mr. Lennex said he would not dispute that statement. He added that if West Nottingham Township didn't back the loan, why would the township be entitled to service if the line does come down? Mr. Todd said that by Mr. Lennex's own admission, the township is not guaranteed EDUs. Mr. Lennex said the plant expansion was designed to create capacity to meet demand for the next 20 years. Mr. Lobb said that

when he was a member of the OASA board, Mr. Lennex said it was a formality, not a debt and municipalities connected would be responsible for the debt, which makes sense. He went on to say that the Supervisors are talking about taking on real debt to be paid for through taxation. There is no money to run a sewer line to the township and the OASA has said they aren't going to pay for the line. Mr. Lennex said that the OASA is in line to receive a grant to run a line down Old Baltimore Pike from Waterway Road. Mr. Todd noted that securing 12% of the debt service is a lot cheaper than building a sewage treatment plant in the township. Mr. Lennex explained the 4 bonds that would be issued, each one under \$10M to make them bank qualified. Mr. Lobb asked if the existing rate payer base would be able to satisfy the debt service. Mr. Lennex said yes, it would. Mr. Lobb wanted to know why there was a rush to get the guaranty. Mr. Lennex explained that by closing before June 30th, the OASA could get a lower interest rate, saving \$990,000 in interest charges. West Nottingham Township would be guarantying 12% of the debt service, annually until the loan is paid off. The municipalities would only have to cover the shortfall, if there ever was a shortfall. The OASA is also establishing a debt service account in the amount of \$1.2M. The current EDUs are enough to cover the debt service. Mr. Lennex went on to say all the bonds issued will pay off the current bonds, construction costs of the new plant, and the Ross fields lease purchase. The OASA is trying to get grants for a main trunk sewer line because a new line would not be funded by the debt service. Developers would run connecting lines, as would anyone along the line who wanted to tap in. Mr. Lobb wanted to know if individual home owners would have to connect to the line. Mr. Todd said that connecting would be voluntary if the residential system was working and mandatory for failing residential systems and all commercial properties. Mrs. Bell said that, with all due respect, we have to be people of our words. She said she would have asked Mr. Lennex the question about who would be responsible for the debt because she would have wanted to hear it from him. Mr. Lennex said that she may have asked him, but he doesn't remember. Mrs. Bell asked if the township guaranties the loan, are we obligating the township to pay for extending the sewer line. Mr. Lennex said no, unless the township wants to pay for it. The ordinance does not require the municipalities to put in the lines and the people along the sewer line would only have to connect if the municipality's ordinance says they do. Mr. Lobb said it was his understanding that Herr Foods played a large part in the grant for the sewer lines. Mr. Lennex said that in order to qualify for the grant, the OASA needed a 25% matching guaranty. Herr Foods and four other developers agreed to make that guaranty. Mrs. Bell wanted to know if West Nottingham Township doesn't back the loan, then does the OASA have to accept septage from pump-outs? Mr. Lennex said that they have the capacity for septage but they will be putting limits on who they accept septage from. They will require manifests for where the septage comes from and they won't take it from other areas. He said that the OASA made a major investment based on the numbers from the member municipality's Act 537 plan. Mrs. Bell said that the

Supervisors made decisions based on what they were told which was that the township would not be responsible for the debt service if there was no service. Mrs. Bell wanted to know if the loan amortization in the ordinance was based on 4 percent. Mr. Lennex said it was. Mrs. Bell wanted Mr. Lennex to explain a scenario in which the OASA did not have the money to pay the debt service. Mr. Lennex said that the delinquent rate would have to skyrocket. Currently the delinquent rate is 5%; the OASA uses water shut-off, the District Justice, etc., to get paid. In the event that a lien is put on the property, the OASA is the first to get paid. Mrs. Bell wanted to know the amount of average uncollected bill. Mr. Lennex said it is \$227 a quarter. He added that the major discharges are from the schools and Ware Presbyterian home. Mrs. Bell wanted to know the outlook for business especially since we were in a recession when the township had to guaranty the Fulton Interim Loan. Mr. Lennex said that he signed 5 planning modules in the last few months. New housing starts in the area appear relatively good. Mrs. Bell said that she didn't know if "bait and switch" was the right term to use but it seemed that the Supervisors were told exactly what would get them to back the Fulton loan. The township has already committed to backing the Fulton loan which is just being transferred to the USDA loan. Mr. Lennex said that he can't guarantee that he won't come before the Supervisors at some point in the future, but based on what is being generated right now, he said he couldn't see it happening unless there is a huge economic downturn. Mrs. Bell asked if he would try to pay it off early. Mr. Lennex said it is unlikely because he is trying to keep the debt service at the same level. He went on to say that the plant has a 1.25M gallon capacity. He doesn't see the OASA issuing a moratorium in the next 30-40 years. He said they should be able to see projection problems well in advance. They do a 6-year flow report to help resolve any issues. Most existing systems have been replaced and there is a 10-15 year expectancy for mechanical equipment. They are required to have a maintenance plan in place. Mr. Schmidt wanted know how the township will come up with the money to cover the debt service. He said he was concerned because there aren't a huge number of tax payers with a lot of property in rural protection. Mrs. Bell said that it the township would use its savings. She added that the township is mandated by DEP to have a sewage plant. If the township doesn't back the loan, then we need to have a plant in the township and the cost of a new plant is much more than the portion of debt service that the Supervisors are being asked to guaranty on behalf of the township. Mr. Lobb said that the municipality has to move forward but it is important to understand that we are paying for something that we don't use. Mr. Lennex said that the OASA will be applying for every grant available to run lines. There was some discussion on taxation and coming up with funds to pay for a shortfall. Mrs. Bell said she is concerned about the cost of doing business for the township. Costs continue to rise and the Supervisors look for every way they can to save money and reduce costs. She said she is putting Mr. Lennex in the hot seat for every tax payer in the township. Mr. Todd said that he doesn't like that the debt will show up on the township's debt service

statement. He also said that he didn't like that getting the borrowing base and debt service statement from the CPA was going to cost \$1650. Mr. Lennex said that the invoice should be forwarded to the OASA for reimbursement because there wasn't supposed to be any cost to the townships. Mr. Ross said that the Fulton loan was an interim loan so that the OASA could build the plant. The USDA won't give the OASA any money until the plant is complete; where in the original USDA agreement was the statement that the township would need to guaranty the loan? Mr. Lennex said that the municipalities received a letter from the USDA saying it had to guaranty the loan at closing. Fulton Bank required the guaranty in the event that the USDA loan fell through and the interim loan had to transition to a regular loan. Mrs. Bell said that regardless of what we were told, what the Supervisors signed is what the township is committed to. We were told that we would not be responsible unless we received service, but the documents presented did not reflect that. Mr. Ross said he didn't remember anything from the USDA requiring a guaranty, only the Fulton interim loan. If we agree to the USDA loan with the understanding that we weren't guarantying it, then we shouldn't be on the hook. Mr. Todd said that the original USDA documentation said that if you weren't receiving sewer then you wouldn't be responsible. He said he remembered discussions about the percentage had the township not been provided service. Mr. Lennex said that the percentage was derived from the township's Act 537 plan. Mrs. Bell said that all other member municipalities currently have service, except for West Nottingham. Mr. Lennex said that Lower Oxford Township is limited to the Commons Shopping Center and the homes along Limestone Road. Mr. Ross wanted to know what the annual reserve was for. Mr. Lennex explained that it would be used for the USDA loan. Currently, the OASA is only paying interest on the Fulton loan. He expects to get to full debt service within 18 months of closing on the USDA loan. Mr. Todd said that he feels the risk is low, but there is always a risk especially if the OASA is mismanaged. Mr. Ross said he is concerned about the number of failing systems in the township, most of them outside the area of the village. Mr. Todd said that the holding tank ordinance should take care of that. Mr. Lennex said that the township should look to the OASA for failing onlot systems. He said the OASA will take over any existing failing plant, once it is permitted by DEP, and will manage the ownership and operation. If a developer came to the township with plans for a plant, the OASA would like to talk to the township about taking it over. Mr. Todd moved to adopt Ordinance 4-2015 authorizing incurring of lease rental debt in a maximum principal amount of \$3,240,000 by guaranteeing payment of a portion of the aggregate principal of and interest on the sewer revenue bonds to be issued by the Oxford Area Sewer Authority. Mr. Vail seconded the motion. Motion carried unanimously. Mr. Lennex told the Supervisors that they would receive a budget every October 1st; this budget will provide a five year projection which should help the township with planning, as well as give an indication of any potential problem.

- 09-22-15 Mtg: **OASA Ribbon Cutting Ceremony:** The Oxford Area Sewer Authority (OASA) will hold a luncheon and ribbon cutting ceremony on Friday, October 9 beginning at noon.
- 03-22-16 Mtg: **OASA Report:** Mr. Hughes reported that the new plant is operating and DEP has issued the permit. The interim loans with Fulton Bank were refinanced with the USDA last year. Mr. Hughes said he is the current treasurer on the OASA Board. The OASA is \$450,000 in arrears due to having to fix work that was done incorrectly by contractor. He added that the \$1.3M reserve that was supposed to be available for the debt service after the closing on the loan is not there. The authority had to pay interest that was being tracked and most of the bills were a result of engineering and legal fees incurred to fix what the contractor didn't get right. The USDA has leveraged all of the assets except the building and trucks. Mr. Hughes has proposed that the OASA take a line of credit against the administrative building to pay off the debt and begin building the reserve. He is also looking at expanding the service because if there are more users, then revenue will increase. He suggested looking at development along Old Baltimore Pike and possibly getting a grant to put in a forced main. He said there would be enough revenue coming in to pay the bills if everything works out. Mrs. Bell wanted to know if there was anything else in the financials that was concerning. Mr. Hughes said no. Mrs. Bell said she didn't want the township to be on the hook for paying the debt; especially since Ed Lennex told the Supervisors that there was a solid plan in place to pay the bills. Mr. Hughes said that if he is able to secure a line of credit, there shouldn't be a need for the municipalities to pay anything. He said the loan will allow the authority to pay the outstanding bills and the current revenue stream will allow the regular bills to be paid. Mr. Hughes suggested piggybacking on the water line install to get a sewer main installed down the Old Baltimore Pike corridor. Mrs. Bell said that there has been discussion on installing a sewer line while the ditch is open, but the township is doing the work so there may be issues with getting that done. Mr. Todd said that he was not in favor of the township co-signing any loan for the building. Mrs. Miller asked what the OASA was doing to reduce overhead costs to save money. Several years ago, she reviewed the medical insurance for employees and they authority was paying for several different policies for its employees. Two employees had "Cadillac" policies with no deductible and no out of pocket expenses. These policies were costing the authority up to \$60,000 a year per employee. The township had reduced benefits for its employees to lower expenditures. The OASA should reduce costs internally before they come to the municipalities for even a dime. Mr. Hughes said he would look into that. He said he hopes to have the issue resolved in 90-days.
- 07-26-16 Mtg: Oxford Area Sewer Authority (OASA): Mrs. Bell said she attended the OASA meeting on July 20, 2016. The OASA voted to raise rates 30%, effective October 1, 2016. The Authority did not make the payment that was due in June. They don't have the money to make the payment despite the

claims Ed Lennex made during meetings with the township when he was asking the municipalities to back the USDA loan. He said the Authority had a 110% revenue stream and they would have a \$1.3M reserve. Mrs. Bell said that there was no reserve and the Authority is blaming the municipalities for the lack of development. There was discussion that Mr. Lennex told municipalities that he would not guarantee EDUs to the municipalities that they would be available on a first come first served basis. OASA Board members said that the municipalities need to go out and solicit businesses to build. Mr. Siegfried noted that even if we were able to get business to come to the Nottingham Business Center near CVS, the township has no infrastructure. Mrs. Bell said the Authority wants the municipalities to run the sewer line. She added that there is a committee in favor of selling the authority. The Supervisors are trying to set up a meeting with the solicitor to discuss further. Mrs. Bell said she would rather have the township purchase an EDU than give the authority the money to make their payment. Then at least the township would have something tangible to sell or use later down the line. She said the Authority is looking at obtaining a \$5M line of credit. There will be infrastructure that needs to be repaired or replaced. Mr. Lennex said a lot of things and made a lot of promises to the Supervisors during meetings and outside of meetings that he knew wasn't true or possible. We won't do anything else without getting it in writing. The meeting with the Solicitor is tentatively scheduled for August 12.