

WELLSBORO MUNICIPAL AUTHORITY

MINUTES

SEPTEMBER 21, 2010

The meeting of the Wellsboro Municipal Authority was called to order by Robert DeCamp, Chairman, in the Council Room of the John E Dugan Fire Station/Municipal Building on September 21, 2010. The Pledge of Allegiance was said by all present.

ATTENDANCE: Authority Members: Dennison Young, Grant Cavanaugh, Ed Owlett, Tom Reindle & Robert DeCamp. Borough Council Members: Rudy Scharf & Joan Hart. Superintendents: Mark Dieffenbach & Dan Brought. Solicitor: Bob Cox Jr. Media: Natalie Kennedy. Borough Secretary/Treasurer: Sue Keck

MINUTES: The minutes from August 17, 2010 were approved as written. Denny Young made the motion to accept and Grant Cavanaugh 2nd. Passed.

BOB COX: Bob saw in the meeting packet there is a letter from Seneca Resources. He had received a call from the consulting firm representing Seneca asking for a renewal or redraft of the letter of intent that had expired in December of 2009 for the purchase of sewer effluent. They would also like to look at the NPDES Permit. They can set up an appointment with Sue to look at the permit. Scott commented that there has been no luck with the SRBC in the ability to sell sewer effluent. In the last month though, things may be changing. Bob would like to see what East Resources are going to do first since they had asked first and there is an upcoming meeting with them to see what their intentions are. Both letters of intent were expired.

BOB DECAMP: Bob asked if we could give both companies letter of intent. Bob Cox stated that was the original intent, if one companies didn't want the effluent one week the other may.

Ed Owlett made a motion to table the decision until the next meeting. Ron Reindle 2nd.

BOB COX: He didn't know whether Al Zeigler was going to be here. Al had sent him a draft of the pretreatment ordinance, a draft of the changes to sewer ordinance, a draft of a proposed permit form and a draft of implementation. He has reviewed the drafts and has added his comment and will send down to him.

Bob has a meeting with East Resources in a couple of days to follow up with the meeting that they had with them a month ago. This would be their interest in financial & engineering help with the water system. Scott Blauvett, Matt McGuire, Scott, Bob DeCamp, Shell's representative and he will meet to go over what was discussed.

After last month's meeting, Rudy and Joan expressed to him their concerns with the debt service with water. They asked him to check into refinancing the debt. He did follow up on this. We have a 2004 Water Revenue Note at C & N Bank. Principal owing after December 2010 payment is \$1,580,500.00 and the interest rate is 3.9% and will go till 2020. Rudy stated that they weren't comfortable with the revenue even with the new water rate. There wasn't much left after all the obligations were met. Bob then stated that the second water debt is a 2006 Water Revenue at First Citizens. After payment in December, the principal will be \$531,987.00 at 4.99% interest and going till 2029. The Penn Vest load shouldn't be considered since the interest rate is so low. The third debt service is a 2005 Sewer Revenue Note. The principal will be \$1,195,500.00 after the December payment with an interest rate of 4.45% and goes through till 2025. He then called Carl Chambers and asked what they could do for us. The lowest they could go was a 3.9% interest rate that would result in no savings. He then got in touch with Public Financial Management that had come up here once before that did an analysis then plus a \$500,000.00 cash borrowing. He told them he would like to have them run some figures for him but he didn't want to take advantage of them. He doesn't want them to come up here and present their findings to have no action taken. He asked them to give a figure if we leave the amortization term on the existing obligations the same and what would happen if we refinanced all three in today's interest rate. We are at a historic low interest rate for long term borrowing. The rule of thumb in refinancing long term debt is that if you can save 2% of the principal amount it was worth refinancing. They ran the figures and in today's current market we could save \$85,000.00. After cost of issuance we would be saving \$114,705.00 which in present value savings would be \$85,000.00. This would be 3.47% savings of principal. This would exceed the 2% if debt stays at the same maturity. The \$114,705.00 spread out through the longevity of the debt would be about \$6,000.00 a year in savings. We could structure the loan to take the savings in the first year if you wanted to. You could structure the loan to increase the amortization of one of the debts. If you extended the amortization date on the loan that had less than 10 years, your debt savings would be substantial. However, it spreads the debt over a longer period of time. The Borough Council and the Authority need to decide how much money they want to save. The average interest rate is in the high 4's. The bond issue rate 3.19% as of last week. The coupons on the bond start at 1.3% and go up to 2% in 2039. The finance committee needs to decide what you want for an annual service debt savings and whether you want it up front or spread it out. Also you need to decide whether to extend the amortization of the loan. We can't, however, have them keep running numbers and not doing anything. Rudy's concern is that there wasn't much money available and ultimately the Borough is responsible for the bills. Bob stated that Sue had asked him about refinancing the water and sewer debt into one bond issue. You create a sinking fund that is held by the bank. Payments are made into this fund either monthly or quarterly and then the debt service is paid out of this fund and the accounting would be allocated to the proper funds. You would know what the breakdown would be. You probably have seen in the paper that WASD has refinanced one of their bonds and will probably refinance two more before the end of the year. Southern Tioga School District has also done the same. If you were to engage this group, they would go out and seek proposals from the banks and go out into the market and either negotiate a private deal with an underwriter or go out on internet auctions and the underwriters will get on the

auction today and make a proposal and then the guy with the best proposal gets the issue. They have been very successful in this. These firms also compete on underwriting commissions.

BOB DECAMP: Is there a trap in getting the savings all at once.

BOB COX: He responded that the debt service would be a little higher in the following years. Bond issues have a call date. Most of the bonds around here have a five year call date. This would be the earliest you could call the bond. There are some exceptions. Under the existing debts from C & N has a penalty if it is paid off earlier.

DENNY YOUNG: What kind of penalty would they be talking about. It may be worth it to pay off.

BOB COX; The interest rates we have there would be no savings. Where the savings is the bond market. He knows the banks will be approached.

RUDY SCHARF: We need a constant figure for the budget every year that won't kill us.

ROBERT COX: Then this is the figure you need to come up with. What savings you want to achieve in debt service. Do you take it over a period of years or up front. Or you want to extend the maturity date out of one of the debts. You can combine the three debts and may want to extend them out to 2029 where there would be a lot of savings. If you are serious, have them prepare two or three different scenarios for you. Take all three debts and extend out to 2029 what savings would be. Extend the C& N Bank loan out and see what the savings would be.

JOAN HART: We should have get figures on what it would be to extend all three loans out to 2025 and also 2029. Bob Cox would like to meet with the finance committee. Rudy asked Bob is the Authority had to make the decision. Bob's response was that the Borough would be the one to borrow the money. This wouldn't affect the Borough if they wanted to borrow money. This is a self -liquidating debt, the engineer says that the water and sewer revenues are substantial enough to pay this debt. The market for general obligations bonds are better for the Borough. The interest would be better.

BOB DECAMP: He asked if the Borough has checked with other Municipalities with the water and sewer rates. Scott said that we were initially a little low but had since had some substantial raised that we are now within the range of this area. Some of the small townships with flat rates are substantially higher.

BOB COX: A decision needs to be made promptly. The rates that were given to him last week were last week's rates. A month from now it could be different.

RUDY SCHARF: He felt someone from the Authority should attend also. Tom Reindle was chosen to attend. Sue will coordinate a meeting next week for the meeting.

BOB COX: The crucial decision is to extend the maturity date or not.

SUE KECK: Could this group move ahead without having another meeting? Joan stated it would need to go before Council.

BOB COX: As far as having an official action is concerned we would have to have a Council meeting or Authority meeting or both. If you are indeed serious about this, decide how to structure it and engage bond council and financial management then they will come to a meeting and make a presentation. Bob will bring this all before Council on September 27, 2010 as he did with the Authority. They could have the finance committee meet after the Council meeting.

SCOTT BRAY: There was a sand bid opening at the last Council meeting. The difference between the two bids was around 50 cents. The amount was \$99.00 per ton that was less than last year. We had a little excitement when the sand truck came. He backed into the electric line and caught the truck on fire. We are preparing another area for the sand and have turned in a claim for the sand.

Scott and Dan went to the meeting with Larson Design over at Osram to discuss the pretreatment ordinance. They also discussed the difficulties with the waste stream out of the treatment plant. Last month they had stopped the ferric chloride treatments but still had issues. They have talked with Osram on adjustments for the waste stream and have started adding ferric chloride to the system again. On October 1, 2010 we actually start our real year for phosphorus and nitrogen for biological nutrients for the Chesapeake Bay Program and will have to report it at the end of the year.

The sewer crossing at the Tioga Co Courthouse is done.

We are in a drought watch for Tioga County meaning we are asking for a 5% reduction in water use. The next step would be the state would issue a drought warning that will result in a mandatory 10% reduction of use of water.

Scott also talked about the slow sand filters. As part of the original plan, we were going to re-sand slow sand filter # 2. While the filters were being drained and scraped to prep for the procedure, slow sand filter # 1 almost shut down almost causing a boil order. This filter had only been on line for one month. The reason being that there have been dry conditions and we have had to rely on Hamilton Lake heavily. He felt that it would be prudent to wait and re-sand next spring instead and to go into a winter preparation instead. Bob Decamp had no objection to going ahead with the winter preparation.

The water and sewer was extended to the first house on Greenwood Street across Boyden Creek. Mark had been approached to extend this to the next house on Greenwood Street due to a real estate closing. He has given them an estimate of costs.

BILLS: Sewer -	Cox, Stokes, & Lantz	\$152.48
	Larson Design Group	\$907.50
	William Bray	<u>\$195.00</u>
	Total	\$1,254.98
BILLS CONT: Water -	Cox, Stokes & Lantz	\$243.05
	William Bray	<u>\$260.00</u>
	Total	\$503.05

Ed Owlett made the motion to pay the bills and Denny Young 2nd.

The meeting was adjourned at 4:50

Minutes were prepared by Teresa Marshall