

Cecil Township Municipal Authority
Monthly Meeting
July 6, 2006

The Cecil Township Municipal Authority held its' regular monthly meeting on Thursday, July 6, 2006 at the Cecil Township Municipal Building. Chairman Donald Gennuso called the meeting to order at 7:30 PM with George Elish and Kenneth Heirendt present. Absent were Stephanie Lucchino and Donald Teyssier. Also present was Romel Nicholas, Gaitens, Tucceri and Nicholas; Andrew Blenko, Gateway Engineers; Walter O'Shinski P.E. and Dennis Bell, Administrator.

MINUTES OF JUNE 6, 2006

The Board on a unanimous vote on motion by Kenneth Heirendt and second by George Elish approved the minutes as amended of the regular meeting of June 6, 2006.

AUDIT REPORT 2005

Mr. Steven Cypher, Managing Partner of Cypher & Cypher CPA presented the 2005 audit report to the Board. He stated the financial statements are the responsibility of the Authority management and have been prepared in conformity with generally accepted accounting standards. He further stated the audit was conducted in accordance with generally accepted auditing standards and the auditor's opinion is unqualified.

The Statement of Net Assets – Proprietary Fund reflects total assets of \$13,704,495 and total liabilities of \$7,328,279 with equity of \$6,376,156. The Statement of Revenues, Expenditures, and Changes in Net Assets – Proprietary Fund reflects operating revenue of \$1,033,558, operating expenses of \$809,235, other non-operating income/expenses of \$392,723 and net income of \$617,046. The administrative expenses were \$103,173 and the operation and maintenance expenses were \$692,890.

In the management letter, Mr. Cypher discussed risk management, and the responsibilities in operations of the Authority's financial affairs. The following are specific areas addressed in the management letter – responsibility for reporting suspected fraud, establishing and maintaining internal control, making all financial records and related information available to the auditors, taking responsibility for the accuracy and completeness of the records, and responsibility to follow-up and take corrective action of prior audit findings.

The management letter also includes discussion on a disaster recovery plan, infrastructure, and separation of duties in the accounting department, developer escrow funds, and a fixed asset appraisal.

The issue of separation of duties was discussed with the understanding that staff size limits the options available. He stated that two areas have greatly assisted in this area – the billing and collection system handled by PA-American Water Company and cash disbursements which require the signatures of two officers.

ENGINEER REPORT

AUTHORIZE SIGNING PART II PERMIT TRANSFER APPLICATION FOR SOUTHPOINTE II

Walter O'Shinski advised the Board that the PART II Construction Permit was completed and issued in the name of Washington County Authority and that the permit has been issued to Cecil Township Municipal Authority. The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized signing the Part II Permit Transfer Application.

UPDATE ON CANONSBURG-HOUSTON JOINT AUTHORITY ACT 537 PLAN

Walter O'Shinski updated the Board on the Act 537 Plan being prepared by the Canonsburg-Houston Joint Authority. He stated the PA DEP authorized a fifty (50) percent reimbursement for work stated in the sub-task activity report to include flow data, population projections and mapping. The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized Gateway Engineers to complete the work stated in the sub-task and activity report.

DECK ENCROACHMENT LOT 601- UNIT A GEORGETOWN ESTATES

Walter O'Shinski stated a deck was constructed into the sanitary sewer easement on Lot 601-A in Georgetown Estates. The deck encroaches approximately 1.6 feet and the stairs encroaches approximately 2.6 feet into the easement. The Board on motion by George Elish and second by Kenneth Heirendt authorized the encroachment subject to the property owner signing an agreement currently being prepared by the solicitor.

FAWCETT CHURCH ROAD TAP-IN TO SOUTH FAYETTE SEWER

Walter O'Shinski discussed with the Board a request from Dennis Morgan to connect a property located on Fawcett Church Road, Bridgeville PA into the South Fayette sanitary system. He referred to a letter dated September 7, 1999 stating the Authority had no objection to the property connecting with the South Fayette sewer line but that all necessary right-of ways would be obtained by the property owner. The letter further stated that should public sewage become available to the Fawcett Church Road area that the property owner would then have to connect to the Cecil Township Municipal Authority line paying the appropriate tap-in fees to the Cecil Township Municipal

Authority. An agreement will be prepared between the property owner and the Authority prior to a letter being issued to the South Fayette Municipal Authority authorizing the resident to tap into their system. The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish the Board authorized a letter to be prepared after an agreement has been signed.

George Elish commented if the other property owners on Fawcett Church Road could obtain service through the South Fayette system. Walter O'Shinski stated the Authority has no service agreement for this area with South Fayette Municipal Authority.

UPDATE ON MILLERS RUN PROJECT

Andy Blenko stated letters were mailed on June 29, 2006 to the low bidders on the Millers Run project. He stated the contracts must be signed and returned by July 13, 2006 and the Authority would have fifteen (15) days to issue a notice to proceed.

Andy Blenko addressed a letter received from Mr. Don Lang, Operations Manager for the Edward T. Sitarik Contracting Inc. requesting an increase for the pipe costs over the amount bid. Andy Blenko stated the pipe costs should have been considered and the prices built into the bids. The Board on unanimous vote on motion by George Elish and second by Kenneth Heirendt authorized a letter be mailed to Edward E. Sitarik Contracting Inc., informing them that no additional amounts would be paid for the pipe and indicating that the contracts must be signed and returned by the due date of July 13, 2006.

Andy Blenko stated the initial submission by Kranick Environmental required a clarification on the MEB/WEB provision. He stated the plan was resubmitted.

Andy Blenko stated he was working with Tom Lynch and Scott Shearer on the consulting engineers report for the debt act. He stated the document is due by July 10, 2006.

Andy Blenko introduced Ed Kuenzig and Scott Rusmiser as being the onsite engineers for the Millers Run project.

Donald Gennuso stated the proposals from both KLH Engineers and Gateway Engineers for inspection and oversight work for the Millers Run project needs to be reviewed by the Board. He requested the Board members get their comments to Walter O'Shinski so that action may be taken at the August 3, 2006 meeting.

The Board by unanimous vote on motion by George Elish and second by Kenneth Heirendt authorized work for the construction survey control be completed by Gateway Engineers at a cost not to exceed \$15,790.00. Walter O'Shinski stated the survey must be completed and that seventy-eighty (78) benchmarks are involved to include those at the plant and pump station sites.

Scott Shearer presented to the Board the recommended financing plan for the Millers Run project. He discussed a tentative financing timeline and indicated the timeline could be delayed as the Authority has sufficient funds from the 2004 bond issue to keep the project moving forward. He stated he would prefer to have the issue done sooner rather than later with the understanding that the short-term borrowing would occur in January 2007. He stated he is working with Tom Lynch, Esquire, Romel Nicholas, Esquire and Pat Smider, Esquire on the township guarantee for the debt and the debt self-liquidating report. The township would vote on the bond guarantee at their July 10, 2006 meeting.

Donald Gennuso questioned the issue of pipe costs raised by the low bidder on three of the contracts and what impact that would have on the borrowing. Scott Shearer stated he would have no problem with a one to two month delay in the bond issue. The concerns center around the interest rates and market conditions at the time of the borrowing. He stated the Authority would contribute \$2.M with \$1.M as an equity contribution, \$650,125 deposited into a Rate Stabilization and Improvement Fund and the balance of \$349,875 to cover the debt service payment in 2007. He stated the Rate Stabilization and Improvement Fund would be a contingency fund and monies could be taken out as needed for the Millers Run project or a future project.

Scott Shearer stated that in order for the financing to work a combination of both traditional revenue interest bearing bonds and capital appreciation bonds would be used in the funding. He stated the capital appreciation bonds would be issued with a 10-year call. He stated the combination of bonds is necessary to obtain the lowest possible user rates. He suggested that no debt service reserve fund be established and that the Authority purchase an insurance policy for the forty-year term at an upfront cost of \$52,000. Tom Lynch stated he had no problem with the issuance of capital appreciation bonds for the project.

Scott Shearer stated the Canon-Mc Millan School district would probably not join in our bond issue, as their goal is to have a longer payback period.

The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized structuring the bond issue using both traditional revenue interest bearing bonds and capital appreciation bonds.

Scott Shearer addressed the subject of the bond underwriters. He stated his role is to assure the Authority of the best deal on the bond issues. He recommended that the Board do a negotiated bond deal as opposed to an auction. He stated the deal is more complex with the mixture of bonds. He stated the transaction is no longer a vanilla transaction. He suggested the underwriter be selected and that his firm would guarantee the best deal with the interest rate set by Public Financial Management. He stated PNC Capital Markets would be qualified to serve as the underwriter.

George Elish stated he would prefer a controlled auction with three (3) companies competing for the business. Scott Shearer stated the underwriter fee and interest rates would be known, as he will obtain quotes from the three companies.

George Elish motioned to have a negotiated sale with three firms bidding on the bond issue. Kenneth Heirendt second the motion. George Elish withdrew his motion. Donald Gennuso motioned to table the issue until the full board could vote on the issue. He stated the other members have strong opinions regarding PNC Capital Markets represented by Michael Mc Caig. There was no second to Mr. Gennuso's motion.

George Elish motioned a second time to have a negotiated sale with three firms bidding and with one of the firms being PNC Capital Markets. Kenneth Heirendt seconded the motion. Donald Gennuso voted no on the motion. The vote was 2 to 1. The solicitor stated he would want to review the Authority by-laws to determine how the votes are determined either by plurality or majority. Due to the planned timeline it was suggested that a special meeting be scheduled to discuss further the financing on the Millers Run project.

George Elish suggested the short-term borrowing to occur in January 2007 be structured for ten years. Donald Gennuso stated the amount of interest of over \$1M on a \$3.5M deal was too high. Kenneth Heirendt stated he would support a loan for six (6) years. The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized the short term borrowing be for six years.

Donald Gennuso suggested the Board hold a special meeting on either July 20, 26 or 26 at 6:30 PM. Dennis Bell stated he would check with the township on the availability of the meeting room for July 20 and report back to the Board.

BUSINESS MANAGER REPORT

Dennis Bell stated the agenda item for Establishing Rules and Regulations for installing non-public water supply and deduct water meters was taken off the agenda. He stated he did not have sufficient time to research the various regulations for the information relative to well water users.

DISCUSS MAY 2006 FINANCIAL REPORT

Dennis Bell discussed the financials for May 2006. The total customers billed were 1835. The user fees billed were \$76,453.20 on usage consumption of 9,240,800 gallons. Collections totaled \$79,476.39. The expenses for May 2006 were \$122,186.76. The extraordinary income on the May 2006 financial statement included interest income of \$772.51 and tap-in fees of \$20,274.00. Expenses are under budget through May 2006 except in four accounts for Supplies and Tools over budget by \$405.04; Dues and Publications over budget by \$90.89; Other Office Expenses over budget by \$1,451.69;

and Legal Fees Negotiations over budget by \$1,451.69.
Tap-in fees are over budget by \$29,059.00 through May 2006. User fees were under budget by \$39,611.14 and Interest income is under budget by \$12,985.19.

SOLICITOR REPORT

DISCUSS THE MONTHLY REPORT

Romel Nicholas discussed the monthly report with the Board. The report highlights the outstanding issue with Ronald Sabatino and Lynn Foltz on the Morganza Road project and a meeting held on June 8, 2006 with Walter O'Shinski, Ronald Sabatino and his attorney relative to the tap-ins planned for the pump station.

He stated a meeting on June 8, 2006 was held with Tom Casciola and Walter O'Shinski to discuss issues related to his treatment plant as well as easements.

He stated a meeting with Gateway Engineers determined that right of ways needed to be secured for the paper streets. He stated additional right of ways are needed. The due date for receiving the signed right of ways is July 12, 2006 with condemnation to be filed shortly after that date. On unanimous vote on motion by George Elish and second by Kenneth Heirendt the Board authorized the solicitor to proceed with the condemnations for the right of ways in the paper streets.

Romel Nicholas stated he has not reviewed the contracts on the Millers Run project. Walter O'Shinski stated the previous solicitor reviewed each contract and that that Dan Deiseroth provided Romel Nicholas with sections for his review and comments.

CORRESPONDENCE

The correspondence was review for filing with no comments.

PAYING OF EXPENSES/TRANSFER OF FUNDS ETC.

A unanimous vote on motion by Kenneth Heirendt and second by George Elish the Board authorized payment of expenses and transfers as follows.

Brush Run Expense/Transfer MM to Checking
Teodori Expenses/Transfer MM to Checking
Southpointe Expenses/Transfer MM to Checking
CherryBrook Expenses/Transfer MM to Checking
Gilmore Expenses/ACH Debit and PNC Requisition
Employee Time Reports/Payroll

941 E Tax Deposit
Payment of Invoices
Discharge Monitoring Reports were approved for submission to the PA DEP

COMMENTS FROM THE FLOOR

Mr. Dominic Dimatteo commented that the Board should have an alternate member. He stated that what occurred during the discussion on the underwriters and the vote would probably not have occurred if the full contingency of the Board were present. He stated that Mr. Donald Teyssier should be applauded for his years of dedicated service on the Board. Donald Gennuso stated that the township supervisors would have to make an appointment.

ADJOURNMENT

There being no other business by unanimous vote on motion by George Elish and second by Kenneth Heirendt the meeting was adjourned at 10:55 PM. The next regular meeting is scheduled for Thursday, August 3, 2006 at 7:30 PM.

Secretary