

Cecil Township Municipal Authority
Monthly Meeting
August 31, 2006

The Cecil Township Municipal Authority held its' regular monthly meeting for September, 2006 on Thursday, August 31, 2006 at the Cecil Township Municipal Building. Chairman Donald Gennuso called the meeting to order at 7:30 PM with Stephanie Lucchino, George Elish and Kenneth Heirendt present. Also present was Romel Nicholas, Gaitens, Tucceri and Nicholas; Andrew Blenko, Gateway Engineers; Walter O'Shinski P.E. and Dennis Bell, Administrator.

ANNOUNCE PASSING OF DONALD R. TEYSSIER - 32-YEAR BOARD MEMBER AND RESOLUTION 6 - 2006 FOR ADOPTION

Donald Gennuso read Resolution 6-2006 honoring Donald R. Teyssier for his work of the Authority during a thirty-two year period ending with his death on August 21, 2006. A moment of silence was observed at 7:35 PM and the resolution was adopted by unanimous vote on motion by Stephanie Lucchino and second by George Elish.

MINUTES OF AUGUST 3, 2006

The Board on a unanimous vote on motion by George Elish and second by Kenneth Heirendt approved the minutes of the regular meeting of August 3, 2006.

ENGINEER REPORT

AUTHORIZE SIGNING SANITARY SEWER & CONSTRUCTION AGREEMENT WITH CONSOL ENGERGY

The Board on unanimous vote on motion by George Elish and second by Stephanie Lucchino authorized signing the sanitary sewer and construction agreement with Consol Energy for their project located in Southpointe II. The project will require the relocation of the Authority sewer line that runs through the center of the site.

UPDATE ON MILLERS RUN PROJECT

Andy Blenko stated the sanitary sewer line construction would begin within two weeks. The notice to proceed was issued on July 13, 2006. Kevin Camerson questioned when a construction schedule would be available. Andy Blenko stated Gateway Engineers are currently working with the contractors for the construction schedule.

DISCUSS 2006 BOND ISSUE FOR THE MILLERS RUN PROJECT

Scott Shearer, financial advisor with Public Financial Management addressed the Board on the three bids received at noon on August 30, 2006 for the Millers Run project. The bidders were Mellon Bank, PNC Capital Markets and Wachovia Bank. He stated the delaying of the bond sale until the end of August benefited the Authority. He stated the bond market is at a 90 day low at 4.34% compared to a high in early July 2006 at 5.00%. The 35 year bond market statistics show the market average at 6.65% with the low being 4.18% and the high being 13.44%. He stated that S & P rated the issue with an A minus. The bond issue term was reduced from 40 years to 37 years with the final payments in 2043. He stated that the Authority saved approximately \$8.M in interest costs over the term of the issue due to the lower interest rates. The 2006 bonds will have a five (5) year call and that the issue would have no Capital Appreciation Bonds

Scott Shearer recommended the Board accept the bid from Mellon Bank. The interest rate on the bonds from Mellon Bank was 4.554%; Wachovia Bank's rate was 4.557% and PNC Capital Markets rate was 4.75%. He stated the assumptions used were the same as discussed previously with the Board. The issue is bank qualified with a settlement date of October 5, 2006 at 10:00 AM.

Tom Lynch, the Authority bond counsel, discussed the proposed resolution for approving the 2006 bond issue.

AUTHORIZE RESOLUTION 8-2006 APPROVAL OF 2006 BOND ISSUE FOR MILLERS RUN PROJECT

The Board on unanimous vote on motion by George Elish and second by Kenneth Heirendt approved the 2006 bond sale awarding the underwriting to the low bidder - Mellon Bank.

Scott Shearer reiterated that the bond sale would be finalized on October 5, 2006. He discussed the expenses that totaled \$167,131.30. The expenses are underwriter discount, bond insurance, surety policy, original issue discount, legal fees, financial advisor fees, financial printing, trustee fees, credit rating and miscellaneous fees.

Scott Shearer addressed the Board for the \$3.5M revenue notes to be issued in early 2007. He stated he would discuss the details with the Board at the October 2006 meeting and the Board could approve the revenue notes issue at their November 2006 meeting with a closing in January 2007. The funds are needed to pay for the balance due on the construction costs and are used until the Authority collects the tap-in money from the customers.

Donald Gennuso commented that if we do not need the money in January 2007 it might be in the Authority's best interest to hold off on the revenue notes issue until later in 2007. He said the Authority needs to be assured that sufficient funds are available to cover the entire project costs with the final financial transaction. Donald Gennuso stated his concerns on what if more rock is discovered and what impact that would have on the contract prices. Andy Blenko stated that a rock clause was calculated in the contracts and therefore in the total construction costs. Scott Shearer stated the Board could hold off on the 2007 revenue notes issue until later in the year.

Scott Shearer discussed with the Board the possibility of an interest rate swap. He stated the potential exists for reducing the debt service payments by \$100K per year. He stated that 33% of his clients have participated in an interest rate swap but that such a swap is not for all entities. Donald Gennuso suggested to Scott Shearer that the issue be presented to the Board at the October 2006 meeting.

Romel Nicholas commented on monitoring the arbitrage for interest earned in excess of the bond interest rate.

BUSINESS MANAGERS REPORT

DISCUSS PROPERTY VALUATION AND INDEPENDENT APPRAISALS

Walter O'Shinski discussed with the Board the property valuations established and on which the insurance coverages and premiums are based. He stated that the Teodori plant was undervalued by \$845,000 and that a correction was made on the coverage. The increase in the asset value will increase the annual premium by \$690.00. Several other minor corrections are being reviewed with the insurance agent. He stated the two plants and three pump stations have insurance coverage in excess of \$2.M excluding the sewer lines and that the insurance currently carried would cover replacement costs. He stated that the costs for the appraisals (estimated by the Agent to be approximately \$4,000) would exceed the premium costs to increase the insurance coverages and recommended that appraisals not be conducted.

DISCUSS INCREASING UMBRELLA LIABILITY FROM \$1M TO \$2M

A motion made by George Elish and second by Stephanie Lucchino to increase the property liability umbrella from \$1.M to \$2.M. Romel Nicholas stated the increase would be appropriate but he questioned if punitive damages were covered in the policy. Dennis Bell stated he would have to inquire with the Simonin Agency. George Elish withdrew his motion until the punitive damages issue can be resolved. The issue of increasing the umbrella liability coverage was deferred until the October 2006 meeting.

DISCUSS OPENING CHECKING ACCOUNT WITH FIRST COMMONWEALTH BANK

Dennis Bell advised the Board that a checking account for the Millers Run project would be required to control expenditures on the project. He suggested the Board consider opening a checking account with First Commonwealth Bank, trustee for both the 2004 and 2006 bond issue. He indicated that as the certificate of deposits mature the funds would be transferred into the construction checking account.

The Board on unanimous vote on motion by Stephanie Lucchino and second by Kenneth Heirendt authorized opening the construction checking account with First Commonwealth Bank's Mc Donald, PA office.

AUTHORIZE REINVESTMENT OF CERTIFICATE OF DEPOSIT WITH FIRST COMMONWEALTH BANK

The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized the reinvestment of certificate of deposit number 01162900005006 valued at \$600,000 for a thirty-two day period at prevailing interest rate. The current rate quoted by First Commonwealth Bank is 5.30%.

AUTHORIZE RESOLUTION 7-2006 RULES & REGULATIONS FOR INSTALLING NON-PUBLIC WATER SUPPLY AND DEDUCT WATER METERS

The Board on unanimous vote on motion by Kenneth Heirendt and second by George Elish authorized Resolution 7-2006 for establishing rules and regulations for installing non-public water supply and deduct water meters. The resolution incorporates relevant portions of Resolution 5-2-86 (Schedule A) and its subsequent amendment at Resolution 8-5-93.

DISCUSS JULY 2006 FINANCIAL REPORT

Dennis Bell discussed the financials for July 2006. The total customers billed were 1829. The user fees billed were \$103,138.33 on usage consumption of 13,397,600 gallons. Collections totaled \$91,932.71. The expenses for July 2006 were \$78,825.94. The extraordinary income on the July 2006 financial statement included interest income of \$537.88 and tap-in fees of \$945.00. Interest income on the construction funds totaled \$1,082.72. Expenses for Millers Run project were adjusted to the fixed asset by \$32,661.60. Expenses were under budget through July 2006 except in five accounts for Supplies and Tools over budget by \$1,170.87; Other Office Expenses over budget by \$2,174.95; Legal Expense over budget by \$3,218.61; Dues & Publication Expense over budget by \$518.37 and Treatment Charges over budget by \$8,619.68. Tap-in fees were over budget by \$23,050.00 through July 2006. User Fees were under budget by \$41,195.92 and Interest Income On Bond Issue is over budget by \$6,712.62. Dennis Bell commented that the User Fees budget is higher than the actual due to the water used by Valley Brook Country Club and included in the budget numbers. He stated the budget was developed in November 2006 and the Valley Brook Country Club issue surfaced in late December 2006.

SOLICITOR REPORT

Romel Nicholas, Esquire provided his monthly report to the Board. He discussed the issue of appointing an appraiser for the Millers Run project. He recommended that the Board hire Gary Bodnar, Certified Appraiser, to appraise the properties with any potential problematic issues thus receiving the attention of the Appraiser for early intervention. Stephanie Lucchino questioned whether or not the Appraiser needed to appraise all the fifty (50) Condemned properties, prior to construction, as previously suggested, since Gary Bodner's cost would be \$1500.00 per appraisal (\$75,000.00), plus an additional hourly rate for any representation at a Board of View. She also questioned if the pictures taken by Gateway Engineers, prior to construction, would be sufficient so

that Gary Bodner would only be needed to testify at any Board of View Hearing concerning the assessment of any damages that may be claimed. Andy Blenko, P.E., indicated that the Board should not rely only on the pictures taken prior to construction, but should rely on the Appraiser's preconstruction appraisal.

The Board recommended Stephanie Lucchino and Romel Nicholas, Esquire review the proposal presented by Gary Bodnar, Certified Appraiser. The Board on unanimous vote on motion by George Elish and second by Kenneth Heirendt approved appointing Gary Bodnar, Certified Appraiser, subject to a review of the contract by Stephanie Lucchino and Romel Nicholas, Esquire and that the appraisals be limited to those needing immediate attention and that would be considered problem properties.

CORRESPONDENCE

Stephanie Lucchino commented on the request by Dr. Nick Bayat for the deduction meter credit. Dennis Bell stated the matter had been settled, as the usage on the deduction meter did not reflect the amount of usage billed.

Donald Gennuso suggested that Stephanie Lucchino and he interview the two candidates who have expressed an interest in serving on the Board. Kenneth Heirendt requested that the resumes be circulated. George Elish suggested the board opening be advertised in the Observer-Reporter and on the Authority website. Dennis Bell stated he would handle the notices.

COMMENTS FROM THE FLOOR

Mr. Kevin Camerson commended the Board on having a competitive bond sale. He stated it was a good move and the Authority got the best interest rate and financial deal on the bond issue. He requested that Attorney Nicholas and Stephanie Lucchino "discontinue their sidebar conversation while the meeting was in progress".

Mr. Dominic DiMatteo commented on the removal of William Livolsi from the Board and the opportunity for selecting a replacement for Donald Teyssier. Donald Gennuso stated that the Authority Board can only recommend a person to the Board of Supervisors. The final decision rests with the Board of Supervisors.

EXECUTIVE SESSION

On unanimous vote on motion by Kenneth Heirendt and second by George Elish the Board entered into Executive Session at 9:22 PM to discuss legal billing issues. The Board returned to the General Session at 9:40 PM.

PAYING OF EXPENSES/TRANSFER OF FUNDS ETC.

A unanimous vote on motion by Stephanie Lucchino 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

ADJOURNMENT

There being no other business by unanimous vote on motion by George Elish and second by Kenneth Heirendt the meeting was adjourned at 9:50 PM. The next regular meeting is scheduled for Thursday, October 5, 2006 at 7:30 PM.

Secretary

