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Conyngham/Sugarloaf Joint Municipal Authority Board met for a **Regular Session** on **Tuesday, October 23, 2018 at 7:03 p.m.** in Conyngham Borough Council Chambers, Municipal Building, 215 Main Street, Conyngham, PA. The meeting was called to order by Chairman Cotsack, the Pledge of Allegiance was recited, and roll call was taken.

Present: John Cotsack, Greg Olander, Joe Gallagher, Peter O'Donnell (Solicitor), Richard Harrison (Engineer), Ed Gregory (Manager), Dorothy Pisano (Recording Secretary)

Absent: Marguerite Woelfel, Marc Eble

Citizens: None

Public Comment on Agenda Items: None

Invited Guests: Christopher Gibbons from Concord Public Financial Advisors, Inc.
Handout on file for review

Mr. Gibbons started by introducing himself and the company they are a fiduciary and they work with us whether we go for PennVest or other means of getting funding or with grant issues to get the projects done. They have been in business over 21 years 30 plus in the banking business his one partner is a lawyer for bond issues and his other partner is in corporate trust banking has been in business for over 20 years. They have helped with 930 projects worth over 8 billion dollars. Most of our work has been in PA and 75% of our work has been with municipalities.

We did work with Mr. Olander in Hazleton. We also did work in Williamsport, PA from day 1 to the end of the project. Bank loans there are 38 different banks we would apply to and bring results back to the board and discuss what the board wants to do. From the beginning to end we are with you through the whole project.

Mr. Harrison (Engineer) We have to get pass the submittal process and part of the problem is we have to put it out for public review and when it goes out for public notice we have to know the in pack that will be on the rates because we can't even get the plan submitted until we have the rates the plan itself is done. Mr. Gibbons when are you going to do that? Harrison the planning has 60 days and the public needs 30 days. We are in the process of having it submitted to DEP and then it is a 6 month process going back and forth with DEP. Gibbons we are currently working on projects that are about 120 days ahead of CSJMA future.

Mr. Angerson (Entech) said they will you give 40 years that is not a problem. Yes, which I will show the Authority USDA will try to take the items of like mechanical machines and depreciation them over time. As part of your service you will be ask to put aside in a separate account funds to cover the depreciation for 5, 10, 15, years of depreciation.

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Mr. Angerson I try to calculate based on the cost listed in the 537 Plan. Roughly the cost of most of the moving parts and try to depreciate over 10 years I come up with about \$29000 to \$30000 thousand should be put aside every year and that would cover these items. Gibbons they would have to put that in the rate base correct. Mr. Angerson yes that is correct.

Mr. Gibbons (Concord) how is the demand for the money from PennVest? Mr. Angerson (Entech) – it is good especially this kind of loan because there are no grants involved. They love to give these kinds of loans away. Mr. Gibbons what if something else would occur and you need money for that issue? USDA you can take another loan against your current one if anything else was to occur and they will also let you refinance your loan. USDA lets you start off with the best rates possible and then when things get richer they look into financing their loans.

Mr. O'Donnell (Solicitor) What happens when you have a 40-year loan on items that have a 20-year life? Mr. Angerson (Entech) with the money that will be put aside through the years that money will cover that item. The money will be there because you have been putting that money aside for that purchase. Realistic most Authorities don't look at it that way. They just want to pay it off with the lowest rate they can at the sacrifice on something breaking and not having the money to fix it. USDA is looking out for the people that don't want to take care of themselves in the future.

Mr. Pietroski stated USDA started this 5 or 6, maybe 7 years ago asking the new borrows to do this previous you just well you paid the loan every month and if something broke you take another loan out to fix it so now they are trying to cover that situation. Mr. Olander I can attest to that we are seven years out and we are spending \$100,000 on pieces of equipment for repairs already and we are only at 7 years.

Mr. O'Donnell stated If we are trying to use the tightest rate payer cost to get from the borrow, where does that money come from that you put into this account? Mr. Gibbons it is all in the base of the loan.

Guest with Mr. Richard Harrison of (Entech) – Mr. Mike Angerson and Mr. Ed Pietroski

Mr. Angerson works with Entech for 36 years and Mr. Pietroski (Entech) has worked with Entech for 40 years.

Mr. Angerson this is a project \$10,000,000 and PennVest will set it up to \$11,000,000 so you don't need any other grants or bonds.

Mr. Pietroski stated smaller townships get 40-year loans. We did Sugarloaf Township in Sybertsville and that loan stayed with Sugarloaf Township and I am sure being that it was because it is such a small town most of them are paying the loans off in 15 years. Mr. Gibbons stated it has been in my experience that I have seen probably 6 or 7 USDA loans paid off.

Mr. Gibbons when USDA takes a secondary position is there any flexibility there? Will they ever agree to not taking a secondary position? The question is how do you get some kind of municipal financing without some kind of guarantee?

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Mr. Angerson you probably will not get any USDA without some kind of guarantee. PennVest will come in subordination to USDA loans. They have this little game going they will back each other. They started this about 5 or 6 years ago. Mr. Gibbons here is the way they will not give you clarity so a bond issue. Funding rate base with some depreciation lower user rate Mr. Angerson (Entech) the USDA does not collect a debt reserve. Mr. O'Donnell could it be debt service reserve? Mr. Angerson no with USDA there will not be any bond revenue or debt service revenue of 10%.

Mr. Gallagher stated that we had a loan for the sewer and we paid it off. Mr. Angerson (Entech) as long as you have 2 municipalities they will guarantee the loan. Mr. Angerson unless there is Grant money involved. Gibbons that was about 5 years ago. Mr. Angerson nobody approached us about it 5 years ago.

Mr. Gibbons you have about 2,000,000.00 in the bank. Mr. Angerson contractor get paid on a month basis so in 30 days you are going to have some money in the bank. If you do it well you will not have to have any other sources. PennVest is pretty good with they reimbursements back to you. Ok they do get hiccups around the 4th of July and Christmas. You can run a project with less than the money for the project in your hand. As long as you process the invoices properly get them into PennVest correctly it will work. USDA will take some of the heat off of you because you will have some financing. If it takes you 60 days to process it will not matter as long as that money is in the bank and you close it.

Mr. Olander my last 2 project we put right in the Bid documents that we were not going to finance interim and that they understand that they would have to wait for PennVest reimbursement.

Mr. Harrison (Engineer) as long your contractors are passing the money down to the sub-contractors because they are carrying the weight of the project. Mr. Angerson (Entech) we made it work combination of funds there was 4 sources everything that Mr. Gibbons (Concord) is saying is correct and some grants mixed in bank loans and grants Mr. Gibbons (Concord) tax related projects to Mr. Pietroski's point that's why you hire a financial advisor. Hazleton needed it right away PennVest came through.

Mr. Olander we had a tight time line for contraction and we had to get moving the finance was compressed between the PennVest and it being award a bank financial loan 2,890,000.00 so it worked out.

Mr. Angerson I made some assumes money put in the 537 Plan we had a 10,000,000.00 loan. I came to these number by using your 2017 expenses. Mr. Gallagher your auditor is showing depreciation because he is required to do that under the audit rules, however, you do not budget your depreciation when you figure out the depreciation that is pretty typical of all Authorities. Mr. Angerson 1 scenario 4% for 40 years. Mr. Pietroski 1300 and 1500 edu's users \$65.70 users' rate and Mr. Gallagher your auditor is showing depreciation but sewage 30,000.00.

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Mr. Angerson (Entech) I know you have 1.9 million in the bank, let just say you put 1.5 Million into the project and reduce your debt by a 1.5 million dollars to 9.4 million if you do that your user rate will be \$60.91 a month. Then I tried to go to PennVest at same type of scenario 1% for the first 5 year and 1.743 for years 6 thru 20 I come up with a user rate for the first 5 years of roughly \$66.38. In my opinion I think PennVest would be the best way to go.

Mr. O'Donnell (Solicitor) the \$65.70 is that over what they are currently paying? Mr. Harrison no that is the amount of the month charge. Mr. O'Donnell so rates would only go up \$15.00. Mr. Angerson yes it is possible. Mr. Harrison I don't know if I would advertise that low.

Mr. Gallagher so right now there is set aside money that we did 10 years ago \$12.00 a month above the rate so you are looking about \$160,000 is set aside each year and this is not part of the budget. We have money that we are banking so I would anticipate that we would be able to go about another Million.

Mr. O'Donnell are there any kind of standards that you guys use for construction? Mr. Harrison 2.65% is what is cost is a year. Mr. O'Donnell so if we don't put a shovel in the ground for 3 years those numbers would increase. Mr. Angerson yes we added numbers in there we know it has taken 5 years to get a municipal project done. We can't do the cost today and be realistic we are added some in to the budget. Mr. Gallagher I think the numbers that you are presenting here are reasonable – Mr. Angerson (Entech) you have \$1.9 Million dollars and USDA is going to what to know what you are going to do with that money. If you are going to put it into the project then that is fine if not then you better have some destination for that money. I have worked with municipalities that had money, but they stated that this money if put aside for sewer line that need to be fixed and that was fine.

Mr. Pietroski we had an Authority put in \$700,000.00 and you will make an augment to keep money in the bank for emergency purposes 3 to 4 months to keep on the side. Mr. Gallagher we need to put capital project on the table or we are not going to be able to do them like paving projects, and repaving streets. Mr. Angerson the people of PennVest like Kim is up in Tunkhannock county and Rebecca is down in Montgomery County for PennVest they will help you through the whole project and USDA person come and talk with the Board.

Mr. Gallagher we do not have debt and there are things that need to be done like manholes, and repair some sewer lines so that is what some of the money is put a side for. Mr. Angerson with there being sewer line in need of repair I do believe that you can sell the USDA on that issue.

Mr. Harrison (Engineer) is there any way that they would be able to get a grant? Mr. Angerson no they use the number of users in each township and they blend the income for that. I just used the number of EDUs and I know that I am not that far off. The cut off for grant is \$53,000 or below so you are way off.

Mr. O'Donnell do we get any extra points for being a regional Authority? Mr. Angerson that are some points for being a regional. Mr. Angerson they have a whole laundry list of things to give you a rate so the USDA has a point system but the point system does take effect unless you have \$5 Million in the pot and a million in application as long as there is enough money in the

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pot and there are enough of applications to cover it does not make a difference. If you want to talk to Kim she will take care of the loan. The day of application until the date you pay the loan off they will work with you.

Mr. O'Donnell is there a pre-paid penalty? Mr. Angerson (Entech) No pre-paid penalty lets just say you pay it off and the month payment is \$1,000.00 and you want to pay \$1,200.00 there is no penalty to paying it off early.

Mr. Olander I have a question the monthly users fees in this scenario verses what was handed out back in September 6 was the same project cost used and PennVest blended cost was in here. Mr. Harrison (Engineer) the basis different was where I started out with \$50.00 going up to \$35.00 additional that assumed that \$50.00 was the real number your other financial person was working on trying to figure out where your base rate was and whether it was about \$40.00 or something similar to that and Mike took out depreciation.

Mr. Gallagher and these numbers do not show new users. A realistic plan we need to move forward with this plan 120 days it will be 1 year to be approved and 5 years permits and funding flows during the planning meeting the dates raising rate minimal a little at a time. Mr. Angerson states that we need to move it forward this project is being funded we need to move forward there is lots of work in trying to move the plan forward. Mr. Pietroski once everything is in place DEP will force it to be done. Mr. Harrison (Engineer) we would be replacing the whole system.

Mr. Gallagher we as an authority we come up with sum of \$20 this was the rate to get the plan out to review it is defensible with these rates. Mr. Harrison (Engineer) Public comment put out to public comment. Mr. Gallagher during the design they account for any unknowns.

Mr. Harrison (Engineer) suggested to have a meeting with the Boards approval – It was decided to have a business meeting with Entech and the financial people with Concord Public Financial Advisors, Inc.

Motion

Motion to Approve Minutes from the Regular Meeting 8-28-18 and Special Meeting on 9-11-18 Postponed until November's Regular Meeting which will include Regular Meeting of 9-25-18 and 10-23-18 also – First - Gallagher Second - Olander

Treasurer's Report:

Item 1: Assistant Treasurer/Secretary Mr. Gallagher presented the Board with the Financial Report ending September 2018. A copy of the report is on file and available for review.

Motion

Motion to Approve Financial Report – First – Olander, Second – Gallagher

Questions on the Motion: None.

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ROLL CALL VOTE:

Cotsack	-	Affirmative	Eble	-	Absent
Gallagher	-	Affirmative	Woelfel	-	Absent
Olander	-	Affirmative			

Item 2: Assistant Treasurer/Secretary Mr. Gallagher presented the Board with the Accounts Payable

Motion

Motion to Approve Bills for Payment totaling \$44,652.02. First – Olander. Second – Gallagher

Questions on the Motion: None.

ROLL CALL VOTE:

Cotsack	-	Affirmative	Eble	-	Absent
Gallagher	-	Affirmative	Woelfel	-	Absent
Olander	-	Affirmative			

Solicitors Report:

Item 1: Mr. O'Donnell gave Ms. Pisano all the deeds for the township of Sugarloaf (Infrastructures – the Meadows)

Engineer's Report:

Item 1: Mr. Harrison stated the report looks good. Soil modeling and the other changes are minor Gallagher the supervisors wanted to sign off on it. We will vote on that next month and have it done.

Manager's Report:

Item 1: Mr. Gregory presented the Managers Report to the Board.
A copy of the report is on file and available for review.

Item 2: The bills will go next week after the delinquent date.

Item 3: The roof contractor will start toward the end of next week. Josh and myself conducted the 334 water testing accurately – water line missed the plant we will install tomorrow – 4500 sewer line treated for the tree roots. We did the roots now and then we will jet then in the spring.

Old Business:

No items presented under Old Business.

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New Business:

Item 1: Mr. Bernard Byorek a resident of Conyngham would like to put his name on the list for any EDU's that become available. Gallagher we currently do not have a list. O'Donnell (Solicitor) we do not currently have a list, but other people have been looking for EDU's also. Mr. Byorek stated that he owns a lot in front of his residence that he bought in 1992 and he wants to obtain an EDU for this lot, If he chooses to sell this property in the future it would be nice if the lot has a EDU with it. Mr. Byorek stated that he has lived here for 40 years. If there is not a waiting list for EDUs then where does that leave him in limbo? Mr. Byorek wants to sign a list or start a procedure for new EDU's.

Public Comment: None.

Motion to Adjourn at 8:45 PM – FIRST-Cotsack Second – Gallagher No Roll Call – Unanimous.

ATTEST:


Secretary