

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY  
Work Session, July 2, 2008  
YOUGH PLANT 5:30 P.M. Minutes taped by Authority.

ROLL CALL:

Andrew Blenko	- Present	Kate Petrosky, Manager	- Present
Kelly Wolfe	- Present	William J. McCabe, Solicitor	- Present
Edward Shields	- Present	Chuck Gilbert, System Superintendent	- Present
Drew Polczynski	- Present	Dave Coldren, KLH Engineers	- Present
Herman Sieber	- Present		

Attending from WWMA:

John Campfield, Solicitor	Kevin Fisher, General Manager
Bob Pioth, Chairman	Dan Goodman, HDR Engineering
Bob Zentner, Board Member, Secretary	Tony Marks, Board Member
Dan Hall, Board Member	Johanna Wtorkowski, Asst. Secretary/Treasurer

The Regular Meeting of the North Huntingdon Township Municipal Authority was called to order at 5:30 P.M. Mrs. Petrosky called the roll. A quorum was present.

John Campfield - We had met with representatives from each authority to discuss the issues that we have concerning what we call Cavittsville or Ardara. Toward the end of that meeting we indicated a possible way of dealing with the outstanding issues would be consideration of North Huntingdon Township Municipal Authority and Penn Township Municipal Authority in effect taking over and purchasing that service area. Recently we received correspondence from your engineer requesting certain information. Mr. Fisher has assembled some of that information. We also have information that we developed of the cost of that system and items that would be other than routine maintenance. With regards to certain projects that occurred particularly doing this decade with regard to the system. We made certain deductions and adjustments. Deductions being grant money that the authority had received whenever the construction of the system was originally undertaken. These are adjustments that were done in line with provisions in the Authority's Act or calculations of tap fees. These calculations are for informational purposes. This isn't something the Board of the Authority has acted upon and adopted as the number or anything of that nature. The Board has not even discussed this yet. Hopefully this addresses the questions that were set forth in your engineers request for information.

Dave Coldren - Kevin gave him the hydraulic information and GIS mapping.

Kevin Fisher - The only thing I didn't have time to include was some of the physical description of the pump station. Dave or Chuck can come down and view the pump station and view the actual operation records. I didn't make copies of those because there's not much to them. The whole line was tv'd just recently, just a couple years ago.

Kevin Fisher - Those reports are available and that is included in the report that is sent to the DEP as well as on the consent order and agreement.

John Campfield - The other financial information that we have is the cost of construction and start-up cost. WWMA's cost associated with building and maintaining that line. It does not include routine maintenance. This is extra-ordinary repairs or maintenance in those particular projects that are identified. The second page of that sheet is partly driven by the consent order and agreement with Alcosan. There were certain improvements made to the pump station itself during our 2002 plant improvement project. There were some general upgrades to the electrical and SCADA systems. The GIS was part of the consent order and agreement in the phase 1 sewer rehab. That was driven by the inspections that were performed to correct any level 4 or 5 defects. So those have all been corrected. Those are the costs up to and including today's date.

Ed Shields - Level 4 and 5 defects being the most severe?

Kevin Fisher - Right. Actually, we're well ahead on completing any of the requirements under the consent order and agreement. We've completed everything where most municipalities haven't even started yet.

Ed Shields - Last meeting we started to broach this topic and just paraphrase it what we discussed is that WWMA has recognized the fact that we have authorized some development areas that according to the original agreement should have been passed on to the interceptor. But were not because of decisions that were made and discussions that probably weren't adequately documented that it would have made more logical sense to tap them in to the Yough Plant and go that direction. That's what was done and your position was that's lost revenue to the citizen's served by the WWMA that they have paid for a system that hasn't been returning partially because we have tapped some development into the Yough system. You are proposing that if this is the case, either between our authority and Penn Township that perhaps we'd consider purchasing that interceptor. I'm trying to understand the logic behind us purchasing it. Relative to the rate payers, relative to our authority's put together, what's the logic, what do you think the advantages would be for NHTMA and/or Penn Township to purchase this interceptor?

John Campfield - It's a system that was designed to serve North Huntingdon and Penn Township. It doesn't benefit the other municipalities and authorities that are part of the service area and part of the agreement. It's a system that was designed and was built with capacity to meet the needs of that watershed area. It's a system that has been underutilized when you consider how many customers are and have been connected to it in relation to the capacity that it has. It's a system that the rate payers in the other communities have paid for in part because their rates, bond, proceeds and any loans that

were taken out with regard to the system. It's a system that is designed for portions of North Huntingdon and Penn Township. It's a system that's only been utilized by North Huntingdon. It's a system that's underutilized. It's a system that has value that the other folks have paid for in part and that you and Penn Township have paid for in part. It gives you and Penn Township control over that system and you can then chose to use it or not use it as you see fit.

Bob Pioth - Per the original service agreement, your flows were to have gone and been close to Penn Township right now should be taken to that system.

Ed Shields - I understand the original service agreement, that's what we discussed last time we talked. I don't think any of our Board is disagreement or at least not in total disagreement that the original service agreement said that based on survey lines that we would be sort of a black and white if something was on that side of the survey line we would send the service there. We agreed to disagree on the feasibility of sending the sewage to that system just because it was on that side of the line and that's why we made the decision. Whether or not that decision was made in adequate communication with WWMA, I think we have a situation there. When you first came to use, I thought you were looking for a resolve to that situation on either side of the line which way that material was sent. So now it's developed past that. Well if that's the way it is and if that's really the situation, then the original agreement may not have made the most logical sense. Instead of having an agreement that might not make the most practical sense, maybe it would be more practical for our Authority and maybe Penn Township to own it so we don't have that aspect of the agreement to even worry about. We could then just send the sewage whichever way made the most sense to us in future developments.

John Campfield - As I indicated, that's part of the consideration that should be a factor. The system has value and the system was intended to serve that water system.

Dan Hall - When we were discussing this part, Kevin brought up a good point, there's still a discussion on the Board. I think everybody on the Board is in agreement that once an area is sewerred, everybody should be of service through the WWMA. What happens when you get to the extremes of the community? Is the community required to run sewage out there, by the agreement, yes they are. In the real world do you force that issue or not. It happened in Penn Township and some other locations. One consideration now is, because that area is sewerred by pump stations which are taking it over the hill from the Yough Plant, what happens is if someone wants to put in a small subdivision down over the hill, he looks at it and says wait a minute here, I can't justify running a line up this hill where I can't really see a lot of development because I can put in a pump station. I can get it up this other pump station which goes to another pump station which takes it to the Yough. I think the original decision to put that pump station in was based

on economic considerations of a developer. What is the benefit of the individuals that pay for the use of that pump station down the line once a developer is out of the area?

Bob Pioth - We don't dispute the fact that financially it would be more feasible for you to pump into your system. What I think is that it was a direct violation of the agreement. I think we've got to come to an amicable consensus on where we're at and if it would be best for both our constituents and our consumers that we come to an amicable agreement. Litigation is not a question but I don't think it's practical for either one of us.

Kate Petrosky - I wanted to clarify that with Bob, when you thought it was done for the economic benefit of a developer. Ardara/Masters was way before Mountain Ridge.

Bob Pioth - Excuse our ignorance, it's not a defense. I don't think anybody ever knew. Our previous manager did not even realize that was happening. At least he never came to the Board with it.

Ed Shields - We discussed that before whether or not somebody was on the Board and if people knew at the time. I don't think we'll ever solve that question at this point in time. It doesn't matter now, it is what it is. I don't think that our Board disagrees that something was done in violation of the pure intent of that agreement. There's no argument there and I think we need some sort of resolution to that situation. Frankly, I guess our Board has asked for some information relative to the purchase, but hasn't really caucused enough to even come up with a good proposal solution relative to that without getting into buying an asset that would maybe take care of the future. We have two situations. When we first talked, we were talking about resolving what had happened in the past. Now we're sort of talking about maybe resolving it forever in the future with a change in ownership of this line. Can we talk about it in two stages or are you saying that one solves the other one if we go into the procurement of the line? What I'm looking to do is make sure that we understand out of this meeting enough of what you would like us to stew on and come back with the next formal response to you after our Board has enough time to take this information that we just got off of Kevin and look at what happened in the past. We're not going to have absolute knowledge of what we'll just say we violated for this period of time this is why we did it, it made sense, and our feeling was there was some decisions made that were known between the two authorities at the time. That's what I'm told but I can't swear to it, I don't know. I just want to make sure we get it all on the table now. Next time we meet we can propose something to you. Right now, we have that past situation we need to take a look at that. In the future, you've suggested to us that perhaps purchasing this asset is a solution for the future and I think I'm understanding that if we do that then that would be enough to take care of the past situation too.

Bob Pioth - I think, yes, one act would take care of past considerations.

Dan Hall - I think past considerations would have to be identified even if they're just a matter of forgiveness. But they have to be identified just for future reference in the service area we would have left.

Bob Pioth - The situation as it would be right now would just be a domino effect.

Ed Shields - I could understand your thought process, I don't necessarily disagree with that either, once you sort of cross the line and make that link then it's always going to be a decision just based on the nearest resource. I understand where you're coming from. I think we have a good clear assessment of the past, Kate. Is it all done in one place that we have adequately characterized the whole situation where we started on that street where we started to go over the line so to speak and when it happened. You had created something at one time. But I would like to think that both Boards agree on history relative to violating the agreement.

Kate Petrosky - We have a timeline we can put together from various documents, conversations, loans and construction projects. It was designed in the late 80's. The feasibility study, the cost analysis, and the design were done in the late 80's.

Bob Pioth - When was the construction done?

Kate Petrosky - That was probably in 2002. And the delay was caused by the DEP placed a tap restriction.

Bob Pioth - Didn't Don Glenn have drawings to take the line down Ardara Road crossing?

Kate Petrosky - I don't know if Don Glenn did, I know that Jeff Hartung did a cost analysis taking it both ways. He was the System Manager at that time. I don't know of or am not aware of any drawings for studies that were actually engineered to take it down below. I know there were cost studies.

Bob Pioth - I can remember seeing preliminary drawings of it.

Kate Petrosky - I know that Don did an analysis for Mountain Ridge. That's part of their submittal. Maybe that's what you're referring to?

Bob Pioth - No, this was for the gravity line going down Ardara, across the creek down there somewhere in the area where they put the new bridge in.

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Kate Petrosky - That could well be because they did do cost studies and maybe that was part of it. But there was a delay in actually doing the project because of the tap restriction.

Kevin Fisher - There was no restriction at WWMA at the time.

Kate Petrosky - That's probably true, but it was designed in the late 80's and put on hold.

Andrew Blenko - John or Kevin, I'm not sure who it is the better one to answer, is the Ardara line that you have laid out with the cost, is it a money maker or a money loser for your authority? Where I'm headed with this, Alcosan sends you a bill for the number of customers connected to that line, that's just based on so much EDU or is it actually flow based?

Kevin Fisher - Flow based.

Andrew Blenko - Who records then meters that flow?

Kevin Fisher - They get that flow information from, I got to assume, the water company.

Andrew Blenko - Alright so it's not based on the actual flow of the sewage, it's based on water meter reading?

Kevin Fisher - Right, water consumption.

Andrew Blenko - Ok. And then is that a separate billing district for you or is everything lumped together and divided up equally between all your customers?

Kevin Fisher - If you recall in the fall of last year, we started and formed that regular Ardara system a separate rate system because of the increases in the Alcosan rates that are projected over the next how many years of that consent order.

Andrew Blenko - So they would be paying a higher rate than you other customers?

Kevin Fisher - Yes, right now they are.

Andrew Blenko - And neither system is subsidizing the other system?

Kevin Fisher - No. Presently we have a separate rate district for the Ardara customers.

Bob Zentner - In the past, the rest of the system subsidized the Ardara system at a higher rate. Presently you probably don't know it, but there were some lawsuits filed back in the

early or mid 80's where North Huntingdon Township sued WWMA. One of the lawsuits was over the fact that we were charging those people in the Ardara system more than we paying Alcosan. That lawsuit did not take into account the fact that we had bond issues that need to be taken care of and we did some cost calculations at that time and we discovered that the cost per EDU for installation of that system was more than double the cost of installation of the rest of the facilities. At that time, if you looked at paying the fair share of the bond issue, the rest of the system was subsidized in Ardara. And they've been subsidizing it the whole time. Because of the fact that the cost was more than double to install it. If that had been a separate rate district at the time, they would've had a higher cost than the rest of the people because of the cost of construction. The rest of the system, North Irwin, Manor, Hempfield, Irwin, they've all been subsidizing that part of the system.

Andrew Blenko - There's no longer any indebtedness on that interceptor or pump station?

Bob Pioth - Yes, it's still under bond issue, right?

John Campfield - I think I answered this before. The authority has never been out of debt, which is not uncommon for a sewage authority, so not we can't say there's no debt associated with it. We've borrowed funds to do the work that we did in this decade with regards to the system. And it's set forth on there.

Andrew Blenko - So if you're selling that system, does it come with a loan payment or is it debt free?

John Campfield - It would be debt free as a preliminary answer. We would have to get approval from those involved with our current loans and our bond issue to sell this part of the system.

Bob Zentner - I think it could be debt free; it would have to include that portion of the original bond because it's not paid off yet.

Ed Shields - I think we're probably going too far into this project whether or not we're going to buy an asset or a liability. We haven't even said we're going to buy anything yet. That all will be things we'll have to look at if we were going to entertain this. Frankly, we have not talked this amongst our Board to even think that they would be willing to consider this. I think I stated my opinion personally at our last meeting that. Obviously, to me this more of a liability than an asset and I would not be in favor of purchasing a liability. But I would like to resolve the situation that we have had in the past and get that behind us so that if we do look at anything in the future if we do want to entertain any exchange of assets or liability. We have a new amendment to the agreement that we're looking at that we haven't fully discussed amongst our Board. We

have this information from Dave now and we have this new information presented relative to cost. I think we, NHTMA, really need to get together and evaluate this information. But I wanted to make sure that during this meeting we really understand what you're proposing to us. I've seen a lot of information but now it sounds like that maybe buying this line would be a solution to the future and perhaps even a solution for the past.

Kelly Wolfe - I have a question about the cost sheet. I'm not sure who developed it. It looks like you took the June 2008 Engineering Records Instruction Cost and applied it to everything since 1974 including legal costs, engineering costs, labor, sewer cleaning. You've essentially tied that multiplier to every cost associated?

John Campfield - The index has been used but not back to 77 and you can see that when you go through each item there depending upon when particular work was performed, there was a multiplier that is determined based upon that in relation.

Kelly Wolfe - For that particular time period?

John Campfield - Right. You can go through all the items on the second page.

Kelly Wolfe - I probably didn't think that very well. I see that it's only since the work was performed. But you are in fact applying that. Is it typical to apply that type of multiplier to things like labor, engineering work, and legal?

John Campfield - Yes, absolutely.

Dan Hall - That's the current cost value, that's not a fair market value. It does not take into account appreciation. Having said that, the system is in very good condition.

Has a proposal like this been made to Penn? Are they in the same situation we are? Have you gone to formal meetings and said would you like to buy it?

Kevin Fisher - No.

Dan Hall - I assume Penn Township is aware of what's going on here anyway.

I just worried as far as timing goes. If we're going to evaluate this are we ahead of them in the evaluation game? Is the suggestion that it's a joint purchase?

Kevin Fisher - It doesn't have to be a joint purchase.

John Campfield - I think you may recall, the last session we had we indicated that any discussion along the lines of what we're discussing now would be to include Penn Township. It is my understanding that you folks were talking or have been talking about this whole Cavittsville/Ardara area. I mentioned it to Rich Measley, their Solicitor. But there has not been a formal presentation made to Penn Township.

Dan Hall - Who prepared the proposed Fifth Amendment to the service agreement?

The drafter was Richard Shmead as a result of the meeting he and I had.

Dan Hall - It would be useful as a board member if someone put together what it means in maybe a paragraph or two.

Bob Pioth - It's pretty evident what it means.

Drew Polczynski - When they did the conceptual design of the interceptor, did they look at possible alternatives of pumping stuff to other municipalities rather than building that interceptor? Was that even an option back when they built the interceptor? Perhaps the engineering did that design for WWMA, was not looking at those alternatives.

Kevin Fisher - You're under a 201 Facility Study to take and look at on a regional watershed approach to provide sewer service. One of the things that was looked at was a treatment plant down at Cavittsville, the pump station in Ardara. That was reviewed and rejected by DEP as well as the Southwest Regional Planning commission at the time. Their recommendation was to go to Alcosan. That was the purpose for the formation of WWMA was to eliminate this spotty type of sewage collection systems and treatments, a small package plant in Harrison City, a small one here, a small one there, and to consolidate those into one regional approach. And to some great extent, that's still what DEP's decision is on sewer systems, is not to have these small package plants or numerous pump stations to pump it over a watershed.

Drew Polczynski - That's what I was getting at. It has no bearing on a treatment facility in Cavittsville. I was just curious if they looked at it.

Kevin Fisher - Well if you're asking if overall in the initial planning scheme, yes it did. It was looked at. That wasn't even an option at the time. Nor would it be now.

Drew Polczynski - There wasn't like a feasibility study it was just the no we don't want to do that.

Dan Hall - No there was a 201 Facility Study that would've been performed which would've included a variety of options. That 201 Study is somewhere buried in your

archives, Penn Township's archives and our archives too. Having done several of the studies way back when, you looked at all the options.

Bob Pioth - Mr. Shields, did you have another proposal?

Ed Shields - No I wouldn't be offering a proposal that wouldn't be anything that our entire Board would agree to.

Bob Pioth - It's just something for discussion, it just seemed like you had something.

Ed Shields - I've already stated what my particular opinion would be, but then I'm sure you didn't accept that so I don't even know if it's worth stating again. I can see where it might make logical sense for our authority to have responsibility for that line, but I have a tough time looking at it as an asset that needs to be purchased. If we do purchase it, does that mean that your customers that had a lot of the investment in the first place, would have all that revenue refunded to them? We are talking about the service of the rate payers, not two independent sewage businesses. That's what I have trouble with even though I understand there's been a lot of investment in the line. Those of some costs and I just can't see treating this as a bought asset as a revenue maker. It's more of a liability in my view. That's my opinion, that's not the opinion of the Board so I don't want to put that on the table as the opinion of the Board.

Dan Hall - A question that you may want to ask yourselves what is the Board going to do if some developer comes in here and says he's got 25 acres right down the road from Mt. Ridge and I would really like to put in a development here. The way it's sewerred I would just pump it up over the hill.

Ed Shields - If it comes to that point in time, we'll have to rethink. The big lesson learned is that we need to communicate better and I think since it obviously involves that agreement and a decision to be made, I would think that we would have to have that come before both Boards and we'd have to agree ahead of time which way that happens and not do it unilaterally.

Bob Pioth - I agree 100%, when we clear this mess up we can do that. I really have a hard time seeing any development going down. The Ardara Road I can see being developed down through there some day.

Andrew Blenko - I think the problem is always going to be if the development starts at the bottom and works its way up which is a logical sequence of construction of sewers. Or does it start at the top and work its way down? Nobody has got the money to go out and build sewers just in case somebody wants to develop there so it will all be developer driven.

Dan Hall - Like Kevin mentioned earlier, what happens if, it makes a lot more sense to put in a small pump station and get it up to what's already a system which is in the service district and going the other way. It could potentially just lead it way down to the point where you guys have everything in your back yard, where you're pumping everything out of your system.

Herman Sieber - You're talking about pumping station pump up to pump up. I think the ones they build right now, they're not designed for excess capacity in case somebody down below wants to pump into them. Then the pump up above you're going to have to rebuild it all the way.

Dan Hall - Then you have a narrow corridor fed by gravity potentially surrounded by pump systems carrying flow out of that area.

Herman Sieber - Once you start getting down so low it may not be feasible if you want to pump it up just like it may not be feasible go all the way down.

Bob Pioth - I find it very hard to believe that North Huntingdon Township's engineer's would put pump stations in that would've be able to handle the future.

Ed Shields - From what we know over the past years and the way things have gone, if we started to make a new agreement now, how would you draw it up relative to those lines? What would make more sense? Is there another way to draw that agreement? I think that's why we got the amendment there?

Herman Sieber - Could it be cost driven on what's most economical?

Ed Shields - That's been my feeling, but I'm trying to recognize there conundrum of having invested in a line which maybe there was faulty logic that hey if I draw a line here and everything goes down to it, I'm not prepared to argue that it should've been the first place would've made more sense to go the way it is. But obviously we've got some 20/20 hindsight that we've learned that maybe that wasn't a good assumption that was made way back when. But now how do we treat this in the future?

Herman Sieber - Does the DEP do that when they tell you that you're going to take five homes that were for sales because that's the most cost effective way to do it?

Bob Pioth - They tell us what to do.

Dan Hall - In terms of the bonding strength of the Authority, you're bonding strength too for that matter; part of what you do when you go to get loans is you say this is our service

area. This our potential source of income, similar to what a business would do. When all the sudden that service area starts to disappear, you lose that capability.

Bob Zentner - Next time you go out to bond, your rating is going to be lower. You essentially defaulted on the back-up documentation, even though you didn't default on the payments.

Herman Sieber - I don't think that's going to be changing whatever as long as you've got a good payment record for everything you've done.

John Campfield - All entities who borrow money enter into an agreement with their lenders because it says that they're going to enforce the agreements that they had. This agreement clearly says WWMA is exclusive provider of transportation and treatment for this service area. We can't ignore the agreement, we can't ignore the union agreements that we've entered into with the lenders.

Ed Shields - Does any other Board Member have questions for the WWMA? Do you think we've got enough to understand their predicaments and what they're proposing or suggesting? My intent is that we take this information and process it and come back to you. We've got to make progress, we can't keep meeting and talking, these meetings will become like Groundhog Day if we don't watch it. I want to make sure we have enough information on the table or in process that NHTMA can make some decisions and come back to you with how we think we ought to proceed. If there's no other questions for our Board?

Bob Pioth - Is there a time limit on that?

Ed Shields - Do we have any suggestions? I could think that we're going to meet tonight, we'll have some time to discuss, but how do we proceed on this Bill? Do we have to do this all in public meetings?

The only exception would be is if we were under a threat of litigation. We could do executive session discussions.

Ed Shields - Tonight, as part of the rest of our meeting, we will establish some meetings of our Board for any executive sessions and try to make some serious progress on this. We'd appreciate it because we'd like to get it cleared up.

John Campfield - May I ask on behalf of the Authority if before the Authority's next meeting you could give us a date or a week we could have a response from you?

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Ed Shields - I think when our Board starts to talk about this we can lay out when we think we can meet that isn't getting into a difficult time with vacations and everything during the summer. But we have to make it a priority at least until we get some progress on this. We will make it a recurring agenda topic on our public meetings to make sure that we are making progress and let's say we owe your proposed timeline for this and we will have that timeline to you in early August.

John Campfield - If there is anymore information you need, you know where to find us.

Ed Shields - You're welcome to stay for the rest of the public meeting.

Meeting adjourned.

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Andrew J. Polczynski, Secretary

/sjm