

TOWNSHIP OF LOWER MAKEFIELD  
BOARD OF SUPERVISORS  
MINUTES – JUNE 17, 2020

The regular meeting of the Board of Supervisors of the Township of Lower Makefield was held remotely on June 17, 2020. Dr. Weiss called the meeting to order at 7:35 p.m. and called the Roll.

Those present:

Board of Supervisors:                      Frederic K. Weiss, Chair  
   Daniel Grenier, Vice Chair  
   James McCartney, Secretary  
   Suzanne Blundi, Treasurer  
   John B. Lewis, Supervisor

Others:    Kurt Ferguson, Township Manager  
   David Truelove, Township Solicitor  
   Andrew Pockl, Township Engineer  
   James Majewski, Director Planning & Zoning  
   Kenneth Coluzzi, Chief of Police  
   Monica Tierney, Park & Recreation Director

COVID-19 UPDATE

Ms. Tierney stated they are looking at a Summer Camp launch the first week of July, and information will go out to parents once the legal and Bucks County Department of Health reviews are completed. Ms. Tierney stated they are looking at some dates for drive-in movies. She stated with regard to Community Day, the Township will not be able to use the School fields in August. A final decision on Community Day will be made in July. Ms. Tierney stated they are looking at some other potential socially-distant events to try to get the community engaged however they can.

Ms. Blundi asked why they are not able to use the School fields for Community Day, and Ms. Tierney stated the School District is not Permitting any fields until they know what they are doing for the School year.

Mr. Ferguson stated the Township continues to have staff work remotely. He stated if and when we go to the Green Phase, he will continue to have some staff working remotely. He stated they are working on a schedule where they would stagger staff coming into the building. He stated they are already discussing having one or two of

the Park & Recreation employees who are working at the Administrative Building being staggered for work that Ms. Tierney is doing at the Community Center. He stated the challenge they have with the Administrative Building is that it is tight quarters without substantial ventilation. He stated they are putting up additional barricades. He stated they will work to rotate staff coming in, but he does not anticipate full staff coming back into the building with the Green designation. He will continue to update the Board on these plans.

#### COMMUNITY ANNOUNCEMENTS

Dr. Weiss stated information about Park & Recreation digital recreation opportunities can be found on the Township Website.

Mr. Ferguson stated they will continue to have remote Board meetings in July, and they will be coordinating with Committees regarding their upcoming meetings. He stated on June 24, they will have a joint Committee meeting of the EAC, Citizens Traffic, and the Park & Recreation Board on the multi-use trail. He stated the consultants will be presenting the final review of the Plan as it will be submitted to PennDOT in August. He stated Park & Recreation and the EAC have looked at this project over the last few years, and it was felt that due to some of the safety measures they have included such as the cross walk, it would be appropriate for Citizens Traffic to see it as well. Mr. Ferguson stated the hope is that after those Committees have met about this Plan, the Plan would be presented to the Board of Supervisors and the public at one of the July Board of Supervisors meetings before it is sent to PennDOT. Mr. Ferguson stated the hope is that the Bid could go out in August/September with the work started this year going into next year. Mr. Ferguson stated that while this is an expensive project, a majority of the money is coming from a Grant.

Mr. Grenier asked Mr. Truelove if given that there are three Committees involved in this meeting with three different Supervisor liaisons, is that an issue with the Sunshine Act. Mr. Truelove stated it should not be an issue provided it is a Public meeting and the Agenda is available for review. He stated provided the Board members do not deliberate, it is not an issue. He stated the Liaisons would take the information back to the full Board.

## TREASURER'S REPORT

### Approval of Warrant Lists from June 1, 2020 and June 15, 2020

Ms. Blundi moved, Mr. Grenier seconded and it was unanimously carried to approve the Warrant Lists from June 1, 2020 and June 15, 2020 in the amount of \$683,550.53 as attached to the Minutes.

### Approval of May Interfund Transfers

Ms. Blundi moved, Mr. Grenier seconded and it was unanimously carried to approve the May Interfund Transfers in the amount of \$938,721.15 as attached to the Minutes.

## ENGINEER'S REPORT

Mr. Pockl stated he provided his Engineer's Report in the Board's packet. He stated the 2020 Township Road Program has been completed, and a punch list was issued on June 15; and the contractor has begun working on the items on the punch list. Mr. Pockl stated the contractor plans to have Silo Road paved on June 19. Mr. Ferguson stated that will be from Disk to Harvest, and Mr. Pockl agreed. Mr. Pockl stated they also plan to pave Milton Drive on June 22. He stated both projects are weather permitting. Mr. Pockl stated the punch list includes puddling on Combine Lane and several other items.

Mr. Pockl stated the Laurel Lane outfall repairs had been completed last year; however, the contractor had to return in the spring to mitigate any erosion that had occurred over the winter and also to re-seed and pave a driveway from which they had taken access during construction. Mr. Pockl stated the work was completed, and his office issued a punch list on June 1; and the contractor indicated yesterday that they had completed the punch list items. Mr. Pockl stated he will be out on the site tomorrow to make sure that they have addressed everything; and if they have, he will be presenting the final payment Application to the Board at the next Board meeting.

Mr. Pockl stated the 2020 Bike Path Maintenance Program has begun. He stated a pre-construction meeting was held on June 8. He stated the contractor has looked at some of the crack-sealing repairs that are needed, and they are cleaning out the cracks in preparation of the work. He stated

they anticipate starting tomorrow, and they are placing door hangers on all residences in the area of the work. He stated they anticipate paving sometime next week. He stated this work involves Heacock Road and on Big Oak Road near the entrance to the Five Mile Woods.

Mr. Pockl stated with regard to the Department of Health Walking Grant they provided a scope of work and estimate to the Township yesterday. It was noted the Application is due July 2.

Mr. Pockl stated they have reviewed the latest Erin Development submission for the development across from the Caddis development on the north side of Dobry Road. Mr. Pockl stated Erin provided additional information in response to the review letter, and his office is currently reviewing that. Mr. Pockl stated he also received comments from the EAC, and they are reviewing those comments and will incorporate those comments into any future letters as they see fit.

Mr. Pockl stated there is ongoing construction at Caddis Health Care and Yardley Woods. Mr. Pockl stated he approved a Revised submission that Lower Makefield Corporate Center had provided. Mr. Pockl stated when that project was approved they had held some parking spaces in reserve, and they submitted a Revised Plan that shows construction of those parking spaces and additional stormwater management to mitigate the additional impervious area from those parking spaces. He stated they issued an approval letter for that on Monday.

Mr. Pockl stated they continue to talk to the developer of Scammel's Corner to get them to finish the work at that development. He stated he e-mailed them yesterday indicating that progress has not been to the Township's satisfaction. He stated at this point he is waiting for a Plan from them for the rain garden in the middle of the cul-de-sac.

Mr. Grenier asked for an update on the MS4 Program since the submission in March. Mr. Pockl stated he will contact DEP to follow up on this. Mr. Pockl stated the big submission will be the Pollution Reduction Plan in September. He stated the outfalls are mapped, and he is waiting for DEP to agree that those are the mapped outfalls they should have within the Township. Mr. Grenier stated a number of years ago they had discussed having a spreadsheet of all the basins and doing an analysis to see what state they are in, where there is room for improvements, and to consider Budgets moving forward to address some of the issues. Mr. Grenier asked if they have done that for all of the basins at this

point. Mr. Pockl stated they have not done that, but it is going to be included in the Pollution Reduction Plan. He stated they have the basins mapped and have inspected approximately forty of the basins which is a little less than one half of the basins. He stated they focused on the basins that were in the impaired watersheds – Neshaminy Creek, Core Creek, and Rock Run. Mr. Pockl stated most of this will be incorporated not only on the map, but also incorporated into the Township's GIS system; and they could add a lot of information for each one of the basins. Mr. Grenier stated they are setting a great base line for moving forward on the basins. Mr. Majewski stated they are looking forward to getting the information and sharing it with the EAC.

Mr. McCartney asked if they are gaining any ground with the Scammel's Corner developer. Mr. Pockl stated it seems to be "apathy" on the part of the developer. He stated the developer told him a month ago that they would get him a Sketch Plan within a few weeks, and he still does not have it. Mr. Pockl stated the developer indicated that they could implement what was on the approved Plan which did not include permeable pavers around the edge, and it was just a rain garden that is required to drain within seventy-two hours. Mr. Pockl stated at this time it drains within ninety-six hours. Mr. Pockl stated the developer indicated he could dig down to a soil layer that allows it to drain better and would put the shrubs on top and that would be all, or he would work with the Township and provide the pervious pavers around the edge and let the residents pick the type of landscaping to go on top. Mr. Pockl stated they are going to put a drain in on the surface as opposed to just letting it perc down through the soil which would help it drain off the surface. Mr. Pockl stated the developer is going to provide something more than was originally approved, and it is just a matter of when the developer is going to do it.

Mr. McCartney asked if the developer is in communication with the residents regarding this; and Mr. Pockl stated to his knowledge the developer is not, but he himself has been keeping the residents informed of the progress that he has witnessed. Mr. Pockl stated last week he had a discussion with the developer and his engineer about the Sketch Plan that they are to provide. He stated they discussed in detail about the type of pavers, and Mr. Pockl stated he was looking for a concrete paver similar to a patio paver that is permeable; however, the developer indicated that they were proposing a plastic grid that allows grass to grow up through it. Mr. Pockl stated he advised the developer that he would not find that to be acceptable. Mr. Pockl stated he has been reaching out to the developer twice a week for an update.

Mr. Grenier asked if they are going to put in an under drain, and Mr. Pockl stated during their discussion with the Bucks County Conservation District, they were advised that an under drain would be appropriate. Mr. Pockl stated he feels they are going to provide an under drain with perforated pipe and a drain on the surface. He stated this will be more like a seepage pit because it will be a larger area and more volume will be held underground than just an under drain. Mr. Grenier stated this will be a natural area and not a manufactured storage container, and will be crushed stone. Mr. Pockl stated it will be buried crushed stone wrapped in fabric and a perforated distribution pipe.

#### DISCUSSION AND APPROVAL OF PAWC QUARRY ROAD BOOSTER PUMP STATION WAIVER OF LAND DEVELOPMENT

Mr. Majewski stated the Applicants are here with a presentation that they had wanted to show at the last Board of Supervisors meeting. He stated they will show the Site Plan, how they will situate the building in relation to the existing facility, and what the building will look like.

Mr. Jeff Skinner, engineer, and Mr. Craig Darosh, Project Manager, were present. Mr. Darosh stated in December, 2018 Pennsylvania American Water noticed excessive corrosion and structural problems in the below-ground booster station on Quarry Road located between Creamery and Dolington Roads. Mr. Darosh stated this station provides safe, potable water to over 1,200 Lower Makefield Township residents and two elementary schools. He stated the station also provides fire protection for that same area. He stated Pennsylvania American enlisted the services of a structural engineer to do an evaluation of the structural integrity of the station and prepare a cost estimate to rehabilitate it. He stated the report came back with an action plan and cost estimate that was excessive in both cost and the duration that the station would need to be taken out of service. He stated it could not be determined how long the station would last without replacement, but the structural damage was considerable enough to warrant replacing the station as soon as possible.

Mr. Darosh stated the decision was made to replace the below-ground station with an above-ground station in order to provide for a much safer work environment for their employees. He stated the proposed station will be located immediately behind the existing station; and by doing this, they can construct the new station while keeping the existing station in service without interruption to the residents. Mr. Darosh stated the proposed station was designed with an exterior to match the historic barn which is close by on Dolington Road.

Mr. Darosh stated Pennsylvania American Water hired BCM Engineers to do the site design and Permitting of the station. He stated through the Permitting process Pennsylvania American and BCM has met to obtain approvals or recommendations from the Sewer Authority, Planning Commission, Zoning Hearing Board, and the Board of Supervisors. He stated Pennsylvania American Water requested a Waiver of Land Development in hopes of expediting the process since the station could potentially fail at any given time. He stated the proposed station also requires an additional 5,100 square feet of Easement from the Township, and this Easement language has been approved by the Township engineer and is ready to be sent to the Township for signature. Mr. Darosh thanked the Board of Supervisors for their consideration of this project.

Mr. Jeff Skinner stated this is a booster pump station replacement. He showed an overview of the site, and the area surrounding the proposed station. He stated the project is located at the northwest corner of Dolington Road and Quarry Road intersection near the intersection of Creamery Road and Quarry Road. He stated it is the southeast corner of a thirty-four acre property owned by the Township.

Mr. Skinner stated there is an existing 50' by 60' Easement for the existing station that will be required to be expanded to 90' by 90' for the new station. He stated this will allow the new station to be built directly behind the existing station. He stated the expansion of the Easement will not interfere with the future Dolington Road relocation and right-of-way; and that area was shown to the left of the station on the Plan shown.

Mr. Skinner stated the Plan did require the vacation of an existing Sanitary Sewer Easement that went through the site; however, no sewer was ever constructed on it. He stated they went to the Township Sewer Authority and received approval for vacation of that Sewer Easement.

Mr. Skinner stated the Use required a Special Exception and a Buffer Variance based on the siting of the station, and they had that Application reviewed by the Planning Commission which recommended approval. He stated this was also approved by the Zoning Hearing Board. Mr. Skinner stated with that Application submission, residents within 1,000 feet were notified of the development, and no comments were received.

Mr. Skinner stated the Plan does not conflict with the future development of the athletic fields or the bike path on the property that has been considered by the Township.

Mr. Skinner stated the proposed 13' by 30' one-story station is to replace the existing underground station. He stated the existing station is located directly underneath the proposed rain garden just in front of the new station. He stated the new station will be a pre-fabricated building which will be brought in and placed on a new foundation to be constructed at the location. He stated only pumps and control equipment will be located in the building, and there will be no storage or other use. Mr. Skinner stated an existing generator servicing the existing station will be re-located to a location behind the new building. He stated there will be a new driveway to access the building where presently there is none existing. He stated it will be used by approximately one small vehicle a day coming to the site for maintenance, and there will be no large trucks coming to the site.

Mr. Skinner stated two new rain gardens will be constructed to fully infiltrate the additional stormwater due to the impervious increase. He showed the locations of these on the Plan. He stated the Stormwater Plan has been reviewed and approved by the Township engineer. He stated existing trees on the north and west sides of the Easement will be used as buffer, and there will be a new 25' buffer planted along the east side along with a 4' tall screening along the south side/front of the facility. Mr. Skinner stated the site will be surrounded by an 8' tall black chain link fence with barbed wire due to security requirements for public water systems. He stated there will be a rolling gate at the driveway.

Mr. Skinner stated the Development Plans have been reviewed and approved by the Township engineer, and the Waiver of Land Development review has been recommended for approval by the Planning and Zoning Director.

Mr. Skinner showed a picture of the pre-fabricated building. He stated the exterior has been designed with the neighborhood in mind to be more homogeneous to the area with upgraded exterior finishes and colors. Mr. Skinner showed a picture of the interior of the building which will house new pumps and upgraded controls and will provide a more open and safe working environment than the existing underground facility. He stated the existing underground facility will be completely removed to allow for the construction of the rain garden above.

Mr. Grenier stated he is looking at the Plan set that was provided for the last Board of Supervisors meeting. He noted Sheet C401 which is an elevation view of the gate. He stated the access drive is 10' wide and the gate is 12' wide. He asked if the gate will also be the same material as the fence, and Mr. Skinner agreed. Mr. Grenier asked the height of the barbed wire on top of the fence, and Mr. Skinner stated it is approximately 1'. Mr. Grenier stated he understands the vegetation will only be 4', and Mr. Skinner agreed that it will be only 4' along the front. Mr. Grenier stated the person living across the street will be able to see the gate, and Mr. Skinner agreed.

Mr. Grenier stated he designs for utilities that require an even higher level of safety than water infrastructure, and in neighborhoods like this he often uses alternatives to barbed wire and chain link fences which are solid fences. He stated he has also used wrought iron with spikes on top to be more aesthetically pleasing especially when the vegetation does not cover all of it. He stated this is in an area which will very likely be a high-visibility public park. He stated he is in favor of the proposed building; however, he would appreciate it if they would consider some combination of potentially taller vegetation taking into consideration sight line issues and/or a different fence type.

Mr. Grenier stated with regard to the building itself, he feels the doors are plain and "plastic looking with normal hardware." He asked if there is any way they could make it look more like a barn door to complete the aesthetic which he feels would be appreciated by those in the area.

Mr. Grenier stated with regard to the Notice requirement, it was sent to the neighbors by regular mail; and people have a "tendency to throw out regular mail." He stated he received feedback from the neighbors that they did not know this was coming. Mr. Grenier stated the neighbors in this neighborhood are very sensitive to anything going on. He stated it is a nice neighborhood with Schools in the area and children walking to School. He stated if there is the ability to put in evergreen vegetation that is 8' tall instead of 4' and "fancy up the doors" it would be good to make it nicer for the neighborhood. Mr. Grenier stated no one wants to look at barbed wire, and he asked that they look into a way to hide it or consider a different fence type that will do the same job, which would make the neighbors happy.

An individual representing Pennsylvania American asked Mr. Grenier if he is more concerned about the chain link fence or the barbed wire. Mr. Grenier stated the black chain link tends to not be as obvious, and it is more the barbed wire that makes people feel uncomfortable; and there is also the concern that kids in the area could get hurt. The individual stated Pennsylvania American Water would be willing to work with them on the fence and doors.

Mr. Darosh stated he has already reached out the manufacturer of the building, and the color choice for the doors was white, beige or dark brown. He stated they could switch it out to beige; and once it is delivered the doors could be swapped out or painted to look more like a barn-style door. Ms. Blundi asked if they are metal doors, and Mr. Darosh stated they are. Ms. Blundi stated they could use magnets that look like wrought iron that would give it a more barn-like look. Ms. Blundi stated when they came before the Board in September, she was pleased that they had such good-looking materials since it is a Residential area and near Schools; and the Board wanted them to fit the structure into the aesthetics as much as possible since it is going above ground. She stated now that she has seen the doors, she is glad that they are willing to work on them. She asked that they consider the plantings; and while she knows that they will be using native plants, the plants they choose can help with the aesthetics.

Dr. Weiss stated the Motion was made at the previous meeting and was postponed. Mr. Truelove stated the Board would need a Motion to remove it from the Table.

Ms. Blundi moved and Mr. McCartney seconded to Move it from the Table and approve. Dr. Weiss stated that the Motion is now active again.

Mr. Grenier stated per the advice of the Township solicitor he will recuse himself from the vote as due to a recent employment change on his part there may be some conflicts.

Motion to Waive Land Development carried unanimously. Mr. Grenier did not vote on this matter.

## PROJECT UPDATES

Mr. Grenier asked for an update on the Maplevale question from the last meeting. Mr. Ferguson stated Mr. Hucklebridge advised that it is with the Executive Director of the Bridge Commission and their Board at this time.

Mr. Lewis asked for an update on the Sandy Run Road project. He stated they selected an engineer a little later than planned, and he would like to know the status for getting the project to Bid. Mr. Ferguson stated survey work was being done, and he will provide an update on the timing of this project by the next Board meeting.

Mr. Lewis asked about the Route 332/Mirror Lane signal interconnection. Mr. Ferguson stated they should be ready to go out to Bid for that project shortly. He stated the specs for that were done by the previous Township traffic engineer, and the current traffic engineer is working on that.

#### SOLICITOR'S REPORT

Mr. Truelove stated the Board met in Executive Session Monday night from 6:30 p.m. to 8:30 p.m. discussing Contracts and confidential information. He stated the Board met in Executive Session this evening beginning at 6:30 p.m. and personnel, Contracts, and informational items were discussed.

#### APPROVAL OF EXTENSION REQUEST OF ARIA HEALTH

Mr. Truelove stated Aria Health has issued a grant of Extension of their Land Development until June 30, 2021. He stated the matter is technically still in litigation. He stated there was an Appeal from the Zoning Hearing Board Decision in 2012/13 which is still pending before the Courts.

Ms. Blundi moved and Mr. Lewis seconded to accept the Grant of the Extension to June 30, 2021.

Mr. Grenier asked what would happen if the Board voted against this. Mr. Truelove stated they would have to specify the reasons, and he has not looked at this Land Development for some time. He stated there would have to be a specific denial under the MPC. He stated the Board would not want to give the developer a de facto way to have a deemed approval.

Motion carried unanimously.

## PUBLIC COMMENT

Ms. Sue Herman, Residents for Regional Traffic Solutions, Inc., P. O. Box 285, Newtown, Pennsylvania stated “residents have noted how discourteous the Board is that they chose to make us wait until Public Comment to address their issue with the May 20, 2020 Board of Supervisors Minutes that were posted to the Website, an issue that you were aware we had.” Ms. Herman stated in the approved Minutes of the May 20, 2020 Board of Supervisors meeting that were posted on the LMT Website, the Board neglected to attach the RRTS May 7, 2020 e-mail complete with attachments. She stated the e-mail is titled: “Urgent Request to Resume LMT’s TTN Review Panel Monthly Meetings.” Ms. Herman stated the Board also neglected to attach RRTS’ written May 20, 2020 Public Comment that she also gave orally during the May 20 meeting. Mr. Herman asked Mr. Truelove what needs to be done to rectify this.

Mr. Truelove stated they would have to look at the taped Record of the meeting to see whether that has to be re-visited, whether it can be Amended, or whether that submission can be included in subsequent Meeting Minutes. Mr. Truelove asked Ms. Herman if she submitted that yesterday. Ms. Herman stated she has “gone above and beyond in micro-managing this because they felt very clear that the Board would omit this.” Ms. Herman stated Mr. Truelove crafted the Motion that the Board passed at the May 20 meeting to include these documents. She stated they would like Mr. Truelove to review the tape and that Mr. Truelove send written communication to the Board copying RRTS as to what action needs to be taken to rectify this. Ms. Herman stated the Board has “purposely and intentionally not followed through on a very clear Motion that was made, and the public finds it unacceptable.”

Mr. Ferguson stated if this information should have been attached, it is not the Board that would do it, rather it would have been the staff, which is ultimately his responsibility. He stated if it was authorized as part of the Motion that those should be attached, and that Mr. Truelove indicates it is okay to do so, they will pull the Minutes down, re-scan them with the attachments in there, and include those as far as what is on the Website.

Mr. Truelove stated he will go back and look at the Minutes and if necessary the tape to take care of this. Ms. Herman stated he should look at the very large, detailed paper trail that he has been copied on and addressed regarding this issue. Ms. Herman advised Mr. Ferguson that she is “highly troubled that he did not follow through on this given

the level of detail that was given.” She stated she followed the instructions to give Mr. Ferguson the information after the Motion was made. Ms. Herman stated “they are very alarmed at the game that is being played.” She stated the Board is responsible since they approved the Minutes. Ms. Herman stated she sent an e-mail to the Board copying the solicitor asking to see the draft Minutes because it was complicated. She stated the Board knows what level of concern the public has and still they approved the Minutes that do not follow through on the Motion made. She stated it is “unconscionable.”

Ms. Herman stated “this an urgent issue that you people are indifferent to – the irreparable damage to our water supply” with contamination, and the Board will be held accountable. Ms. Herman asked Mr. Truelove what is the timeline for getting the written communication to the Board and to her regarding the actions that are to be taken.

Dr. Weiss advised Ms. Herman that her time was up for Public Comment. He stated Mr. Truelove, the solicitor, answers to the Board of Supervisors; and Ms. Herman can address her comments to the Chair or to members of the Board. Dr. Weiss stated on multiple occasions, Ms. Herman has e-mailed the Board and others; and he has personally answered her saying that any attachments that have not been included in the Minutes will be. He stated with regard to issues of contaminants to the River, the Board is on Record of having requested the State Legislators to get in contact with DEP and the EPA through Congressman Fitzpatrick’s office to take the necessary measurements on possible contaminants into the River. He stated the Board of Supervisors takes this issue very seriously, and he takes issue with Ms. Herman’s remarks. He stated in the future Ms. Herman should deal with the Township’s Airport Review Board who can come to the Board of Supervisors as the Standing Committee of the Board for any circumstances. He advised Ms. Herman if she has an issue with the Committee, she can go through the Committee’s Liaison or discuss it with the Township Manager or one of the other members of the Board of Supervisors.

Mr. Robert Abrams, 652 Teich Drive, stated with regard to the Special Meeting, he is very bothered by the fact that both the developer and the Township is unprepared. He stated they are taking “350 years of history and changing it, and they do not have a clue as to what, why, where, or how they plan to do it.” He stated he has had people thank him for his Public

Comment. Mr. Abrams stated nothing should be done virtually, and everyone should have the opportunity to sit in a room and have a presentation going “eye to eye with the people that want to change this Township.”

Mr. Abrams stated he submitted a Right-To-Know Request to track the money from the Lease of the tower. He stated he asked for the original deposit and the transfer or withdrawal and re-deposit. Mr. Abrams stated what he was sent was a one-page “during tax season, April” bank statement; and he does not consider that being very transparent. He stated it is not at 2 ½%, and he believes it was at 1 ½% which is probably down to about 1 ¼% right now or even lower. Mr. Abrams stated he asked to track the money, and getting the one-page bank statements does not show any deposits, debits, or credits; and that is not being transparent.

Mr. Ferguson stated he would be happy to re-examine the Right-To-Know Request which he made approximately six weeks ago. Mr. Ferguson stated if what was provided did not fulfill his request, if Mr. Abrams had made that known to him the day that he received it, they would have adequately provided what he asked for. He stated he will have his Assistant send that Request back to him; and if there was something missing, he will make sure that Mr. Abrams receives what he asked for.

Mr. Abrams stated he tries to stay abreast of what happens, and that is the reason he filed the Right-To-Know. He stated he could also have made an Open Records Complaint, which he did not do. Mr. Abrams stated he has lived and paid taxes in Lower Makefield for thirty-five years. He stated “money is going in, money is going out, big changes are being made, and everything is being done behind closed doors or not transparently and over the years he never had this problem.”

Mr. Ferguson stated the Request asked for initial deposits, and it is not a problem to provide that. He stated when he looked at Mr. Abrams’ Request it appeared that the request was focused on determining what the interest rate to that account was. He stated interest rates are lower. He stated when they opened that account, the rate got up to 2.27%; and at the time of Mr. Abrams’ Open Records Request the interest was down to 1.51.%, and it is probably lower now and it could be under 1%. He stated a copy of the initial deposit and any transfers taking place is fairly straight forward as there have not been any transfers. He stated they have incorporated some of that money into the Budget as they can leak that in as it is a thirty-five year front-loaded Lease. He stated he will look into this tomorrow and make sure Mr. Abrams has all the information that he had asked for.

## DISCUSSION ITEMS

Manager Overview of Township Finances and Impetus Behind Sewer Sale RFP

Mr. Ferguson stated last September, he had provided a financial overview of the Township's financial situation. He stated PFM will be presenting the Bid review, and he felt he should first discuss what they would be looking for in a Bid and how they would know if a Bid was a successful Bid.

Mr. Ferguson stated in 2018 as part of the 2019 Budget discussion it became clear that there were financial challenges the Township was facing. He stated the General Fund Balance had diminished significantly, and previous years' Financial Statements had to be Amended to reflect our financial condition. He stated the Township was also approaching the ceiling on locally-controlled millage rates. Mr. Ferguson stated as of today, we only have room to raise mills .12 mills without going to the Court of Common Pleas for additional millage. He stated the Golf Course had looming Bond payments that would require significant taxpayer assistance. He stated the Sewer system had little to no ongoing maintenance over many years and will require significant rate increases to cover those expenses, and the ratepayers would be responsible for approximately \$50 million in upgrades to the Morrisville system. He stated the cash position of the Sewer Fund was "dire," and currently sits at - \$1.4 million.

Mr. Ferguson stated approximately two months after that based upon the 2017 Financial Statement Moody's downgraded the Township's Bond Rating to Aa2 and assigned a negative outlook stating the following: "The negative outlook reflects our expectation of continued General Fund support for the Township's financially-strained utilities, particularly its Sewer Fund. Sewer liquidity is notably thin and the system faces a significant contingent liability through its Treatment Contract with the neighboring Municipality. The continued appropriation of General Fund Reserves to the Township's Enterprise Fund would have a material impact on the Township's credit profile." Mr. Ferguson stated the \$50 million upcoming sewage expense which contributed to the downgrade would continue to cause a negative outlook going forward.

Mr. Ferguson stated the Enterprise Fund refers to Golf and the Sewer, and it is a recognition that the debt attributed to the Golf Course would require on-going assistance from taxpayers. Mr. Ferguson stated the Moody's outlook is saying there are concerns for the \$50 million Sewage expense, and the Enterprise Fund is a reference to the Golf Course and the Sewage expense; and it is a recognition that the Golf Course debt and reliance on the General Fund as a drop back to pay it would cause the outlook to be negative.

Mr. Ferguson stated Moody's outlined factors that could lead to an upgrade. He stated these include operational balance in Government business-type activities leading to a greater overall Operating Fund Reserve and reduction in contingent liabilities for Sewer system Capital needs without Debt increases. Mr. Ferguson stated an upgrade by Moody's on the General Fund Reserves is specific. He stated they define an Aa Bond Rating as requiring ongoing thirty to forty percent Fund Balances. He stated for Lower Makefield that translates to \$3.7 million to \$4.8 million. He stated they are also saying that if the Township could find a way to address future Capital needs without Debt increases, that could position the Township to either sustain its rating or have it raised again.

Mr. Ferguson stated what could lead to a downgrade in the Rating includes reduction in General Fund Reserves, General Fund resources to support utilities being on-going, material increases in leverage, and imbalance of Operations. Mr. Ferguson stated Moody's is concerned about our decreasing Fund Balance as well as the General Fund serving as the stop gap for the Sewage Fund. He stated if the Cash position of the Sewage Fund is -\$1.4 million and something came up that we had to pay for, we would have to go to the taxpayers/General Fund to cover that expense. Mr. Ferguson stated the imbalances such as Golf is also what Moody's is concerned about.

Mr. Ferguson stated the current Debt is in three pieces – the General Fund for open space, Golf, and Sewage. Mr. Ferguson stated with regard to the Sewer treatment plant, they have looked at various options; and even though a final report has not been issued, all of the options are in the \$50 million range. He stated when Moody's discusses "material increases and leverage" they are talking about the overall Debt, which Moody's is aware of.

Mr. Ferguson stated with regard to the Sewer system, the Township is updating its system with Capital and maintenance improvements that are required. He stated there are approximately 11,800 customers; and when big bills come in, it leads to significant percentage increases that we are well aware of. He stated the rates can now remain flat for several years as we have gotten the rates to a point where we can do on-going maintenance; however, the \$50 million will require an increase of 60% to 70%. He stated we also need to remember the Cash position of the Sewer Fund, and when Moody's says that Sewer liquidity is a noticeable thing, this is the foundation for those concerns.

Mr. Ferguson showed a slide of the current Golf debt. He stated the Golf debt cannot be re-financed again, and the annual payment of this Debt is through taxpayer assistance. He stated for a number of years, the Township paid interest only. Mr. Ferguson showed a slide of the Debt Service on the Golf Debt. He stated when they did the 2019 Budget in 2018, they transferred about \$875,000 from the General Fund for these recurring deficits that the Golf Course was running because of the size of the debt to have it running at zero. He stated these debts will increase 20% until they get to the end of 2033.

Mr. Ferguson stated over the course of the years, they anticipate there will have to be a little over \$9.3 million that would have to be contributed from the General Fund.

Mr. Ferguson showed a slide of the Fund Balances which have been corrected to show where the dollars are. He stated this shows where 2017 came out when the Financials were re-stated. He stated this has been re-built with this Board over the last few years as they have stopped doing transfers between funds without Board approval, and the funds are used for what they are intended. He stated they know that they are going to need \$500,000 to \$700,000 a year to subsidize Golf for the Debt, which is concerning.

Mr. Ferguson showed a slide which shows the questions they would have as a basis for review of proposals with regard to the Sewer. Mr. Ferguson stated one question is whether a sale could predictably stabilize Sewer rates. He stated Lower Makefield has approximately 11,800 customers, and there was a 24% increase in rates in 2019, and a 37% increase in 2020. He stated as he has indicated in the past, he believes that those rates can remain flat for a number of years to deal with upgrading and maintaining our own system; however, the potential \$50 million cost would require a significant increase in rates in approximately five years.

Mr. Ferguson stated another question to consider is whether the customer base would be large enough to provide economies of scale that could soften future increases. Mr. Ferguson stated there are 11,800 customers; and because there are mandated requirements and upgrades, the percentage increases become significant when there is a limited customer base.

Mr. Ferguson stated another question to consider is if the proceeds of a sale would be enough to pay off debt and change the overall financial condition of the Township. Mr. Ferguson stated he believes that they can have a net impact on the overall Debt of over \$100 million and an improvement on the Golf obligations of a net impact of almost \$20 million. Mr. Ferguson stated assuming the \$50 million debt of the treatment plant or any of the other sewer options has to be implemented, the debt is just under \$114 million. He showed a slide of what the Debt would be in the General Fund if we would pay off the Golf Debt and the Sewage Debt as he has discussed for some time. He reminded the Board that one of the items Moody's indicated in their review which could lead to an upgrade in the Bond Rating, was reduction in contingent liabilities for Sewer system Capital needs.

Mr. Ferguson showed a slide related to the Golf Course and stated he had indicated that the General Fund has to support the Golf Course in the amount of \$9.3 million; and with that Debt being paid, the Golf Course would become a profitable asset. He stated there would be a surplus coming back to the taxpayers with some of the dollars going back into the Golf Course or other items which would be a choice for the Board. He stated the impact would be \$19,725,000.

Mr. Ferguson stated another question to consider is whether the proceeds of a sale would be enough to close out the current negative cash position of the Sewer Fund. He stated as noted previously that cash position is -\$1.4 million; and while the negative balance used to be much higher, they have worked to get that to be more manageable. Mr. Ferguson stated they do get revenue every quarter that offsets the negative balance and pays the bills; however, if the negative balance every got so high that the next quarter's revenue would not pay the bills, that would be a problem.

Mr. Ferguson stated another question is whether the proceeds of a sale would be enough to re-establish Fund Balance Reserves robust enough to restore the Township's Bond Rating which was downgraded in early 2019. Mr. Ferguson stated as he had noted previously, Moody's requires a 30% to 40% ongoing Fund Balance to maintain an Aa Bond rating. He stated we are currently Aa2, and we were Aa1. He stated the Township would need approximately \$3 million to have a Reserve Fund to rise to that level. He stated this is one of several things that Moody's looks at.

Mr. Ferguson stated all these issues are interconnected, and lots of Debt makes it harder for the Township to get additional Debt for items we want. He stated the Township has tended to pay for things through Debt, and if we are struggling with limited Fund Balance and high Debt either buying things year to year or through Debt becomes difficult. Mr. Ferguson stated it was through this basis that he looked at the Bids that came in.

Ms. Blundi noted Slide #8 which shows the current Debt. She stated it shows the Bond Debt that the Township has taken out over the years for projects, and it shows both the Principal and the Interest. She stated the new Sewage treatment Debt is also shown, and this is what they believe would be our share of a localized plant. Mr. Ferguson stated MMA indicated that they needed a new plant, and Lower Makefield has a certain significant portion of that. He stated the Township looked at other options; and even though the final report has not been issued, the other options included our own treatment plant, taking all of our flow to the Lower Bucks Municipal Authority, of diverting the flow to Bucks County Water and Sewer, and none of the options emerged that was clearly the best choice. He stated the one consistent point was that all of those options came in at the \$50 million range.

Ms. Blundi noted Slide #10 which represents our current Debt related to the Golf Course. She stated it was indicated that there had been various Bonds that had been re-financed over time. She asked if the Debt is callable or not. Mr. Ferguson stated the Debt cannot be refinanced again. He stated when you take out Bond Debt you have the legal ability to extend that Debt only for a period of time. He stated there is a portion of it that is not callable. He stated if the Township were to sell the Sewer system, they would pay off this Debt and they would be saving the interest portion of the Debt. He stated for the Sewer and for Golf the combination of those two amounts of Debt is about \$32 million. He stated we would be able to pay off that \$32 million in Debt with just under \$28 million and would save approximately \$4 million in payments by not running it all the way out. He stated to pay Golf off, it would require about \$15 million.

Ms. Blundi stated it was noted that the Township has been downgraded already and there is a potential that the Township could be downgraded again. She asked why this is important. Mr. Ferguson stated Moody's reflects their opinion on the Township's ability to repay Debt. He stated he cares about that because he feels the Moody's rating is aggressively reflective of where you stand financially. He stated if the Township were to be downgraded again, it would make any new Debt we would want to

take out more expensive to get. He stated if you are Aa1 or Aa2 you will get much better rates than you would if you have more of a mid-level status. He stated the Township will be going before Committee again at Moody's in August to review the 2019 Financials and they will look at all of the items the same way they were looked at before. He stated he had a Conference Call with them in April, and their questions were the same – what is the Fund Balance, how will we pay the other Debts, and what is the plan to pay them if we are short. Mr. Ferguson stated the 30% to 40% Fund Balance amount is important to Moody's to maintain the Aa rating.

Ms. Blundi noted Slide #14, and she noted the zero in 2018. Mr. Ferguson stated before 2018, the Township moved money from one fund to another to assist the General Fund, and that is how they maintained Fund Balances that looked as robust as they were. He stated what happened was those other Funds no longer had money to transfer to the General Fund. He stated when he came on as Manager in 2018, to his and the Board's surprise, he found that the Fund Balance looked different than it appeared. He stated in 2010 almost \$800,000 was moved to the General Fund giving it an ending Fund Balance of \$1.123 million. He stated if those transfers had not been done the General Fund in 2010 would have been \$332,000. Mr. Ferguson stated he had been asked how the Township had sustained itself with Fund Balances numbers and the Moody's Bond Rating. He stated Debt was taken out in 2010, 2013, 2016, and 2018; and when that Debt is used to assist in part in the operation of the Township on a year-to-year basis, it "camouflaged" where the Township stood operationally managing money. Mr. Ferguson stated in 2017 it showed \$3 million; however, there were negative balances in other accounts that were flagged by Moody's in the 2017 Financial Report. He stated that was the impetus behind the Board approving the Transfers every month. He stated they reconciled all of the accounts, and Moody's viewed very favorably that this was addressed by the Board and complimented the Township for fixing this. Mr. Ferguson stated in 2018 the negative balance accounts were zero as they had all been fixed compared to the previous year when there were \$3 million. He stated they cleared up the accounts so that they could be transparent and show the public actually how much money the Township had.

Mr. Grenier stated this presentation sets the "base line," for what they are dealing with and what they are attempting to do as a Board to address key financial issues. He stated this does present challenges and forced them to think in creative ways to see what can be done to address it.

Mr. Grenier stated with regard to the sale of the Sewer system, this is one of our greatest assets, and he is starting out in opposition to this as he would not want to sell a major asset to pay for other things. Mr. Grenier stated he needs to consider if there are other ways to address the financial issues the Township has. He stated he also needs to consider what they would do if they do not sell the Sewer system and would there need to be major lay-offs.

Mr. Grenier stated with regard to the Sewer system, there are Sewer projects that are the responsibility of the Township which is the transmission system versus potential future Sewer projects which are related to treatment which is the \$50 million principal item which was shown in the presentation. He stated he was on the Sewer Sub-Committee and looked at the various options. One option is to be a partner with MMA and pay our 44% portion of the cost which is approximately \$50 million. He stated there was an option they looked at with Lower Bucks where there was the potential to just be a customer versus having to pay an up-front principal payment and be a partner. He stated that would have been just a rate as a customer, and this would have been borne by the ratepayers and not as a Debt payment. He stated he feels that there are other options that have been brought up by members of the community who have background in Sewer issues, and he would like to consider those. He stated one option that he is very curious about to address both treatment and transmission is a potential new plant done under a different Regional Authority where the Township itself would not have to take on Debt, although the Authority might. He stated that could be a potential “game-changer” in terms of how our Debt is addressed, and there is the potential that Authority would buy our transmission system in the future.

Mr. Grenier stated he is very concerned about private companies taking ownership of our assets. He stated on the water side, the Water Company is going back to the PUC for rate increases, and they are not always the best neighbor in terms of fixing up the roads after they have torn them up as well as other issues the Township has had to deal with.

Mr. Grenier stated at the last meeting, they talked about talking to our State and Federal representatives to see what options there might be.

Mr. Grenier asked Mr. Ferguson to speak about the alternative approaches if they do not sell the Sewer system. Mr. Ferguson stated our millage rate for the General Fund is 13.88. He stated we have the legal ability to go to 14 mills where we are managing that locally. He stated you can go above 14 mills but you have to appeal that to the Court of Common Pleas.

Mr. Ferguson stated they need to consider if they care about the Bond rating; and if that is a focus, they need to raise millage significantly enough to not only restore our Bond rating but also to offset the shortfalls in Golf that will be experienced. Mr. Ferguson stated he estimates that would be 6 to 8 mills all at once. He stated they would also need to address the Sewage rates. He stated while there could be a larger Regional Authority in the future, the risk would be if that did not take place, it would be five years later, and they would be on the brink of having to deal with the treatment plant options at an estimated cost of \$50 million. He stated he feels they would be faced with high sewage rates, higher taxes, and looming bigger Debts.

Mr. Ferguson stated if the sewer system was in pristine condition, we did not have high Sewer rates, and the Debt was not looming on this, the dynamic could change; however, all of these things have come about, and we need to find a way to increase Revenues or diminish Expenses. He stated they would be looking at much higher taxes and much higher Sewer rates or changes in service and other Revenue enhancements versus if a Bid went out that indicated it would sustain the Sewer rates, off-set all the Golf Debt and make the Golf Course profitable, change the Bond Rating, and change the Fund Balance. He stated there could be a number of different scenarios, but they all having varying levels of “pain.”

Mr. Ferguson stated they had determined that the Sewer Fund is actually - \$1.4. million, and there are Cash flow issues every year in the Sewer Fund where they are operating on very narrow margins; and the back drop has to be that if there were expenses that are unavoidable, it would be the General Fund that would back that up. He noted a storm sewer on Princess Drive which collapsed last year, and they had to take the interest off of Bond proceeds to pay for that.

Mr. Lewis noted Slide #8. Mr. Lewis state he feels the accounting procedures for new Sewage treatment debt needs to be explored. He stated he believes that if we were to choose the Retail customer approach with Lower Bucks, we would not have that potential debt looming over us. Mr. Ferguson stated there were certain buy-in costs which changed the number, and they were not saying the Township could just come. He stated they would still have to move the pipes and get the Easements, and they were requiring the Township to pay a Capital investment up front. Mr. Lewis stated the Board of Supervisors has not received the Sewer Sub-Committee final report.

Mr. Lewis stated MMA has publicly offered re-structuring their Authority and essentially giving Lower Makefield Township Retail customer status. He stated if we have Retail customer status with MMA, there would not be a need to move pipes. He stated we would pay a higher annual Fee, but we would not have to worry about what their potential Capital costs would be. Mr. Lewis stated MMA would also be the borrower in the event they were to build a new plant, and it would not be Lower Makefield being the borrower for our portion of that money. Mr. Ferguson stated we would collateralize that debt and be responsible for that and Moody's would count that as Debt the same way it would if we were actually floating a Bond. Mr. Lewis stated if we chose Retail customer status, we would not have to worry about that at all. Mr. Ferguson stated that would be accurate if there was not something that required the Township to incur any Debt. Mr. Lewis stated to the best of his knowledge, MMA has publicly offered that, and that would resolve that particular issue.

Mr. Lewis asked if it is possible for the Board to be provided a spreadsheet that goes through Debt issues with the principal and interest payment for each year through 2032 which is when we are Debt free as well as the rate for each of those and whether it is callable or not. Mr. Ferguson stated he can provide that. Mr. Lewis stated they had discussed that the Golf Debt had been re-financed multiple times to take advantage of different rates and is now no longer able to be re-financed. Mr. Ferguson stated it was not re-financed primarily because of rates. He stated it was re-financed many times so the Township would not have to pay principal payments, and it was re-financed to do interest-only payments. He stated the last time it was re-financed was in 2018 right before he became Township Manager, and it allowed the Township one additional year to pay it off. He stated the Golf Debt goes to 2032/2033. He stated there is a Debt book that the Finance Committee asked to have put together which shows all of the numbers Mr. Lewis has requested.

Mr. Lewis stated 42% of our Debt is the Golf Course. He stated the other 58% is all due in the next thirteen years as well; however, Mr. Ferguson stated it goes past that. He stated he believes the Sewage Debt goes out approximately twenty years. Mr. Lewis asked how much of that is callable, and what are the rates on that; and Mr. Ferguson stated he can provide all of this in the report he just described.

Mr. Lewis stated the Aa2 Bond rating is actually a high rating although he agrees it is not ideal, and they would like to be at the highest level. He stated there have been a lot of Municipal Bonds at Aa2 and Aa3

even last month during COVID so it is not a situation where the Debt markets would be shut off to the Township even with the downgrade although we would potentially pay higher rates. Mr. Ferguson stated what could be difficult is if there is a Sewage debt to such an extent that extent that we could be close to the maximum as to how much Debt we could take.

Mr. Lewis stated if we were to choose Retail customer status, we would be out from under the potential contingent liability of \$50 million. Mr. Ferguson stated he has met with MMA, and they have not indicated to him that was an option for the Township. Mr. Lewis stated he is reading what MMA said publicly. He stated he does not believe we have met with MMA in over a year. Mr. Ferguson stated the Township has met with the Executive Director when “he is willing to get back to us.” He stated there are on-going discussions regarding reconciling accounts on a year-to-year basis, and they are still trying to reconcile the 2017 Operating costs and how much money MMA is saying we still owe them from 2017.

Mr. Grenier stated the last time they heard anything from MMA regarding the plant was in December, 2019 when they made a presentation to the Yardley Borough Sewer Authority. He stated there was also a meeting in September, 2019; and he had attended that meeting, and that is when the Township got a letter asking that we make a commitment by the end of 2019.

Mr. Lewis stated if a buyer were to take over, MMA would also give them Retail customer status so they would be out from that potential Debt Service as well. Mr. Ferguson stated Mr. Hucklebridge just texted him indicating he has on-going discussions with MMA. Mr. Ferguson stated MMA has never indicated any willingness to make Lower Makefield a Retail customer to either Mr. Hucklebridge or himself.

Ms. Blundi asked Mr. Lewis if he has a Press Release that he could share with the Board when he indicated that MMA publicly stated this as she has not seen this either. Mr. Lewis stated he does not feel it was a Press Release, but they talked about it at meetings. Mr. Grenier stated they did mention it to Yardley Borough, but there was nothing specific. Ms. Blundi asked if MMA indicated that they would make Lower Makefield a Retail customer when they were testifying before Yardley Borough, and Mr. Grenier agreed that was the feedback that he received. Mr. Lewis stated they could file a Right-To-Know Request with MMA since they are a public entity. Ms. Blundi stated she just wanted to know about the public statement made to the Township.

Mr. Lewis stated like Mr. Grenier, he is very concerned with selling the sewer system. He stated a majority of the costs on the Sewer bills are for the treatment; however, keeping the Sewer system does give us local control over a number of things and we can make sure that we have decent service levels. Mr. Lewis stated he has dealt with utilities/regulated entities, and they can be very challenging; and he would prefer not to have to deal with another private company owning a monopoly.

Dr. Weiss stated if the Township were to be a Retail customer of Morrisville as opposed to a Capitalized customer, the \$50 million would have to come from someplace; and he assumes that would be incorporated into our new rate structure, and our rates would still go up significantly. Dr. Weiss stated if we were to keep the pipes and became a Retail customer of Morrisville, knowing our history with Morrisville, he feels that increased costs to MMA would be passed to the Township in the form of higher rates. Dr. Weiss stated with regard to the Golf Debt, the Township's annual cost over the next ten years would be \$9.325 million. He stated if that Debt were to disappear, we would get \$800,000 a year for the next twelve years, and he stated he feels the delta would be more like \$20 million.

Mr. Ferguson stated he would not speculate what the Board would decide to do with the money. He stated with regard to the Golf Course, eventually there will be expenses such as the irrigation system upgrade which could be \$1 million; and if there were \$800,000 a year in surplus, this would allow the Township the flexibility to start setting aside money to pay for those kinds of things when they come up and not have to incur Debt. He stated any surplus could go back to the General Fund if that is what the Board decides or it could be retained in Golf.

Dr. Weiss stated with regard to Debt in general, if we have to pay the \$50 million under any of the options, it would result in \$113 million in Debt. He stated he is concerned since according to the Second Class Township Code, we can only borrow so much; and if we are at a max Debt load and at our max tax rate, he questions how we will pay for expenses that come up. He stated if we do not have the Revenues to pay for those expenses other than to go to Court to raise taxes, he questions what other options we have.

Mr. Ferguson stated if we were a Retail Sewer customer and did not incur the Debt, the cost would still be passed onto the Township so there would be an increase in the rates to cover those costs. He stated the increase in

rates would be significant for 11,800 customers. Mr. Ferguson stated the concern Dr. Weiss is expressing is his concern as well; and he is concerned that if we are at the top of our tax rate and are having to Appeal to the Board of Common Pleas for tax increases, you do not necessarily get what you ask for. He stated they will ask if there are other options that have been explored. He stated even assuming that we would get the increase, we would have to make a decision if we were going to pay for things year to year with short-term Debt or long-term Debt. He stated it would not preclude the Township on the surface from getting additional Debt, but it becomes more problematic. Mr. Ferguson stated some of these items are not entirely known. He stated he cannot address whether MMA will let the Township become a Retail customer or not.

Dr. Weiss stated in the discussions he has had with the Executive Director of MMA and Counsel, he has heard nothing indicating that they would do anything other than have Lower Makefield maybe having a seat on their Authority which does not compare to getting rid of our Debt by selling an asset that continues to cause us “headaches.” Dr. Weiss stated he recently sold his home because of the cost of keeping up with the maintenance of a seventy-year old home; and they decided it would be better to be in an apartment and pay rent with reasonable and expected increases over the years and not be responsible for paying for large maintenance items. He stated they felt renting was more manageable than owning. He stated after this presentation, he feels that being a “renter rather than an owner seems to be a much more lucrative and desirable position to be in.”

Mr. McCartney asked if the \$50 million to Morrisville for renovations is due to years of negligence by Morrisville. Mr. Truelove stated the issue between maintenance and operation has been a challenge for years. He stated some of the reconciliations the Township has received have been inconsistent and ill-timed going back years, and they have co-mingled the terms maintenance and operations. He also stated that not just limited to Morrisville, typical for infrastructure in this Country, “kicking the can down the road” was the easier approach; and at some time it is time to pay, and that time is now. Mr. Truelove stated the Township has never had a truly independent Sewer Authority, and a truly, independent Sewer Authority would have its own dedicated ability to impose rates without going to the Board of Supervisors, and it would have its own independent ability to obtain financing through Debt. He stated the Township has taken on this responsibility, and that is why we are where we are; and that is not something that you can just undo. He stated the bulk of the cost is the treatment, and the Township does not control that.

Mr. Lewis stated that prior to his time on the Board in October, 2015, MMA had come to the Township and indicated that they needed a new plant. He stated the Board at that time had significant concerns even to the point of discussing whether there were issues with the Contract and whether there could be cause for a Breach. He stated he feels a fair assessment is that the MMA plant uses very old technology that is not currently in use for wastewater treatment. He stated in 2015 the DEP had cited them for issues with wastewater treatment process quality, and MMA was facing a fine and prompt corrective action from DEP. He stated MMA came back and indicated that there were significant improvements they needed to make at the plant to extend its life, and those were passed onto Lower Makefield. Mr. Lewis stated since then he agrees that MMA has traditionally been a challenge to deal with as it relates to the reconciliations. Mr. Lewis stated in MMA's defense, for twenty years they were significantly lower than Bucks County Water and Sewer in terms of processing; and so for many years segments of the Township served by MMA were subsidizing those served by Bucks County Water and Sewer because there was a blended rate. Mr. Lewis stated Bucks County Water and Sewer also has the same kinds of issues; but the difference is that they do not own their own plant, and they use Philadelphia.

Mr. McCartney asked why the Township would want to continue down a path through a partnership with MMA. Mr. Lewis stated he is not suggesting that, but he is suggesting that there are multiple options. He stated he has not received the final report from the Sewer Sub-Committee so he cannot state that he has a preferred option at this time as he has not seen any of the reports, and he feels it would be premature to indicate what the answer is without having read the reports.

Mr. Ferguson stated with regard to the Retail customer option, one of the areas that we currently have with MMA is that we question all of the reconciliations; and more often than not, MMA has not produced the documentation that we need to pay for those Capital expenses or even the maintenance expenses. He stated as a Retail customer, those would just be passed on without them having to "haggle" with the Township over reconciling the costs and providing documentation. He stated the Township is still waiting for receipts from 2017 for a request for payment that MMA had made then that have yet to be produced. He stated as a Retail customer that would just be put into the rate because we would not be a partner, and he does not know that would be in the Township's interest potential Debt complications notwithstanding. He stated it is very complicated.

Mr. McCartney stated there is a history with Morrisville that is not necessarily good, and he does not know that a future partnership with them is reasonable. Mr. McCartney asked if we were to sell the Sewer system and pay off the Golf Course Debt, would the Golf Course become self-sufficient at that point. Mr. Ferguson stated if we were to sell the Sewer system, it would be a requirement to pay off the Sewage Debt. He stated if the Debt is extinguished from the Golf Course it can reasonably be assumed that the Golf Course would have a surplus, and he has included the amount of \$800,000 as a blended average. Mr. McCartney asked if on a “bad year” they would be self-sufficient where the Township would not have to take money from the General Fund to offset any losses they have. Mr. Ferguson stated a few years ago it was not a good year because of the number of days that it rained; however, had it not been for the Debt, the Golf Course would still have made approximately \$600,000.

Mr. McCartney stated looking at the Sewer as an asset of the Township, he asked if the Sewer would ever be self-sustaining or profitable, and does the Sewer ever generate \$800,000 Revenue back to the Township. Mr. Ferguson stated it could if we were to increase rates to “ridiculous” proportions; however, the point of the Sewer is to charge people enough to pay for it and ideally have enough money set aside that if something significant were to happen, it could be taken care of. He stated the Golf Course is producing Revenue from voluntary users, and the Sewer fund is generating Revenue of some sort by mandatory payments so they are two different types of Assets. He stated at least in the foreseeable future, he does not see that there would be a means that we could expect to be generating large cash surpluses every years from the Sewer with the level of repairs that we know we have. Mr. McCartney stated Sewers are a basic service that we are offering, and it should not be a profitable-type entity where the Golf Course is a volunteer-type service where they can offset Debt and turn it into an income stream.

Mr. McCartney asked if there is anyone that has indicated an interest in purchasing the Golf Course. Mr. Ferguson stated part of the challenge with the Golf Course is that if the Township ever contemplated selling it, they could not sell it as a housing development; and with the Debt, part of the Condition of a sale with the bondholders would be that the Debt would be satisfied. He stated even though that is not all callable, they would have to set up something so that the money would be set in a Trust, etc. to take care of that. Mr. Ferguson stated he also does not feel that Golf Courses are a “hot commodity” to purchase in the Country at this time.

Mr. Lewis stated he found a letter MMA had sent the Township and all of the Supervisors dated May 23, 2019 and it includes the offer of a Retail Agreement or bulk service situation so that is public and documented. Mr. McCartney stated that would be for Retail and is not necessary a joint Municipal Authority. Mr. Lewis stated that was offered as well. Mr. Lewis stated the Township would need to explore what they are open to at this time, and whether that fits for the Township. He again stated having not finalized the Sewer Sub-Committee report, it is very difficult for him to render a suggestion either way on it.

Mr. Ferguson stated the letter that Mr. Lewis is referencing in May states the following: "MMA was willing to look at an Inter Local Government Agreement identifying treatment options and that could take the form of a bulk customer on a flow basis with rates based on Debt Service, Operation, and Capital expenses." Mr. Ferguson stated even if this is something that MMA is still willing to consider, the Township would still be looking at rates that have been discussed without the ability to reconcile the costs which is of concern based on our experience with them. He stated he is not sure he would call that local control.

Mr. Truelove stated what is noteworthy in the letter is that they reference Debt Service, and he assumes based upon that, that Debt Service would be part of the equation; and we would have to find a way to finance that. Mr. Ferguson stated even if the Township is not holding that Debt, you are collateralizing the Debt which Moody's looks at the same way. Mr. Ferguson stated you have to give a guarantee on that Debt which often requires that the Inter Local Agreement includes the willingness to provide that protection.

Mr. Lewis commended Mr. Hucklebridge who is doing extremely difficult work in trying to reconcile with Morrisville. Mr. Lewis also stated he is not suggesting that there are easy answers for the Township, and he would in fact state the Retail option with Morrisville may not be the ideal one. Mr. Lewis stated if we sell the pipes we would have no oversight going forward, and ratepayers would be "at the mercy" of MMA's Retail customer pricing, and that should be considered as options are reviewed. He stated this is why there is a need to have the Sewer Sub-Committee review to be completed and analyzed in more detail.

Dr. Weiss stated they should consider the economy of scale between someone who might buy us with a half million customers versus the 11,800 we currently have. He stated he feels any Morrisville cost increase would be mitigated among a significant amount of users. Mr. Lewis

stated while that is likely, they also have to consider that for a private entity, 1% of their Revenue goes to the PUC and they also have to have recurring dividends so it may or may not have economies of scale. Dr. Weiss stated they also need to consider our history over the years, and he does not feel Lower Makefield has been in control of its system for a long time, and he has not heard a way out other than by tremendous costs to the Township.

Mr. Lewis stated at the last meeting, the Board all agreed that they needed to talk to our elected Representatives to discuss options for both Federal and State funding. He stated as the Board explores the options it would help give the Board more insight in what our best choice is. Dr. Weiss stated the letter has been sent out; and until such time as the Board transfers ownership, there are limited options. Dr. Weiss asked Mr. Ferguson what Grants or alternative funding from State or Federal source typically go to; and he asked if that could possibly decrease our Debt load.

Mr. Ferguson stated there are Grants available, and we have one now for the Stackhouse pump station which is approximately a \$470,000 Grant on an approximately \$600,000 project. He stated in all likelihood other work that is being done such as sewer lining would not be part of a Grant and would be considered maintenance. He stated if elected officials can help the Township get Grants, we should consider that; however, realistically there are neighboring Municipalities that have spent tens of millions of dollars on their systems that they charge their ratepayers for. He stated he would question whether elected officials would help us every year to pay for Capital expenditures for things that we have neglected to do when the neighboring Municipalities have aggressively spent money with higher rates to pay for those expenses. He stated while he feels we could get money for pump stations in the future, we would be competing against other Townships, and it would be difficult for all our State or Federal officials to continue to get the Township money. He stated he does not minimize that there could be Grants available, but if we get a Grant that does not necessarily translate to lower rates in the immediate term. He stated there is a significant negative Cash Balance in that fund that from an accounting perspective; and if we offset a half million dollars in cost it either “gets eaten up financially into that negative balance,” or if we lower rates as a result of it, that would increase the negative Cash Balance.

Dr. Weiss asked Mr. Ferguson what would happen if DEP decides that the amount of pipes the Township is proposing to line each year is not enough and we have to double or triple that. Mr. Ferguson stated that is possible.

Mr. Ferguson stated the Township is on a Seven-Year Plan, and the Township has to do on-going reports. He stated the pipe lining that is being done is in two separate Service Areas. He stated in the MMA Service Area they would expect that it could take sixty years to get through 25% of the system. He stated in the Neshaminy Area, it is about forty years. He stated it is possible that DEP, based on flows and improvements, would require that the Township would have to address this more aggressively. Mr. Ferguson added that as he has noted previously, if you need more money it comes from rates; and there are not other avenues, absent Grants, to generate that Revenue. He stated with Municipal Budgets, you have property taxes and other means by which to collect Revenue and spread that around; however, in the Sewage Fund, it is the rates.

#### PFM Sewer Bid Review

Mr. Scott Shearer and Mr. Garrett Moore, PFM, were present with Mr. Tom Wyatt, attorney from Obermyer.

Mr. Shearer stated this has been a long, thorough process that the Township has been going through over the past year. He stated the Township Administration has played a major role, with Mr. Ferguson, Mr. Hucklebridge, and Mr. Majewski providing a lot of information. He stated Mr. Truelove and his staff, the Authority engineer, Mr. Fred Ebert, and Mr. Wyatt and his staff who are the Township's special counsel, have all been involved with PFM. He stated this has been a collaborative effort combing financial, legal, engineering, and other managerial issues in this due diligence process.

Mr. Shearer showed Slide #3 which is a timeline from approximately one year ago to the current time. He stated on July 3, 2019 PFM was authorized to proceed with Phase 2 and Phase 3 of the sale process which was releasing the RFQ and the RFB. He stated prior to that they had been engaged to do a limited scope valuation which had been presented to the Board. Mr. Shearer stated in late July they sent out the RFQ (Request for Qualifications) to see who were the interested Parties in the Lower Makefield system. He stated they received proposals on August 20, 2019 and the team pre-qualified the various Bidders. He stated in late August, the Township held Management Meetings and asset tours with the four pre-qualified Bidders. He stated this took a lot of effort by the full team where there were multi-hour presentations made within the Township Building with the various Bidders as well as tours of the Township and other parts of the collection and conveyance system.

Mr. Shearer stated in January, 2020 the Township released Requests for Indicative Bids (RFIB) and the RFIT (Request for Indicative Terms) for a structure that was not an actual sale but more of a Lease of the system. Mr. Shearer stated in February, they received responses; and in May, they released the RFB (Request for Bids) which they will review this evening. He added those are binding Bids.

Mr. Shearer stated since the receipt of those responses, the Township has been evaluating the Bids. He stated in some instances transactions were Bid out based on a highest price only and others looked at the full package; and the two main components were the purchase price and the rates. He stated the Township has also been exploring some of the possible uses of the proceeds if a sale were to go through. He stated that was done at a very high level and limited scope; and if a sale is voted on, there would be six to nine months or more possibly up to a year for further Public Meetings and public vetting on the use of the proceeds. Mr. Shearer stated Mr. Ferguson has already discussed some of the main factors that have been done as part of the analysis.

Mr. Shearer stated in July, 2019, they had sent out the RFQ to over one hundred different Market participants – legal, financial, various operators in the utility space, and other investors. He stated they were asked to submit a robust response to the RFQ outlining their capabilities and history in operating wastewater systems and their financial capabilities as well. He stated during that time until the current time, a tremendous amount of due diligence was being conducted by Lower Makefield's team drafting various legal documents and establishing and populating a very-extensive data room that the pre-qualified Bidders has access to.

Mr. Shearer stated based on the responses received in August, 2019, there were four firms that submitted: PA American, which is regulated by the PUC, Aqua, which is regulated by the PUC, Bucks County Water and Sewer Authority, which is regulated by the Pennsylvania Municipalities Authorities Act, and a consortium put together lead by VICO and the Carlyle group that were interested in an Asset Lease Agreement or a Concession Lease Agreement. Mr. Shearer stated the Township decided to qualify all four of those Bidders, and allow them access into the data room for them to continue their due diligence process which then led to the Management Meetings.

Mr. Shearer stated three of the Bidders were interested in a sale which were PA American, Aqua, and Bucks County Water and Sewer Authority, and that was a mix of regulated and un-regulated entities. He stated VICO was interested in an Asset Lease Model which is different from a sale, and that would be leasing

of the system for a period of thirty to fifty years which would have an impact on the rates and the prices. He stated that Lease would be in exchange for an up-front payment. He stated in an Asset Lease Agreement, the Lessee is not regulated by any Public agency or Authority, and would be regulated by the document itself and enforced by the Township. He stated the de facto PUC in this case would be the Township.

Mr. Shearer stated he had earlier discussed the Management Meetings, and these were a crucial part of the process where the Township gets to know the Bidders, and the Bidders get to know the Township and do a lot more due diligence. He stated the Bidders, particularly those from out-of-Town, get to see more of Lower Makefield's growth potential and get a better sense of the collection system itself. Mr. Shearer stated everyone on the team was comfortable moving forward with the Bidders based on the Management meetings.

Mr. Shearer stated being pre-qualified still allows the Township to terminate the process with any of the Bidders; and just because a firm was pre-qualified it does not mean that they are entitled to stay in the process the whole way through, and the Township has the right to make changes anywhere throughout the process.

Mr. Shearer stated in the early part of 2020, the Request for Indicative Bids went out. He stated these are not binding, and they are meant to give the team an idea of what real interest there was and at what dollar amount and at what estimated rates that would entail. He stated the RFIB went out to the three pre-qualified Bidders – PA American, Aqua, and Bucks County Water and Sewer Authority; and they asked for multiple options in the RFIB including a couple year rate freeze, and some options with no rate freeze. He stated within each one of those they asked for a high purchase price, which meant that they should provide their maximum purchase price and the accompanying indicative rates, and they also asked what the indicative rates would look like based on a \$35 million Bid. He stated these were Indicative Bids, and were non-binding; but it was a tool to allow the Township to continue their due diligence.

Mr. Shearer stated with regard to the team lead by VICO and the Carlyle group that were interested in a Concession Lease/Asset Lease arrangement, they sent them a Request for Indicative Terms for that arrangement. He stated they had also asked them to provide a draft of the Asset Lease Agreement so they could get a better understanding of those details.

Mr. Shearer stated the Township team had several discussions with VICO to get educated with the terms and provisions within this structure as they wanted to understand the advantages and disadvantages. He stated after a thorough vetting of this option, the consensus from the Township was ultimately to remove VICO from the process for a number of reasons. He stated there were a number of unquantifiable risks that they could not get comfortable with including legal issues, future Capital needs, and future rate needs. Mr. Shearer added that one of the goals of the Township was to exit the wastewater business; and with the Lease structure there would be on-going, annual Administrative requirements, and they spent a lot of time talking about what those would be. He stated they were also concerned about the lack of an independent, third-party regulator such as the PUC or the Municipal Authorities Act; and in this case it would be the Township which would consume a lot of time, energy, resources, and money of the Township.

Mr. Shearer stated in May of this year they distributed the RFB (Request For Bids). He stated unlike the RFIB, which was indicative, the RFB is binding in nature so the numbers they have are binding numbers. Mr. Shearer stated in addition to purchase price they have indicative rates, especially for those firms whose rates are controlled by the PUC which cannot guarantee what those rates are; and they had also asked for some other qualitative aspects to make sure they were considering the full picture. He showed a slide that showed the four qualitative aspects that they had asked for in the RFB including giving the Township the right of first refusal should the buyer sell the system at some point in time and any kind of financing contingencies built into the purchase price recognizing that with COVID the market experienced a lot of turbulence. He stated the third point was would Lower Makefield be its own Rate Zone, and some entities said yes and some said no; and finally would the buyer be willing to extend the initial two-year rate freeze for something longer.

Mr. Shearer showed a graph showing the results of the maximum Bid prices. He stated Pennsylvania American submitted two proposals. He stated the top chart is the purchase price. He stated they submitted based on both the no-rate freeze, and the two-year rate freeze option; and both were approximately \$56 million. He stated Aqua submitted \$53 million with the no-rate freeze. Mr. Shearer stated the chart below looks at the estimated indicative rates that both of those firms had provided under the max Bid structure. He stated there is a caveat that these indicative rates do not assume any reduction of the bills as a result of potentially creating a Customer-Benefit Fund, which would be taking

some of the proceeds of the sale and setting them aside in a Trust or Fund to subsidize and lower or more gradually increase the customer bills. He stated the indicative rates were straight from the proposals, and did not assume any kind of benefit or lowering of the bills of the customers of Lower Makefield Township. He stated the chart shows where the different rates are including the monthly rates and rates going out ten years. He stated the two different blue lines show Pennsylvania American indicative rates, the yellow lines show the Aqua indicative rates, and the green line would be Lower Makefield keeping control of the system. He stated they were looking at both purchase price and rates under the maximum Bid price scenarios.

Mr. Shearer showed another slide with a similar format that shows the \$35 million Bid results. He stated he had indicated previously that they had also asked the Bidders to Bid on the assumption that they would purchase the system for \$35 million and to provide their indicative rates. He stated the top portion of the slide shows the various purchase prices which are all \$35 million. He stated they received two of them from American, one from Aqua, and one from Bucks County Water and Sewer Authority with some caveats, and an alternative option from Bucks County Water and Sewer Authority. He stated below that are shown the indicative rates for this option - the \$35 million Bid option. He stated the blue lines reflect the American proposals, the yellow line reflects the Aqua proposal, the orange line reflects the Bucks County Water and Sewer proposal, the gold line is the other Bucks County Water and Sewer proposal, and the green line is the Lower Makefield rates.

Mr. Sherer stated the indicative rates provided by Bucks Count Water and Sewer Authority do not assume any costs associated with Capital related to MMA, and that would be an add-on to the rate shown that would be supported by Lower Makefield Township residents only through their sewer rates. Mr. Shearer stated the Bids that came in from American and Aqua assume a \$50 million cost for the MMA project and the rates reflect that.

Mr. Shearer noted Page 13 which is another way of looking at the impact of the rates over a longer period of time which is a ten-year period for each of the various scenarios. He stated starting on the far left-hand side with the American \$56 million rate freeze options in the blue, based on the indicative rates that were submitted, that would cost the average ratepayer over the ten year projection about

\$10,752. He noted to the right is the other American proposal for \$35 million with the rate freeze which would be \$10,600 over the ten-year period of time. He stated they took the annual estimated bill for the average customer, and did that for each of the years through the ten-year period. Mr. Shearer stated the third bar chart is the other American proposal for \$56 million with no rate freeze, and the impact of that is shown. He noted the one from Aqua shown in yellow which is just under \$10,000. He stated the other one from Aqua is also shown. He stated the two from Bucks County are shown in orange and salmon, and the far right in the green would be under Lower Makefield's ownership. He stated on the left-hand side the high Bid numbers, \$56 million from American and the \$53 million from Aqua, do not assume any kind of reduction that could be realized through the creation of a Customer Benefit Fund so these are just the raw numbers without any potential subsidization being reflected.

Mr. Shearer stated for the Bucks County Water and Sewer Authority proposals, it should be remembered that the impact to the average ratepayer over the ten-year period of time does not assume any of the Capital costs associated with MMA.

Mr. Shearer stated one of the qualitative questions that was asked was would Lower Makefield stay its own Rate Zone, meaning that the 11,800 customers would bear all of the costs related to it. He stated Aqua and American both indicated that Lower Makefield would not be its own stand-alone, and it would be mixed with others thereby spreading the costs around its 500 million to 750 million customers compared to Bucks County which indicated in their proposal that Lower Makefield would stay its own stand-alone rate class.

Mr. Moore showed a slide which tried to consider what the best overall Bid package is. He stated Pennsylvania America's Bid was approximately \$3.1 million higher than Aqua's Bid; however, their rates were also higher for that option. He stated looking at the overall Bid package, they attempted to compare them "apples to apples;" and to do that, they assumed that the incremental \$3.1 million would be put into some kind of Customer Benefit Fund in an attempt to meet or do better than Aqua's rates. He stated while this analysis assumes the \$3.1 million would be deposited into a Customer Benefit Fund, irrespective of whether or not it is the Board's decision should they go through with the sale, to put any monies into a Customer Benefit Fund, in this analysis the Customer Benefit Fund is just a tool by which to attempt to put the two Bids on an apples-to-apples comparison. Mr. Moore stated if monies were put into the Fund, it would be growing at some interest rate as it would be invested and accruing interest. He stated they are trying to take America's

rates and see if they could match or do better than Aqua's rates shown at the bottom. He stated it can be seen that they could meet Aqua's rates through and including 2027. He stated following 2027, they are calculating that the initial deposit into the Customer Benefit Fund would be depleted, and there would be no additional funds able to reduce customer bills at which point there is a natural delta between the rates American provided versus the rates Aqua provided. Mr. Moore stated looking at this analysis it would appear that while Pennsylvania American's Bid was \$3.1 million higher, that incremental \$3.1 million would not be enough to offset their higher rates.

Mr. Moore stated when you consider that the highest Bid price may not be necessarily the best overall package, they would want to consider the other Bid that Aqua submitted – one for a \$53 million purchase price and one for a \$35 million purchase price. He stated with the lower purchase price, came lower rates. He stated using the same analysis they did in the previous slide, they looked to see if the incremental \$18 million (the difference between the \$53 million Bid option, and the \$35 million Bid option) would be enough to meet or exceed their lower rates with the \$35 million proposal. He noted the slide shows at the bottom the years through and including 2030 the Township would be able to match the bills expected that Aqua would bill, based on their RFB, while still having a sizable Fund Balance of approximately \$12 million remaining in the Customer Benefit Fund (CBF).

Mr. Moore stated the Township has identified a few keys areas in which the sale proceeds could be used if a sale were to occur. He stated these include Debt reduction, the replenishment of other Funds that have been depleted over the years, an increase in the General Fund position, payment of related Fees associated with the transaction, and other items to be determined by the Board of Supervisors. He stated should the Township proceed with the sale to a regulated utility – Aqua or American – the approval process through which they would need to go through at the PUC is quite lengthy. He stated if the Board were to make a decision in July to go through with a sale, it would likely be the summer of 2021 during which they would get PUC approval and Settlement would actually occur. He stated while it is important to have an idea for the use of the proceeds by Settlement, there is a year to determine the best possible use of the proceeds. He stated those discussions would take place at later meetings following any decision to sell, and it is not something that needs to be decided prior to the award of the Bid.

Mr. Moore stated they had been discussing the idea of a Customer Benefit Fund. He stated this is not something that is required; however, a number of their clients who are analyzing the sale of their Sewer system, are considering putting some amount of money into a trust. He stated they would need to consider how this would be accomplished, and it would be subject to legal counsel approval. He stated the general premise is that some amount of money would go into this Fund, and the Fund would be used to help mitigate the Sewer bills for some period of time that Lower Makefield residents would receive.

Mr. Shearer stated all of the information up to Slide #15/#16 is more of the near-term decisions. He stated if the Board were to decide to sell the system, an Ordinance would need to be passed in the near term to accept the proposal from one of the Bidders. He stated if that is the case, the slide that Mr. Moore just reviewed about the use of the proceeds would be a decision for the future. He stated the Customer Benefit Fund would be a separate and distinct decision rolled into the use of proceeds. He stated they wanted to provide a “flavor” of what the discussions could look like and what kind of impact it might have ultimately on the bills of the residents of the Township.

Mr. Moore stated should the Board decide to pursue a Customer Benefit Fund there would be a “glidepath” from Lower Makefield’s current rates to eventually equalize with Aqua’s main rate. He stated they are targeting a 5% “real increase,” which means a net Sewer bill increase to customers. He stated while Aqua’s rates may be rising 21% in year 2025 or 10% in 2028, their goal through this Fund would be that the net realized increase on a customer’s bill would only be 5%. He stated there is a visual illustration on the following slide. He stated in the red box, every year following the rate freeze, coinciding with the first planned rate increase per Aqua’s RFB, they are targeting a 5% increase every year up until 2031 at which point in 2032, there would be a slightly larger increase of 5.75%; but at that point Lower Makefield residents’ bills would have equalized with Aqua’s rate. He stated at that point, they would then be moving with Aqua’s annual bills. He stated in this scenario, there would still be a sizable Fund Balance remaining in the Customer Benefit Fund. He stated should the Township wish to set up a Customer Benefit Fund and were to use this kind of glidepath approach, they could use a different percent than the 5% used in this analysis or stagger the increase. He stated there are many ways to consider this.

Mr. Moore showed a slide with the green line showing Aqua's rate and bills annually per their RFB. He stated the black line delineates the rates as provided by Aqua in their RFP, and everything to the right of the black line are PFM's own internal rate projections based on historical rate filings and timing of rate filings by Aqua; and they are meant to be illustrative. He stated it can be seen that in a 5% glidepath scenario in 2032 they would equalize with Aqua's rates, and thereafter move in tandem with Aqua's rates.

Mr. Moore stated for comparative purposes, they have also included the estimated Lower Makefield rates if the Township were to keep its system and fund a \$50 million Morrisville Plant upgrade.

Mr. Moore stated the yellow line is if instead of targeting a 5% increase, the Township decided to have a 3% increase; and in doing so, it would take several years longer in order to equalize with Aqua's rates. He stated the CBF would be fully depleted by the time rates were to equalize with Aqua's. Mr. Shearer stated these are just a couple different glidepath scenarios, and there are multiple versions.

Mr. Moore stated similar to a previous graph where they took the estimated Sewer bills for each of the Bids and put one total amount for the ten-year span that they asked for in the RFQ, he showed a slide that shows a scenario of Lower Makefield's rates with Aqua's base rates in light brown on the far right, and in the middle are each of the two scenarios they outlined on the previous slide – the glidepath scenario assuming a 5% increase in the blue and assuming a 3%. He stated what this is meant to illustrate is that while Aqua would still be billing the customers its rate as stated in the light brown, the CBF would be used to diminish those bills to something more manageable. He stated in the case of the blue, it would be billed out to about \$9,500 and in the yellow about \$9,000. He stated at the bottom is the remaining CBF balances through and including 2030.

Mr. Moore stated the estimated Closing timeline is dictated on the type of buyer. He stated if it was sold to Aqua or American which are regulated by the Pennsylvania Public Utilities Commission, prior to Closing an Application would have to be submitted to the PA PUC, and the Township would ultimately be required to obtain an Engineering Assessment Report as well as a Utility Evaluation expert. He stated should the Township decide to pursue a sale to a regulated entity it would likely be a year from acceptance of a Bid before a successful Closing.

Mr. Moore stated it would be a slightly different scenario if they were to select the Bucks County Water and Sewer Authority proposal in which case the Closing timeline is dictated by the time in which it takes them to access the Capital market to secure funding for the purchase price which could be approximately three months. He stated Bucks County did request a financing contingency based on the ramifications of COVID so it may take a little longer for them to secure that funding.

Dr. Weiss noted Slide #20 which shows the comparative rates over ten years. He asked with 11,800 customers and ten years' worth of savings, what is the amount of money they are looking at as far as saving ratepayers collectively. Mr. Moore stated while there might be only a \$1,200 incremental difference the Township would still have a remaining balance of about \$15.7 million with which it could fund other Capital projects or use for other things. Dr. Weiss asked about the cumulative savings to the ratepayers themselves. Mr. Shearer stated he believes it would be over \$20 million depending on the scenario, and the \$15 million would still be in the Fund.

Mr. Ferguson stated the 5% glidepath is \$21,200 million, and the 3% glidepath savings is just over \$26 million. He stated the big difference that Mr. Moore mentioned is that there is \$15 million left in the 5% glidepath after ten years and a little over \$3 million left with 3%. He stated with the 5% glidepath they would be able to extend the credit and soften the Sewer bills for more years. Dr. Weiss stated that would be money that is saved; and if the Sewers are sold and that is added to the delta of the Golf Course of another \$20 million, we could see savings approaching \$50 million altogether. Mr. Shearer stated he feels that is a fair statement.

Mr. Ferguson stated with regard to the Lower Makefield rates, there is an assumption of a big increase in 2025 and then it goes up and stays flat. He stated we know that we can stay flat for the next four or five years based upon current spending outlines that have been approved. He stated from 2026 to 2030 they are assuming it will be flat, although it is not known whether DEP will make the Township ramp up additional improvements that have not been contemplated. He stated it is therefore possible that up to 2030 it may not stay flat, and there may be periods of time in there when they have to do a 3% to 5% increase that would change the trajectory; and they have just defined in the chart what was known as far as the number went. Dr. Weiss stated we also cannot predict where a main may break. Mr. Ferguson stated that still may not change the rate; however, if we are required to do an extra \$250,000 in pipe lining a year, just that would be 4%; and since there is no way to define that in order to be fair, they kept it flat from 2026 to 2030.

Dr. Weiss stated he would assume that if we were to keep the sewers after 2030 the cost of doing business would cause an increase as well. Mr. Ferguson stated he feels that is fair and it would be a 2% to 3% increase a year.

Mr. Lewis asked what are the LMT monthly rates for 2025 to 2027 and 2028 to 2030. Mr. Moore showed a line chart where the rates are broken out monthly. He stated for 2025 it would be around \$74.20. Mr. Shearer stated it then goes up the following year to approximately \$117.

Mr. Lewis stated last year he sent a series of questions to Mr. Shearer to get a comparison, and he received from Mr. Ferguson Mr. Shearer's e-mail dated August 7. Mr. Lewis stated he was looking for comparison of other Municipalities that had sold their wastewater systems so that they could look at the entity executing the sale, the purchaser, purchase price in terms of sale, etc.

Mr. Shearer stated while he recalls this list of questions, he does not recall the details. Mr. Lewis asked if he could get the answers to some of those questions. Mr. Shearer stated if they have access to that information, they could provide it. Mr. Lewis advised Mr. Shearer that he had indicated he should be able to get a fair amount of that information. Mr. Shearer stated they will look into that. Mr. Moore stated they will look at that e-mail again and provide as much of the information as they can.

Mr. Lewis stated when he looked at the numbers, the one base unit that often these kinds of transactions are reviewed on, is the price per EDU. He stated he is not prepared to say that the pricing that has been received from the potential Bidders is good or not good without having some of that contextual data.

Mr. Lewis asked about the Bid process and asked what the strategy was around the \$35 million floor was that was given to Bidders. Mr. Shearer stated through discussions with the Township for many months, as Mr. Ferguson articulated at an earlier presentation was if the system was sold could it solve certain issues. He stated in round numbers the \$35 million number got them to that point. He stated the Township felt that this number made sense to satisfy that goal, and it was just another data point that they wanted to be able to provide to the Board. He stated they wanted to provide the \$35 million purchase price threshold to see what the rates would look like. Mr. Moore stated it was the understanding that the Township did not just want to focus on the absolute purchase price, but to also have some package of acceptable rates and acceptable Bid price. He stated the higher purchase price would ultimately be supported by a higher rate. He stated they wanted to see what the rate would be with a purchase price of \$35 million, and see if that would be

enough to satisfy the pre-identified uses; and would that package with the lower rates that would accompany it be a more ideal outcome for the Township as opposed to just taking a large purchase price and the accompanying rates.

Mr. Lewis stated there were some responses by Bidders that did not necessarily make rational sense in that their Bids did not reflect the differences between rates in the same way. He stated even with the Aqua Bid, the \$35 million rates were not close to what they were getting with the \$53 million rate. He stated if he were Bidding, he feels he would make them the same. Mr. Shearer stated it is a higher purchase price, so the rates would reflect recouping that purchase price as one component over time. He stated typically you do see a rate differential between a maximum purchase price versus something less than that. He stated more often a higher purchase price will result in higher rates. Mr. Lewis stated if you add up the numbers, the total amount of money that the utility would pay the Township and then charge the customers should be indifferent in theory between \$35 million and \$53 million, but that was not the case in the Bidding.

Mr. Lewis stated this is more of a question about “auction theory” which is how do you execute an auction successfully such that it yields the highest potential price. He asked if the Bidding process inhibits us from potentially uncovering the highest price. Mr. Shearer stated he does not believe it did since they asked what their max Bid price was. Mr. Lewis stated they also gave them a floor signal as well. Mr. Shearer stated they gave them both ends of the spectrum. Mr. Lewis stated this a question as to auction theory.

Mr. Moore stated regardless of the type of auction there are underlying principles that make for an efficient auction. He stated two of those are the Bidders having equal information and also being rational in their decision making. He stated he feels they have met those principles. He stated they set up the data room for the Bidders so all the Bidders had access to the same information, and you assume that they are profit-maximizing individuals with rational decision-making. He stated regardless of how the Bidding was done, as long as the principles are satisfied, you would assume that the auction was efficient.

Mr. Ferguson stated there are currently other systems that are being contemplated for sale, and some local ones as well that have gone up. He asked if there is something about the Bid price that would indicate that \$53 million would be an under-representation of what PFM is seeing regionally as far as the framework

for pricing. Mr. Shearer stated there is not. He added that they did their initial valuation in 2018 based on multiple approaches – the income approach, the cost approach, and the market approach which is based on EDUs. He stated the Bids came in higher than that, but to Mr. Lewis' point one of the metrics that is looked at closely is price per EDU. He stated in their experience from the sales they have worked on and analyzed for a system like Lower Makefield that is a collection system only, under its current condition, he feels it came in right where they are seeing others coming in on a price per EDU on average. Mr. Lewis stated this is why he was asking for the numbers so he could validate that.

Mr. Lewis stated Mr. Shearer has been our financial manager for twenty years. Mr. Shearer stated while it was not himself or Mr. Moore personally, other representatives from PFM have. Mr. Lewis stated they have re-financed all of our Bonds, etc. over the last twenty years. He asked if they expressed concerns at all about the structure of the Bonds related to the Golf Debt payments. Mr. Shearer stated he can only speak for himself, and the answer is no because he has not been the Project Manager for Lower Makefield Debt transactions. Mr. Lewis stated he was not aware of any advice since his time on the Board beginning January, 2016 where PFM specifically called out issues where the Township should have been concerned about the structure of our Debt. He stated he feels they could look at this opportunity and compare it to what our overall Debt structure is. He asked if they were to remove the guidance PFM got that the Township wanted to exit the wastewater system, how would they view this versus other Debt options.

Mr. Shearer asked Mr. Lewis for further clarification of his question. Mr. Lewis stated if the concern of the Township Manager is that we have a spike in payments for the Golf Course which is a significant issue and that selling the Sewer system would help address this, how would PFM look at that in context of other options including extending out 60% of the Bonds that may be extended out or enacting a tax that is specifically dedicated to the Golf Course. He stated these are the kinds of financial trade-offs that the Board is considering. He stated given PFM's twenty years with Lower Makefield it might be helpful for the Board to get a perspective on that. Mr. Shearer stated they would be happy to do that. He stated their job is not to make a recommendation on anything, but to show the information. He stated those are analyses that could be done to show what it could potentially cost to stretch out the Debt if that is even legally feasible. Mr. Shearer stated that was not in the purview of this exercise for this evening.

Mr. Grenier noted Slide #13 and stated they are assuming a \$50 million cost for the treatment upgrade. He stated if there is a scenario where the Township is a bulk customer as opposed to taking out a \$50 million Debt, there is a rate that they would pay per EDU to some Authority. He asked where the \$11,000 would go to, and he assumes that number would come down. Mr. Shearer stated that would depend on what the Bulk Agreement would look like. Mr. Grenier stated he is just looking for a rough range of what the ten-year number could be. Mr. Wyatt stated whether it is a Bulk Agreement or a Capitalized Agreement, whatever the full freight of “Op-Ex and the Cap-Ex” is going to be, will get put into the rates going forward. He stated the team did have to make some assumptions.

Mr. Grenier asked if any of the bars are static, irrespective of what happens with treatment; and he asked if any of them are locked. Mr. Shearer stated both of the Bucks County Water and Sewer proposals do not include any MMA Capital cost. Mr. Grenier stated those bars could be significantly taller, and Mr. Shearer agreed.

Mr. Grenier stated it would a little over \$132 million paid out by ratepayers over ten years under the Lower Makefield scenario assuming a \$50 million cost for treatment. Mr. Grenier asked what part of the \$132 million would go toward treatment, Sewer projects, labor, and general O & M versus Capital projects. He asked if there is a Net Revenue or is it all spent. Mr. Moore stated he would assume given the Township’s current Debt load for Sewer versus what it could possibly be with a \$50 million project, that a large part of the \$132 million, over half, would be for treatment. He asked Mr. Grenier if he is asking if there is any amount of money that would be surplus that would go to a Sewer Fund Balance, and Mr. Grenier agreed. Mr. Shearer stated he does not feel the numbers were reflecting any kind of major Net Operating Income. Mr. Grenier stated it would just be straight pass-through dollars, and Mr. Shearer agreed there would be thin margins.

Mr. Grenier stated they are looking at \$120 million to \$135 million in gross Revenue over ten years under all of these scenarios which is why they are so concerned about it. Mr. Grenier stated he is looking at it as “paying ourselves versus paying rent to someone else to take care of it.” He stated paying out that much money by our ratepayers and not having ownership is difficult to consider. Mr. Shearer stated that is a philosophical question. Mr. Grenier stated when they talk about the \$50 million assumption, one of the things that they have not had PFM do that he would like to see considered is to do a holistic review of the treatment options tied into the “keep or sell options” on

the transmission so that they see the full picture of possibilities with the sewer issue. He stated that is different from what PFM is doing; but once they get that whole picture, that would tell what they are looking at for scenarios moving forward with the sewers. Mr. Shearer stated if they were directed to do that, since they are not engineers, they would need assistance and information from a qualified professional engineers such as Mr. Ebert, to give them the data, and they would then be able to plug it into models. Mr. Shearer stated the one thing that is not reflected in this slide is that for Aqua, American, and Bucks the ratepayers are going to paying that amount but there would also be other Expenses within the Township Budget that could be significantly reduced based on the use of the proceeds decided on by the Board which they would not see in the far, right-hand side in the green bar. He stated with the green bar, they would still have all the Debt and other Expenses.

Mr. Grenier asked if they have had experience dealing with O & M Agreements over five or ten years. Mr. Shearer stated they do not see many of them; and while some of their clients talk about it, but typically they do not see them. He stated it would depend on the goal of the client; and if one of the goals is to create up-front money to fund Pensions, pay off Debt, etc. an O & M Contract will typically not do that. He stated they know that some clients have done that.

Mr. Moore stated when they sent out the RFQ, it was a Request for Qualification that was more broad than just strictly a sale which is why they did get the Concession/Lease offer. He stated in that they also mentioned that the Township would be open to O & M Agreements , and they distributed the RFQ to over one hundred different market participants; and of those who received the RFQ, they did not get any respondents who indicated they were strictly interested in an O & M Agreement. He stated this does not mean that there is no one who may be interested in this; however, of those who received the RFQ, which was an extensive list, none of those were interested.

Dr. Weiss stated last year Mr. Ebert came up with five or six different options which as Mr. Ferguson referenced previously, all were about \$50 million. He stated while he knows that they have not received a final report from Mr. Ebert giving a recommendation on the merits of any of the options, they are there for review; and each of the Board members can look at them and see that they all cost about the same amount.

Dr. Weiss stated the Township could reduce its Debt to a very manageable level, and there would be income streams that would surpass expenses significantly in many parts of the Budget. He stated he feels PFM has done

a good job showing that the Township has a way forward if they decide to sell the sewers without the undue pain that increased Debt loads would bring on the Township.

Ms. Blundi stated she appreciates that even though Aqua's Bid is lower, it does seem that there would be a benefit because of the long-term rates. She asked if there is something they could see to compare the different vendors such as Consumer Reports. She asked if there is an objective third party they could look to and add that to their analysis. Mr. Shearer stated looking at Aqua and American, they are both very good companies; and PFM has worked with both of them through these kind of processes, and they have good things to say about both of them. He stated as far as an independent third party, there is J. D. Power where in 2020, which is their latest report, Aqua was ranked as #2 for that category and Pennsylvania American Water may be #5, #6, or #7. He stated they are both good firms; and from the J. D. Power's study, Aqua had the higher ranking. He stated J. D. Power looks at different criteria.

Ms. Blundi stated that when they started discussing this and they all became aware of the Debt structure of the Township and the lack of foundational work and maintenance work not just in the Sewers but also the roads and other important areas, and they started to look at this as an option, she felt that is when they came up with the number of \$35 million since that was what it would take for the Board to even consider this since selling it for \$10 million would not make sense. Mr. Ferguson agreed. He stated when they talked about the Bids originally, they talked about a dual Bid because Bucks County Water and Sewer as a Bidder would not "over pay" for a system. He stated there was evidence that they tended to not always be the winning Bidder, and they came in well below a lot of the PUC companies. He stated since they were looking at both rates and proceeds, the idea was that they wanted to make a determination as to what we would assign as an amount that would be enough to satisfy the financial condition of the Township; and they came up with the number of \$35 million. He stated if we were including the PUC in the Bidding process, understanding in the end if they were willing to pay a higher amount, what would that translate to in rates. He stated that is why they were talking about tracking two Bids this way. He stated he was under the assumption that Bucks County would come in at about that range potentially, and Bucks had indicated in Management Meetings when dollar amounts had been discussed as far as a Base Bid that would be in the "ball park" that they would be looking to Bid regardless. Mr. Ferguson stated the idea was to have that as an option so

that the Board would have the option of an amount that would satisfy the financial situation of the Township keeping rates in mind. He stated this is why they had the option of \$35 million for Bucks and the PUC companies, understanding that Bucks essentially has less restrictions on them and the ability to control the rates for a lot longer. Mr. Ferguson stated going into those Bids, the idea was that our rate is considerably higher than Bucks County Water and Sewer; and in the end if they Bid \$35 million on that flat rate, it would take their rate a long time to catch up to our rate essentially leading to a long-term flattening of the Township's rate because it would take them a decade or more to get caught up.

Mr. Ferguson stated when the Bids came out, Bucks took the position that they were concerned with being involved with this, and they deferred to the other Bids; but the \$35 million amount was still sitting there. He stated it did not manifest itself the way he felt it would with Bucks. He stated the \$35 million number was our number because we determined we would need \$27 million or \$28 million for Debt to start and the other costs that he had outlined in the slide presentation.

Mr. Peter LaChance, stated he is a law enforcement officer so he does not give out his address. Mr. LaChance stated he ran one of the firms that was a pioneer in the privatization sector in American for water and wastewater. Mr. LaChance stated having seen Mr. Ferguson's presentation about the financial situation in LMT demonstrates "that we have been in a shambles and we have built up to it over the course of a couple decades." He stated he can see why that would be cause for wanting to correct that situation by an outright sale; however, he heard that the assumption was made in August, 2019 that that "LMT wants to exit the wastewater business." Mr. LaChance stated he does not feel they knew that then. He stated he had always advised the Board that they should look at all the options, but it is clear tonight that the sale option is the one "being pushed."

Mr. LaChance stated he did not get to see the Bid documents, and no one used his expertise. He stated the Sewer Board also did not get to see any of this. He stated he has been a Bidder and has rated Bids by privatizers in the past to make recommendations to clients, and he feels they are looking at this because they are in a "state of emergency." He stated this is the largest transaction that LMT has ever had and will ever have. He stated one Bidder put forth a long-term Lease Contract and the Township indicated they were not comfortable with the "legals behind it."

Mr. LaChance stated if they had put out an RFP looking for Lease Contracts, they would have laid this out, and Bidders would have Bid accordingly; but it does not seem like that was done. He stated they could have had a \$100 million asset after thirty to fifty years that they could have done something else with; however, now they are going to sell it, and that asset will never come back. Mr. LaChance stated there is more due diligence to do. He stated that because of the “dire straits” we are in, O & M may not work, but a Lease Contract may be a good compromise. He stated he does not think that has been explored enough.

Mr. Zachary Rubin, 1661 Covington Road, stated in 2008 the Township was considering selling the Sewer system; and they had a Special Meeting on March 19, 2008. He stated the Philadelphia Suburban Water Company, which changed their name to Aqua America, offered \$17 million with a two-year rate freeze. He stated there was considerable positive reception to that until one of the citizens asked an Aqua America representative where they would get the \$17 million to finance this transaction, and they indicated that they would float a Bond and the ratepayers would pay the principal and interest. Mr. Rubin stated this time it seems different since the cost would be spread out. He stated Aqua America, which is now called Central Utilities, had a net profit in 2019 of a quarter billion dollars. He stated with that profit, they issued a \$.23 dividend. He stated there are 176,790,000 shares outstanding which means that over \$4 million was distributed to the shareholders and not the ratepayers. He stated they are a for-profit corporation. He stated with regard to American Water Company, they made \$650 million in net profit, and they distributed \$100 million to their stockholders and not to their ratepayers.

Mr. Rubin stated while we might be in “dire straits now,” there might be other solutions on the horizon. He stated even though the Bucks County Water and Sewer Authority is an Authority, it is controlled by the County of Bucks County. He stated someday our Township and all of the other Municipalities that are clients of Bucks County Water and Sewer could be “fed up” with sending our sewage to Philadelphia and being dependent on the Philadelphia Water Company through their Philadelphia Sewer rates. He stated he feels there should be a “movement and a groundswell” to have Bucks County Water and Sewer Authority build their own treatment plant. He stated if they built their own plant, we would not have these exorbitant rates going down to Philadelphia or be dependent on a “decrepit MMA Authority.” He stated he believes there are possibilities that have not been explored.

Mr. Robert Abrams, 652 Teich Drive, stated with regard to the \$50 million for the new plant if it is broken down for the 11,800 households, it is \$4,237.29 over the life of the plant which is “pennies per year.” He stated the anticipated interest savings is a savings over the thirteen years of \$243.67 to each household which he does not feel should even be considered. He stated by selling off the Sewer system to pay for the Golf Course, they are “robbing Peter to pay Paul.” He stated he heard that Pennsylvania American Water will have rate increases of 12% for next year and 5% for the following year, and that is identical to what Mr. Ferguson has proposed as an increase. He stated they are considering selling the infrastructure of the Township to an outside company over which we have no control whether it is the Bucks County Sewer Authority or a privately-held company which is responsible to their shareholders first. He stated he understands that Pennsylvania American has guaranteed a 10% increase to their shareholders. Mr. Abrams stated not protecting the infrastructure means not protecting the citizens. He stated they “seem to not want any part of the long-term liability.”

Mr. Abrams stated they are having this discussion when it is almost Midnight, and this should have been a separate Special Meeting because it is too important to the whole community to be discussing this at Midnight. He stated there would have been thirty more comments that could have been made.

Mr. Abrams stated the technical difficulties they have had tonight is indicative of why “the Wegmans’ deal” needs to be a Public forum and not a virtual forum. He stated they could have lost up to 50% of the community that would never have been able to participate or understand what is going on.

Dr. Weiss stated this is a discussion that has been going on for over a year, but they are not making a decision this evening.

## SUPERVISORS REPORTS

Mr. Grenier asked if there is a new schedule for upcoming Meetings. Mr. Ferguson stated Ms. Ellison will be reaching out to all of the Committees. He stated they are televising the Zoning Hearing Board and Planning Commission meetings the same as the Board of Supervisors. He stated they will have meetings every week in July so there will be a broader array of days offered to the Committees. Mr. Ferguson reminded the Board of the joint meeting to be held next week. He stated the first group that he had Ms. Ellison reach out to was the Airport group. He reminded the Board

that they sent an e-mail to the Airport group on May 8, May 9, and May 13; and he had Ms. Ellison reach out to them again today to give them the first opportunity to schedule a meeting, but he does not have an answer from them yet.

Mr. Lewis stated the Zoning Hearing Board met yesterday and it was telecast live. He stated they will not be having their first meeting in July. He stated the Disabilities Advisory Board will meet tomorrow virtually.

There being no further business, the meeting was adjourned at 12:01 a.m.

Respectfully Submitted,

James McCartney, Secretary