

WESTERN WESTMORELAND MUNICIPAL AUTHORITY

REGULAR MONTHLY MEETING – MAY 20, 2010

The Board of Directors of the Western Westmoreland Municipal Authority held a regular monthly meeting on Thursday, May 20, 2010 at 7:00 P.M. in the Authority conference room, duly advertised, as required, and with the following persons in attendance:

1. Roll Call:

Board Members in Attendance:

| | | |
|-------------------|------------------|-------------------|
| Mr. Stan Caroline | Mr. Larry Chrzan | Mr. Anthony Marks |
| Mr. John Nabuda | Mr. Robert Pioth | Mr. Tim Watson |
| Mr. Mark Wolinsky | | |

Late Arrival:

Mr. Charles Konkus

Absent:

Mr. Leonard Santimyer Mr. Jared Squires

Others in Attendance:

Mr. John Campfield, Solicitor
Mr. Mark Poole, Consulting Engineer
Mr. Kevin Fisher, General Manager
Mrs. Johanna Wtorkowski, Assistant Secretary-Treasurer/Recording Secretary
Mr. John Sarp, CPA, of Sarp and Company
Mr. Henry Fisher, of Financial Services, Inc.
Ms. Marcia Rojcewicz, of Financial Services, Inc.
Mr. James Webster, Esq., of Houston Harbaugh

2. Mr. Pioth led the Pledge of Allegiance and moment of silence for our troops.

3. Public Comments: None

4. Communications: None

5. 2009 Audit Report: Mr. John Sarp, of Sarp and Company, presented the Authority's Annual Audit Report for the year ended December 31, 2009. Mr. Sarp reported that the Authority received an unqualified opinion, which is the highest opinion possible, and he reviewed the audit report for the Board Members. Mr. Sarp referred to GASB Statement 45, which requires an Authority to have an actuarial study for Other Post-Employment Benefits, other than Pensions (OPEB). The actuarial report has been incorporated into the audit report. Mr. Sarp explained that there are two ways to handle OPEB. The first option is to pay as you go, which makes it easier to fund it, or to fund it annually, which can be very expensive. Mr. Sarp explained that few municipalities fund OPEB. Mr. Sarp stated that the audit did not identify any deficiencies in internal control, and there were no misstatements. Mr. Sarp referred to the Note on Related Party Transactions (Note 14), which states that Board Member Stan Caroline is a Manager of the Penn Township Sewage Authority, adding that this note is not anything negative, but simply informs the readers of the audit report that there is a related party transaction. Mr. Sarp stated that the audit went swimmingly. He commended Kevin Fisher, Johanna Wtorkowski, and Mark Poole for their work, and he assured the Board that they are doing a very good job. Mr. Sarp invited the Board to contact him at any time, if they should have questions, stating that, if he does not hear from the Board, the report will be finalized within four to five days. Mr. Sarp reviewed two letters that will be submitted with the final copy of the audit. The first letter stated that Sarp and Company did not identify any deficiencies in internal control that they consider to be material weaknesses. The second letter provided a summary of audit examinations and findings. Mr. Sarp stated that this was a very laudatory letter. Mr. Sarp stated that this is an exemplary operation in the accounting department. Mr. Sarp stated that Sarp and Company has been the only auditor the Authority has ever known, and it has fallen to Sarp and Company to ensure that each pronouncement is followed, so that the Board can complete their fiduciary

responsibility in a confident manner, knowing that the work that the accounting department is doing is correct. Mr. Sarp thanked the Board, and stated that the audit report will not be this late next year, as the actuarial study for OPEB will not be required for three years.

Mr. Marks referred to the custodial risk of investments, and asked if the Authority's investments are safe. Mr. Sarp explained that the first \$200,000.00 of funds held at each bank is insured by the FDIC. Mr. Sarp explained that most of the Authority's accounts are held in unclassified accounts with banks that have strong footings. He stated that he did not feel that the Authority needs to do anything further.

Mr. Charles Konkus joined the meeting at this time. The time was 7:24 P.M. Mr. Konkus asked Mr. Sarp if the audit field work was completed before he reported the information to the State. Mr. Sarp stated that the field work was completed before the information was filed with the State .

6. 2010 Bond Issue: Ms. Marcia Rojcewicz presented updated information concerning the proposed 2010 Bond Issue. Ms. Rojcewicz stated that the market is in a favorable situation for issuing bonds. Ms. Rojcewicz referred to a schedule that was prepared by Financial Services, Inc., which lists the proposed debt service schedule for the 2010 Bonds. Ms. Rojcewicz reviewed the breakdown of estimated costs associated with the bond issue, explaining that the debt service reserve will be funded with money from the Capital Improvement Fund. Ms. Rojcewicz explained a new financing vehicle that is available to Authorities, Build America Bonds (BABs). This is a taxable bond, rather than a tax-exempt bond, and the Authority would apply with the federal government for a refund of 35% of the interest on the bonds. This application would have to be made after each interest payment. Ms. Rojcewicz explained that the BABs would not be the best option for the Authority, because the term of the issue would not be long enough to realize the benefit, since the interest rates for the BABs are higher in the earlier years. Ms. Rojcewicz stated that it has been determined that the Authority would benefit by purchasing bond insurance, because the lower interest rate resulting from the AAA rating would be cost effective.

Ms. Rojcewicz stated that the Authority will be able to refund the 2005 bonds, effective October 15, 2010, without penalty, and that the Authority is permitted to refund the bonds 90 days prior to October 15, 2010, or July 15, 2010. Ms. Rojcewicz stated that the Authority could have a debt service reduction of approximately \$140,000.00 in this market, if the bonds were refunded. Ms. Rojcewicz stated that there has been a rally of Treasuries in the market, and Financial Services, Inc. recommends that the Authority proceed now with the sale of the bonds. She explained that the Authority could save some bond closing expenses by completing the 2010 Bond Issue and the refunding of the 2005 Bonds at the same time. Ms. Rojcewicz requested that the Authority appoint PNC Capital Markets, LLC, as the bond underwriter.

Mr. Marks asked for an explanation of the return of interest expense from the BABs, and how it affects the net interest cost, compared to the sewer revenue bond interest cost. Ms. Webster explained that, when BABs are used, tax-exempt bonds are used in the earlier years, and BABs are used in the later years. Mr. Webster agreed with Ms. Rojcewicz's assessment that the Authority's bond term of 19 years does not give the Authority enough time to realize the savings associated with BABs.

Mr. Marks asked what the two rates were at the present time. Ms. Rojcewicz stated that the highest interest rate on the tax-exempt bonds is 4.5%, and the highest interest rate on the taxable bonds is 5.1%.

Mr. Watson asked how long it would take to receive the federal interest refund for the BABs. Mr. Webster stated that it would take approximately 90 days, and that the request must be made after each interest payment.

Ms. Rojcewicz stated that the fee paid to the underwriter is included in the cost breakdown, and would not be an additional cost.

Mr. Watson asked how the Authority will be affected, since the Part II Permit has not yet been received. Ms. Rojcewicz stated that the Authority knows that the money is needed, and while there may be a delay in construction, the time is right to enter the bond market.

A motion was made by Larry Chrzan, and seconded by John Nabuda, that the Authority go with the recommendation of Financial Services, Inc., and that the bond manager (underwriter) will be PNC Bank. Mr.

Marks asked if the Authority can still explore the BABs. Ms. Rojcewicz stated that, because currently, the market demand for BABs is beyond the Authority's maturity, BABs are not the best option. Ms. Rojcewicz stated that this will be reviewed prior to the bond closing.

Ms. Rojcewicz stated that Financial Services, Inc. will come to the June 17, 2010 meeting with a firm bond purchase proposal setting all of the interest rates as fixed, and final payments on the debt service, and a final savings amount on the refunding.

Mr. Marks asked if the amount of \$6,000,000.00 is still on track. Mr. Poole stated that he feels the number is good, adding that the next six to eight months will be a good time to start a project. Ms. Rojcewicz stated that Financial Services, Inc. will be presenting one proposal for both programs, providing the savings on the refunding is at least \$130,000.00.

After a brief discussion, the motion that was made by Larry Chrzan, and seconded by John Nabuda, was restated to appoint Financial Services, Inc. and Houston Harbaugh to proceed in preparing a bond sale, including new money in the amount of \$6,000,000.00, and refunding the 2005 Bonds providing the refunding results in a savings of at least \$130,000.00, for the June meeting, and to appoint PNC Capital Markets, LLC as the underwriter for the bond sale. The motion passed unanimously.

7. Secretary's Report – Due to Mr. Santimyer's absence, Mr. Pioth presented the minutes of the April 15, 2010 minutes for approval.
 - A. A motion was made by Mr. Chrzan, and seconded by Mr. Watson, to approve, as presented, the minutes of the April 15, 2010 regular meeting. The motion passed, 7-0, with one abstention by Mr. Konkus, who stated that he arrived late for the meeting.

This concluded the Secretary's report.

8. Treasurer's Report – Mr. Watson – Mr. Watson presented the following Revenue Fund requisitions for approval:
 - A. A motion to approve for payment Revenue Fund Requisition No. 123, in the amount of \$64.15, payable to Scott Electric was made by Mr. Chrzan, and seconded by Mr. Marks. The motion passed 7-0, with one abstention from Mr. Konkus, who stated that there is a possible conflict due to his employment with Scott Electric. A memorandum, signed by Mr. Konkus, is attached to these minutes.
 - B. A motion to approve for payment Revenue Fund Requisition No. 124, in the amount of \$166,926.86 was made by Mr. Chrzan, and seconded by Mr. Marks. The motion passed unanimously.

This concluded Mr. Watson's report.

9. General Manager's Report – Kevin Fisher – Mr. Fisher reviewed his written report dated May 20, 2010, which was distributed this evening.
 - A. Mr. Fisher has not received any new information from North Huntingdon Township regarding the Campus Estates at Parklane PRD or the Forest View Place Plan.
 - B. The plant discharge for April was in compliance with the discharge permit, and there were no by-passes.
 - C. The plant employees are in the process of pouring concrete sidewalks and pads for the automatic samplers.
 - D. ADS Environmental's responsibility regarding the flow monitoring equipment is nearly complete. There were some meter issues. A malfunctioning meter will be replaced on Monday, May 24, 2010. Another meter malfunctioned today, due to a crack in the sensor that was causing a short. ADS are updating the firmware, which communicates with the software. Preliminary flow reports have been received for February, March, and April. ADS used the wrong unit of measurement for rainfall for March. They will correct the information, and reissue March's report. The flow meter that is located at Manor's combined sewer overflow station, near the car wash, was removed during the TV work. The meter was reinstalled today.
 - E. Westmoreland County's offsite emergency response plan exercise went well. Four local fire departments responded, as well as North Huntingdon EMS and Police, and Team 800 Personnel. There were also observers in attendance. The information will be forwarded to Homeland Security. The County HazMat

team expressed their appreciation to the Authority Board for hosting 2010's emergency response plan exercise.

- F. Mr. Fisher is still attempting to schedule a meeting with representatives of Eaton Electrical to review and discuss their proposal regarding the repair of the main switchgear automatic transferring and power monitoring.
- G. Mr. Fisher will be attending a meeting on Friday, June 4, 2010, regarding the cleanup of the Irwin mine discharge. This project would utilize a passive treatment system for cleaning the water and reclaiming the iron oxide into a marketable product. A discussion regarding this topic followed.
- H. Mr. Fisher attended the Operator Challenge in New Jersey, last week. Mr. Fisher reported that the association hosted an impressive challenge. Eleven teams from North America participated in the event. The speed and skill displayed by the teams were impressive. Mr. Fisher thanked the Board for permitting him to attend the challenge, stating that it was quite an educational experience.
- I. Issues regarding Trafford Borough, North Huntingdon Township Municipal Authority, and Penn Township Sewage Authority will be discussed during the executive session.

This concluded Mr. Fisher's General Manager's report. The complete report is attached to these minutes.

10. Consulting Engineer – Mark Poole, Wade Trim, Inc.:

Mr. Poole reviewed his written report dated May 20, 2010, which was distributed this evening.

A. Solids Processing Project:

- 1. Mr. Poole reported that the PaDEP has initiated its review of the Part II NPDES Permit. A meeting was held with Mr. Rick Palmer, P.E., who is the responsible project manager for the PaDEP. Mr. Palmer was given a tour of the plant facility, and he was pleased with the facility. While the Authority was given no time frame, the review period should last at least one month.
- 2. Mr. Poole reported that Wade Trim is assembling information for completion of the H2O Grant. Mr. Poole stated that there are many municipalities that are applying for the grant money, and the Authority's chances of receiving grant money are pretty slim, but it is worth submitting a grant request. If the Authority receives H2O Grant money, the extra money would be used for other projects, based on the current compliance schedule for the Long-Term Control Plan.

B. Wet Weather Issues:

- 1. Long-Term Control Plan: Mr. Poole reported that a meeting has been scheduled with the PaDEP for May 24, 2010, at 9:30 A.M., at the DEP offices, to discuss the Long-Term Control Plan response letter that the Authority received in March 2010. Mr. Poole stated that Kevin Fisher; Tony Marks, Chairman of the Legal and Engineering Services Committee; Bob Pioth, Board Chairman; and Mark Poole; as well as a wet weather specialist and former regulatory agent from Wade Trim, will be representing the Authority. Don Leone, Paul Eisworth, Scott Swarm, Zach Flannigan, Judy Self, and Jack Crislip will be representing the PaDEP. Mr. Poole stated that there are many ramifications to the compliance schedule. Mr. Poole stated that the Authority should not be preparing Act 537 plans, as that is the responsibility of the respective municipalities. Mr. Poole stated that there are scheduling and timing issues. The Authority is designing a system without knowing how the work that Manor Borough is doing will impact the system and facilities that the Authority is designing, and the Authority does not know Penn Townships plans regarding the areas of Penn Township that are currently not served. Mr. Caroline stated that someone needs to take a stand with the PaDEP. A discussion followed.
- 2. Mr. Poole reported that the issue of discharging excessive wet weather flows from the emergency plant bypass has been raised by the PaDEP. A discussion followed.
- 3. Mr. Poole stated that stakeholder meetings will be a required part of the Act 537 planning process. Mr. Poole and Mr. Fisher will be attending a meeting with Manor Borough on June 2, 2010, to discuss planning requirements.
- 4. Mr. Poole reported that the June Eastern Basin Manager and Engineer meeting has been cancelled. A combined basin meeting will be held on September 29, 2010, at 9:00 A.M., at the Green Tree Municipal Building.
- 5. Mr. Poole reported that an informational meeting was held at the Wade Trim offices on May 5, 2010 to discuss flow monitoring and Long-Term Control Planning.
- 6. Mr. Poole stated that a Legal and Engineering Services Committee meeting should be held before the next regular meeting.

This concluded Mr. Poole's Engineer's report. The complete report is attached to these minutes.

11. Solicitor's Report – John Campfield –

- A. Mr. Campfield stated that the items included in his report concerning Trafford Borough, North Huntingdon Township, and Penn Township will be discussed during executive session.
- B. Mr. Campfield reported that he attended a seminar regarding Marcellus Shale yesterday. Mr. Campfield stated that the drilling process uses lots of water.

This concluded Mr. Campfield's report.

Mr. Pioth asked if Mr. Caroline should recuse himself from attending the executive session that pertain to litigation with North Huntingdon Township Municipal Authority, due to Penn Township's recent decision to intervene in the lawsuit against the North Huntingdon Township Municipal Authority. After a discussion, Mr. Caroline stated that he would leave the executive session when discussions regarding North Huntingdon Township Municipal Authority took place.

12. Reports of Committees:

- A. Grounds and Maintenance Committee – Mr. Caroline – Mr. Caroline reported that plant personnel are currently repairing sidewalks and installing light poles. Mr. Fisher stated that pads for the automatic samplers are being installed, also.
- B. Personnel Committee – Mr. Nabuda reported that an employee will be going on short-term disability, beginning next Wednesday, for approximately 6-8 weeks.
- C. Finance and Budget Committee – Larry Chrzan:
 - 1. Mr. Chrzan reported that the Authority received \$11,529.72 in interest in April, for a year-to-date total of \$48,670.84.
 - 2. Mr. Chrzan reported that \$2,822,026.84 from the 2005 Construction Fund was invested with S&T Bank, in a six-month public funds certificate of deposit that has no penalty for early withdrawal.

This concluded Mr. Chrzan's report.

- D. Insurance Committee – Mr. Fisher reported that the Authority has not yet received the industrial appraisal report.
- E. Sludge Committee – Mark Wolinsky – There was nothing to add to the report that was previously distributed.
- F. Legal and Engineering Services Committee – Anthony Marks: Mr. Marks reported that the Legal and Engineering Services Committee will schedule a meeting for May.

13. Change Orders and Pay Estimates – NONE

12. Requisitions:

Mr. Pioth presented the following requisition with the motion to approve as follows:

- A. Capital Improvement Fund Requisition No. 91 in the amount of \$1,455.60, for payment to Scott Electric and for reimbursement to WWMA for payment to Scott Electric. Motion to approve was made by Mr. Chrzan, and seconded by Mr. Watson. The motion passed 7-0, with one abstention from Mr. Konkus, who stated that there is a possible conflict due to his employment with Scott Electric. A memorandum, signed by Mr. Konkus, is attached to these minutes.
- B. Capital Improvement Fund Requisition No. 92 in the amount of \$882.38. Motion to approve was made by Mr. Caroline, and seconded by Mr. Marks. The motion passed unanimously.
- C. Penn Township Expansion Guarantee Project Area II Fund Requisition No. 1 in the amount of \$1,250.00, representing reimbursement to WWMA Operating Fund for refund to Penn Township Sewage Authority for

tapping fee. Motion to approve was made by Mr. Nabuda, and seconded by Mr. Chrzan. The motion passed unanimously.

- D. 2005 Construction Fund Requisition No. 2005-61 in the amount of \$9,109.35. Motion to approve was made by Mr. Caroline, and seconded by Mr. Chrzan. The motion passed unanimously.

13. Board Member Comments: There were no Board comments.

14. Executive Session: A motion was made by Mr. Konkus, and seconded by Mr. Marks, to enter into an executive session to discuss matters of current litigation with Trafford Borough and North Huntingdon Township Municipal Authority. The motion passed unanimously. The time was 9:03 P.M.

Mr. Caroline excused himself from the executive session and the meeting at 9:20 P.M.

A motion to return to the regular order of business was made by Mr. Watson, and seconded by Mr. Wolinsky. The motion carried unanimously. The time was 9:45 PM.

Mr. Nabuda excused himself from the meeting at 9:45 P.M.

15. A motion to adjourn the meeting was made by Mr. Marks, and seconded by Mr. Chrzan. The motion carried unanimously. The time was 9:46 P.M.

Leonard L. Santimyer
Secretary