

DOVER TOWNSHIP
BOARD OF SUPERVISORS MEETING

Work Session Minutes

April 22, 2013

The Dover Township Board of Supervisors held a work session on Monday, April 22, 2013, which began at 6:02 PM in the Meeting Room of the Dover Township Municipal Building. Dover Township Supervisors present were Chairperson Monica Love, Madelyn Shermeyer, Michael Husson, Charles Richards, and Matthew Menges. Laurel Oswalt, Township Manager; Charles Farley, Public Works Director; and Trena Hall, Recording Secretary were also present. L. Gordon Walker and William J. Carlin, Jr. with PFM, and Paul Gross with BUCHART HORN, INC. were also in attendance to make presentations.

The purpose of the work session was to discuss the refinancing of the 2008 Sewer Bond and an amendment for the Sanitary Sewer Mapping.

Gordon Walker introduced himself and William Carlin, both with PFM. Mr. Walker presented the refinancing of the 2008 Sewer Bond, which was issued for recent upgrades performed at the Waste Water Treatment Plant. Previously, he spoke to the Sewer Authority in February of 2013 and updated again in March. The 2008 bond is not callable until November of 2013, but since this was new money, the bond can be closed at any time, with no restrictions. With interest rates at a low of 2.2% and most of the principle due is on the back end of the maturity, a large savings will be generated.

Mr. Walker wanted to note that the Department of Community and Economic Development (DCED) must approve all bonds that are issued or guaranteed by the Township. The DCED monitors the debt service making sure the debt is level or descending. They would not approve the Township's fluctuating structure as it currently exists.

The Township and Sewer Authority will need to agree on one of the two options presented.

Option One involves eliminating the future debt service of the 2008 bond and leaving the 2010 bond outstanding. The \$7,775,000.00 will pay off the bond and other costs. This will lower the annual debt service payments, leaving the average interest rate around 2%. The debt service projected on the new deal is \$8,974,402.63, paid twice a year. When compared to the existing debt service of \$10,242,559.38, if we would not refinance, the difference is \$1,268,156.75, an estimated savings of approximately 17%. The 2010 bond would not be touched in this option. The Township would meet the DCED's requirements and the Sewer Authority will be out of debt in 10 years.

Option Two involves borrowing money to pay off the 2008 bond and using part of the savings to pay off the \$700,000.00, 2010 Bank Loan. Additionally, this would also produce a savings of \$480,318.00 in reduced debt service.

Mr. Walker was not looking for a decision at the present time. He did want an answer by the May Sewer Authority meeting. This would allow for a sale in June. He noted that the Sewer Authority may need to borrow money next year and hopefully interest rates will stay low. He also stated that the rating people look at the General Fund's Balance and they want to see liquidity. The Township fund balance has not dropped and is higher at this time.

M. Shermeyer wanted to confirm that in Option Two, the 2010 bond would be paid off at closing and reduce the debt service by \$480,000.00.

Manager Oswalt asked Mr. Walker to explain why paying off the 2010 would be a good idea.

Mr. Walker explained that the rate of interest would be higher than what you would get on bonds issued. This would lower the interest rate and establish a fixed rate for the loan which currently becomes variable in a few years.

M. Husson stated that the Sewer Authority may need to complete a major repair of the joint interceptor at Fox Run Road. This work may cost more than the \$480,000.00 possibly being saved. The savings would actually be split between West Manchester, Manchester, Conewago and Dover. About 60% of the savings would be coming back to Dover.

Mr. Walker stated that either option will get you down into that 2.2% range if more borrowing would be needed in the coming year. He also stated that future projects should not be a factor on choosing which option to go with.

M. Menges inquired about further discussion of the issue and Chair Love said that the Board can discuss and take action later. Manager Oswalt was inclined to suggest Option Two. The Board of Supervisors will need to make the final decision. No further action was taken.

Paul Gross, with BUCHART HORN, INC., was requesting an amendment for an additional amount of work that was completed. BUCHART HORN, INC. believes the additional fee of \$15,500 is justified due to difficulties that were not anticipated with finding the less visible manholes and the ones recorded on papers that do not appear to exist.

The fee of \$40,500.00 was approved last year and the \$15,500.00 is a justified expenditure for the extended time on searching for manholes.

M. Menges noted the difficulty he has, the proposal states that it was a lump sum of the amount and the invoicing will not exceed the total lump sum without written authorization. BUCHART HORN, INC. is requesting more payment after the extra work has been completed. When the work became more involved than expected, BUCHART HORN, INC. should have contacted the Township asking permission prior to proceeding. BUCHART HORN, INC. said they spoke to staff, but did not speak to the Board. The agreement states that BUCHART HORN, INC. would complete the work and Mr. Gross clarified that they did. They will not walk away from the job. Mr. Gross did agree that the right way would have been to ask for permission, before moving forward.

C. Richards questioned if BUCHART HORN, INC. has bid on jobs like this before and if they may have under bid this proposal. Mr. Gross confirmed that they have bid on jobs like this one and have run in to problems like this before. Mr. Gross acknowledged that they did use a more typical time frame to estimate the job.

A decision was not announced on the additional mapping fee.

Mr. Gross spoke about the next phase of the project dealing with the sanitary sewer modeling of the interceptors serving Dover Township and the WWTF.

M. Menges inquired if this modeling has been budgeted. Chuck Farley agreed that there is money budgeted in the sewer fund.

The work session was adjourned at 6:49 PM.

Respectfully submitted by: _____
Trena M. Hall, Township Secretary