The Dover Township Board of Supervisors held a work session on Monday, September 13, 2010, which began at 6:04 PM in the Meeting Room of the Dover Township Municipal Building. Dover Township Supervisors present were Chairman Curtis Kann, Madelyn Shermeyer, Michael Husson, Duane Hull, and Monica Love. Laurel Wilson, Township Manager; Charles Farley, Public Works Director; and Dawn Slegel, Recording Secretary were also present. L. Gordon Walker, PFM Financial Group; Paul Gross, Sewer Authority Engineer with Buchart Horn, Inc.; and John Miller, Sewer Authority Treasurer were in attendance at this work session.

The purpose of the work session was to discuss the Sewer Authority’s decision for additional financial funding in order to complete the Wastewater Treatment Plant Upgrade Project.

Mr. Gross reviewed the financial borrowing which occurred previously on this project for a total of approximately $12 million. He indicated when the bids were received on the project that the Sewer Authority might potentially need to borrow more money. The bids came in at $11.5 million. H2O Grant monies were also received for this project. In reviewing the bottom line numbers for this project, it was determined that the remaining monies available is approximately $2.92 million. The total debt owed to the contractor is approximately $2.98 million. He noted that the difference is only minimal at this time. There is approximately $118,000 remaining on the grant. So at this point financially, the Authority is still okay, but there are still some outstanding change orders. Recently, it was discovered that there were issues with the electrical design which caused significant change orders to the electrical portion of the contract. In conclusion, the Authority wanted to make sure that they have enough monies to cover the project. They sought financial assistance from L. Gordon Walker on acquiring bank proposals for a line of credit of $1.5 million. Mr. Gross does not think that the entire amount will be needed to complete the project. His best estimation is approximately $500,000 will be needed but it is uncertain at this time.

Mr. Walker explained the bank proposal chosen by the Sewer Authority. The draw-down of the $1.5 million is available for two years.

Chair Kann inquired on the completion date of the project.

Mr. Gross responded that at the last construction job conference, the contractor stated that the project should be completed at the end of February, 2011. He stated that the large electrical change order for $400,000 was already paid and included in his figures.

Supervisor Hull questioned the large change order for the electrical work.

Mr. Gross replied that some of it was an oversight on the electrical design by Buchart-Horn where the electrical duct bank enters the existing building could not be done in that manner. It had to be done by going overhead by cable tray. The wiring for the heaters was not included.
Supervisor Hull stated that the change order was excessive.

Supervisor Shermeyer agreed stating that the Board had a problem with the whole change order matter.

Mr. Gross commented that in his opinion, the low bidder for the electrical contract should have been eliminated. A meeting was held with Pro Electric because their bid was much lower than the other seven bidders. Items were missed on the contract in the electrical design. Things seemed to snowball from there. In the future, there will be criteria to be met of having at least five years experience in that field.

Supervisor Hull asked how much is the project over budget through change orders.

Mr. Gross answered that the electrical contract is approximately $550,000 over budget. The general contractor is over approximately $100,000 excluding the excavation. Buchart-Horn is responsible for fixing the design work at no additional cost to the Authority. He will keep the Sewer Liaison abreast of the financial situation. It is the thought to be pro-active in order to have the finances to finish the contract. It’s too close at this point.

Mr. Walker provided an updated copy of the amortization schedule to the Board. Proposals were received from ten banks. The Sewer Authority opted to deal with Peoples Bank at an interest rate of 3.71%. They did not require deposits like some of the other proposals. There is no penalty for not drawing down all of the $1.5 million. If there are any other projects, they could be discussed and approved by the Board of Supervisors. The schedule discussed by Mr. Walker was to have the Sewer Authority adopt the resolution approving the People’s loan at their next meeting on Wednesday, September 22, 2010 and the Board of Supervisor could authorize the advertisement of the ordinance at their meeting on September 27, 2010, so the closing would not take place until November 1, 2010. It is a fixed rate for ten years and then it resets at either a fixed or variable rate for the remaining five years. The Sewer Authority needs the backing or co-signer of the loan by the Dover Township Board of Supervisors. The ordinance would be prepared by Stock & Leader.

Supervisor Husson inquired whether the $1.5 million is approved by the Board, who can authorize expending the full amount the Sewer Authority or the Board of Supervisors.

Mr. Gross commented that if the Sewer Authority would have a capital project involving all the other cooperating municipalities that they would want to pursue with the leftover monies, it would fall under their jurisdiction. Otherwise, they would need to seek the Board of Supervisors’s approval.

Dr. Miller inquired whether language could be included in some document clarifying this discussion that the $1.5 million is to be used for this construction project only and that any additional use must be approved by the Board.
Mr. Walker responded that this language could be incorporated into the Authority’s resolution which authorize the acceptance of the loan stipulating the use of the proceeds.

Manager Wilson suggested that it might also be put in the ordinance. Mr. Walker stated that he would check with Atty. Steve Hovis at Stock & Leader in which language could be included in the ordinance that would give the Dover Township Board of Supervisors some control of draw-downs over and above the amount of the Chesapeake Bay Initiative Project.

Mr. Gross noted that the contract number could be included.

**Board Consensus** was to move forward with the procedure to acquire the bank line of credit for $1.5 million from People’s Bank.

Chair Kann concluded the work session at 6:34 PM.

Respectfully submitted by: ________________________________

Dawn D. Slegel, Secretary