

WAYNESBORO BOROUGH AUTHORITY

MAY 15, 2007

MINUTES

Authority Chairman Jon Fleagle called the regularly scheduled meeting of the Waynesboro Borough Authority to order at 7:30 p.m. with the following in attendance:

Borough Authority Members - Lee Layman, Christopher Snively, S. Allen Stine and Jon Fleagle
(William Pflager was absent)

Borough Staff - S. Leiter Pryor, Director of Borough Utilities
D. Lloyd Reichard, II, Authority Solicitor

Others – Representatives of Quincy United Methodist Home (Richard Michael from Eckert Seamans and Jeffrey Davis from Presbyterian Homes, Inc.)

PUBLIC HEARING - QUINCY UNITED METHODIST HOME REFINANCING: Jon Fleagle called the hearing to order. He noted the purpose of the hearing was to receive comments from the public with respect to the Authority's participation in the following proposed project and tax-exempt financing:

"It is proposed that the Authority make a loan from the proceeds of its proposed tax-exempt obligation to Quincy United Methodist Home (the "Corporation"), a Pennsylvania non-profit corporation, in connection with the following project (the "Project"): (i) Refinancing indebtedness incurred by the corporation for (a) the acquisition and construction of a facility (the "original facility") owned by the corporation consisting of 32 personal care units and 134 skilled nursing care units and congregate facilities and (b) the acquisition and construction of an expansion thereto consisting of 184 independent living units and related congregate facilities and related appurtenances and improvements (the "expansion", and with the original facility, the "facilities") situated on an approximately 360-acre site located along Route 997 in the Township of Quincy, Franklin County, Pennsylvania; (ii) financing the construction, acquisition and equipping of capital improvements to the facilities; and (iii) financing costs of issuing the tax-exempt obligation.

The financing to be provided by the Authority with respect to the project through the issuance of its tax exempt obligation will not be in excess of \$8,000,000."

The hearing was duly advertised in *The Record Herald* newspaper on April 26, 2007, in accordance with the requirements of Section 147(F) of the Internal Revenue Code of 1986, as amended. Public comments were then requested.

Ronald Martin, 66 State Hill Road - Mr. Martin noted that he has reviewed the Waynesboro Borough Authority's Articles of Incorporation; and upon review of such, cannot find where permission has been granted for the Authority to float bonds for other people/organizations.

Richard Michael, attorney for Quincy United Methodist Home, responded that the Articles of Incorporation were reviewed in 1993. He recalled that there were amendments that allowed certain projects under the Municipal Authorities Act of 1945 such as financing improvements for hospitals, etc. Lloyd Reichard agreed.

Ronald Martin questioned if Borough Council would have approved such amendments to expand the WBA's powers. Mr. Michael replied affirmatively. Mr. Reichard noted that bonds have been floated in the past, and it is his belief that the WBA's authority was in fact amended to conform to the Authorities Act. Mr. Michael added that he will be glad to review the matter and respond to the WBA. Mr. Martin requested that a date be confirmed when this action was approved by Borough Council.

It was noted that the debt incurred will be the full responsibility of QUMH. Mr. Martin questioned what impact it will have on the WBA if Quincy Home would default on the bond. Mr. Michael stated that the Authority's note will expressly state that it is a limited obligation of the WBA (which means that the Authority's general funds are not being pledged) and the WBA is not responsible for repayment upon default. The WBA's obligation is restricted to amounts payable by QUMH to the WBA pursuant to a loan agreement between the Authority and Quincy (water/sewer funds could not be used for repayment, etc.) Ronald Martin questioned ... if there were a default situation, wouldn't it affect the WBA's credit rating? Mr. Michael noted that any credit analyses or ratings would be based upon the utility system and not on this "limited obligation" situation with QUMH.

Mr. Martin asked what advantage there is for the WBA to assist QUMH in this project. Chairman Jon Fleagle noted that the WBA's expenses will be reimbursed by QUMH and nothing is received in return – it is considered a "community service". He added that the WBA is a government agency ... and the purpose of a government agency is to protect the health, welfare and wealth of its citizens. This is an opportunity for them to do that at no cost or obligation to the WBA. The same thing has been done in the past for the Waynesboro Hospital.

Ronald Martin questioned if QUMH had approached the Quincy Township Municipal Authority for their assistance. Mr. Michael noted that they approached the WBA because they had worked with them in 1993. Mr. Martin noted that QUMH is a fine facility, but added his concern that QUMH was close to default several years ago. He questioned if their financial statements will be reviewed before entering into this endeavor. Mr. Davis explained that, in October of 2006, QUMH became a fully-controlled subsidiary of the PHI (Presbyterian Homes, Inc.) and all audit reports are readily available on their website. PHI has a Triple B+ bond rating with Standard & Poors, and has sole control of QUMH. QUMH has a local Board of Directors, but became a part of PHI in an effort to improve QUMH's long-term success. PHI has over \$100 million dollars in reserves.

Jon Fleagle explained that this will only impact the WBA's borrowing capability for one year, but has no effect or obligation on the WBA at all. Mr. Martin commented that he feels this is a lot of risk for the WBA with no gain – (1) if the Authority needs to borrow, they are "tied up" for the first year; (2) if QUMH defaults, it would impact the rate the Authority would have to pay for future loans; and (3) he is unsure if the WBA is empowered to do this. Mr. Fleagle noted that documents will be reviewed and a response forwarded to Mr. Martin regarding this matter.

There being no further discussion on the matter, the hearing was closed at 7:47 p.m.

APPROVE MINUTES: Lee Layman made a motion to approve the minutes of the April 17, 2007 meeting, as written. Allen Stine seconded; the motion passed unanimously.

UTILITY REQUEST - RONNIE MARTIN: Leiter Pryor reported that Ronnie Martin is requesting water/sewer service by the WBA for 15 acres in Washington Township adjacent to Walnut Knolls. It was clarified that residents of this area would be Washington Township's sewer customers under the Sewage Transportation Agreement, and would be supplied water by the WBA (if approval is given by WTMA) as part of the indirect water service area. Leiter Pryor reported that Scott Crum has conducted a hydraulic analysis and foresees no problem. Discussion ensued regarding the tie-ins, and the WBA will discuss this matter further when utility drawings are prepared and approved by Washington Township.

SOURCE DEVELOPMENT UPDATE: Leiter Pryor noted that the PENNVEST application is progressing and should be ready for submission within the next two weeks. Pre-purchase specifications for the membrane equipment have been completed, and bids will be advertised for opening on June 22nd. He noted that the contracts cannot be awarded, however, until a “Letter of No Prejudice” is received from DEP. He anticipates receipt of that letter in the near future.

QUINCY UNITED METHODIST HOME - BOND ISSUE RESOLUTION: Chairman Fleagle requested that Mr. Michael review the matter discussed at the hearing with regard to the WBA’s authority; but, in the meantime, the resolution could be approved contingently. Lee Layman made a motion to adopt the proposed QUMH resolution, contingent upon review of the Articles of Incorporation (and any subsequent amendments) enabling the WBA to proceed. Christopher Snively seconded; the motion passed unanimously.

REQUEST - MAINSTREET WAYNESBORO, INC.: Leiter Pryor noted that he has received a request from Mainstreet Waynesboro, Inc. regarding watering of the hanging flower baskets downtown. They would like to utilize the library’s outside spigot to fill their watering tank, and are requesting that the WBA give the library a credit for the water they anticipate using (approximately 8,000 gallons = approximately \$43.00). Frank Bittner, a volunteer with the program, explained their calculation in more depth. Following discussion on the matter, Allen Stine commented that he would be more willing to give them water directly than to give a customer water to give away for this purpose. He suggested that they could utilize the spigot at the front of Borough Hall for this purpose, and made a motion to give them whatever water they need from Borough Hall for watering the flower baskets downtown. Lee Layman seconded; the motion passed unanimously.

T-MOBILE LEASE AGREEMENT: Tim Loughran, representing T-Mobile, was present to discuss their request to lease space on the N. Broad Street tank to install their equipment. Mr. Pryor noted the WBA’s concern that the installation be structurally sound. Drawings are being prepared and should be reviewed by Gannett Fleming. A proposed lease agreement was supplied/distributed for the Authority’s review.

Discussion followed regarding specific terms of the agreement. Authority Solicitor Lloyd Reichard voiced his opinion regarding the lease amount and termination penalties. Chris Snively noted the lease amount should be the same as that paid by Cingular, as well as the agreement’s terms.

Leiter Pryor noted his concern regarding surface protection, adding that specific information is needed regarding attachment of the equipment onto the tank. It was agreed that both parties’ engineers should review the plans and make their respective recommendations. Lloyd Reichard stated that the WBA’s engineering fees should be incurred by the Lessee. (It was mentioned that Cingular prepared the proposed drawings for their equipment installation, and Gannett Fleming reviewed the drawings for the WBA. It was believed that Cingular paid Gannett Fleming’s fees for this service.)

Allen Stine mentioned his concern regarding any potential interference with Cingular’s equipment. Mr. Loughran noted that that issue is between T-Mobile and Cingular. He explained that the frequencies are licensed by the FCC, and interference is not allowed to happen.

Leiter Pryor questioned what contingencies can be made for tank maintenance in the future, and Jon Fleagle recommended that something should be included in the lease agreement to address this issue (specifically, that any maintenance which needs to be done that will impact T-Mobile’s equipment will be accommodated at no cost to the WBA). Mr. Loughran noted that maintenance schedules can be “worked around” by transferring their equipment to a temporary structure. Upon further discussion, the Authority members requested that the concrete slab proposed by T-Mobile be moved approximately

10-12' away from the tank (consistent with Cingular's pad) for maintenance access. Mr. Loughran noted no problem with this request.

Mr. Loughran noted that the deed for the N. Broad Street property is in the name of the Borough of Waynesboro, not the Waynesboro Borough Authority. Lloyd Reichard stated that there is a "catch-all" deed conveying all water facilities from the Borough to the WBA by reference. Mr. Loughran will attempt to research the matter at the Courthouse.

Mr. Loughran reviewed his understanding of the items to be pursued, as discussed at this meeting: (1) he will research the deed issue at the Courthouse regarding property ownership; (2) he will contact Gannett Fleming to explain their proposal and to get an idea of the expenses to be incurred; (3) the maintenance issue is a matter of mutual cooperation, which he feels positive can be worked out; and (4) he will work on modifications to the proposed agreement, and requested that any suggestions/recommendations from the Authority be forwarded to him as soon as possible. Mr. Loughran noted he will plan to attend the Authority's next meeting to discuss the matter further, and is hopeful that a lease agreement can be executed at that time. The Authority requested that Leiter Pryor review/compare specific terms of this agreement with the Cingular lease agreement currently on record.

SEWER PLANNING EXEMPTION - B2M2 (WTMA): Leiter Pryor presented information for a sewer planning exemption for B2M2 (a development off Orchard Road and behind the WBA's well site). The proposed development was discussed in the past and will involve 122 EDU's. Mr. Pryor noted he foresees no problem with accepting flow from the development, provided that it is metered. Christopher Snively made a motion to approve the sewer planning exemption for B2M2, as presented. Lee Layman seconded; the motion passed unanimously.

FIRST COMMONWEALTH - TRANSFER OF TRUST SERVICES: Leiter Pryor noted that correspondence was received from First Commonwealth indicating they are exiting the municipal bond servicing business and have sold their corporate trust business to M & T Bank. Tammy Bender (Susquehanna Bank) is looking into the matter to see if another agency can handle the WBA's accounts. Mr. Pryor will keep the Authority informed on the status of this issue.

SEWER TRANSPORTATION AGREEMENT: Leiter Pryor has corresponded with WTMA regarding their request to modify the Sewer Transportation Agreement daily flow limit from 200,000 gpd to 300,000 gpd, noting the WBA's willingness to discuss the matter. Discussion regarding the matter ensued, and Mr. Pryor noted he will have additional information regarding committed EDU's for the next meeting. He suggested that the WBA may want to consider granting an additional 50,000 gallons at this point in time, and then re-negotiating in a few years for the additional 50,000 requested.

WATER LINE REPLACEMENT (LINDA LANE): Leiter Pryor informed the WBA members that there is a severe water quality problem on Linda Lane, due to a "barnacled" line (he displayed a portion of the pipe for their review). The Borough's staff has attempted to clear the water by blowing off the line, flushing the hydrants, etc., but to no avail. He recommended that the Authority consider replacement of the 4" line in the very near future with a 6" line (approximately 1200'), which would increase the flow on the fire hydrants. Replacement of this line is anticipated to cost approximately \$29,000. He also suggested that the Authority consider replacement of other lines in the neighboring area for the following year, which may require "moving around" capital projects in the budget. Allen Stine made a motion to authorize replacement of the water line in Linda Lane/Longview Avenue, and to make modifications to capital projects in the budget for the necessary resources for the project, as recommended by Leiter Pryor. Christopher Snively seconded; the motion passed unanimously.

ENTERPRISE AVENUE PUMP STATION UPGRADE: Leiter Pryor noted that he received an e-mail from Mark Malarich regarding the Enterprise Avenue Pump Station upgrade. Documentation has been obtained from the three contractors; and construction agreements have been forwarded to them for

execution. Lee Layman made a motion to authorize the WBA's execution of the agreements when they are returned by the contractors; and further, to authorize Gannett Fleming to issue the Notices-to-Proceed for the project when the agreements are fully executed. Christopher Snively seconded; the motion passed unanimously.

BIO-SOLIDS PROGRAM (GAYMAN FARM): Leiter Pryor noted that Mr. Gayman is not satisfied with the sludge application procedures at the farm – he feels he is getting too much compaction on the fields from the sludge hauling equipment and would like the WBA to see what can be done to resolve the issue. Mr. Pryor proposed contacting Material Matters to explore available options. The Authority concurred.

PAY BILLS: Christopher Snively made a motion to approve the payment of the following requisitions –

Hollengreen Utilities Escrow Account Requisition #HE-11 - Gannett Fleming Companies - \$6,925.63 - Design Phase engineering services relative to the Enterprise Avenue Wastewater Pumping Station Upgrade for the period of February 3, 2007 through March 2, 2007

Hollengreen Utilities Escrow Account Requisition #HE-12 - Gannett Fleming Companies - \$1,491.98 - Design Phase engineering services relative to the Enterprise Avenue Wastewater Pumping Station Upgrade for the period of March 3, 2007 through March 30, 2007

Hollengreen Utilities Escrow Account Requisition #HE-13 - Gannett Fleming Companies - \$2,667.34 - Bid Phase engineering services relative to the Enterprise Avenue Wastewater Pumping Station Upgrade for the period of March 3, 2007 through March 30, 2007

Water Requisition #07-11 - Gannett Fleming Companies - \$12,624.51 - Annual services of the Authority's consulting engineer as authorized under the Annual Services Agreement for the period March 3, 2007 through March 30, 2007

Water Requisition #07-12 - Ray A. Eyler, Paving Contractor - \$5,737.00 - Replacement of curb and drive at AMP

Source Development Fund (Water Requisition) #SD-148 - Gannett Fleming Companies - \$109.66 - Preliminary design of Well No. 2 membrane facilities to support permitting approvals for the period of March 3, 2007 through March 30, 2007

Lee Layman seconded; the motion passed unanimously.

Having no further business to discuss, the meeting adjourned at 9:23 p.m. on a Snively/Layman motion which passed unanimously.

Respectfully Submitted,

Melinda S. Knott
Administrative Assistant