

PROPOSED SALE OF LINCOLNWAY SEWER SYSTEM MEETING

AUGUST 25, 2016

5 P.M.

ATTENDANCE

Supervisors Present: Steve J. Harlacher, Chairman
Dave Markel, Vice-Chairman
Rosa Hickey, Supervisor

Staff Present: Kelly Kelch, Township Manager
Lori Trimmer, Assistant Twp. Manager/Recreation Director
Tricia Smeltzer, Stenographer
Keith Whittaker, Finance Director
Stephen Callahan, Public Works Director
Monica Love, Zoning Officer
Craig Wilson, Township Engineer

143 guests signed the attendance sheet for this meeting.

Manager Kelch opened the meeting at 5:02 p.m. He expressed his appreciation for those who took time out of their schedule to attend the meeting. He then gave a brief synopsis of the current sewer systems and the events that led up to the need for the public meeting and why a potential sale of the Lincolnway sewer system to the York Water Company was being discussed as a potential option. He went on to explain the new State and Federal regulations that will be affecting those sewer systems; as well as what that means to the Township residents and how a potential sale of the Lincolnway sewer system to York Water Company would impact the community. He stressed that no decisions have been made prior to tonight's meeting nor will decisions be made at tonight's meeting. He started out with some questions that he received previous to tonight's meeting and wanted to publicly answer those in case those in attendance had the same question(s).

Q1: Why is there a proposal for York Water Company to purchase the Lincolnway sewer system?

A: Several Reasons:

1) The York Water Company has recently been acquiring municipal sanitary sewer and water systems. The Township was approached by the York Water Company due to the fact they were aware of the impending issues that the Township will be facing with our sewer system in the near future. One of these issues is a Federal Government mandated program, called the Chesapeake Bay Initiative that controls the water quality into the Chesapeake Bay by controlling the amount of chemicals that are being released by municipal sewer treatment plants. In order to comply with this

mandated program substantial updates are needed to the current wastewater treatment plants. Since the Township does not own any wastewater treatment plants, we are proportionally responsible for a percentage of the required updates in each system in which we purchase capacity. Currently, the Township purchases capacity in the Dover wastewater treatment plant, which services the customers of the Shiloh sewer system and also from the York City wastewater treatment plant which services the residents of the Lincolnway System.

2) New mandates from Pennsylvania Department of Environmental Protection (DEP) require the Township to upgrade and extend sewer service into Bair Station and the surrounding area by 2022. This is being required by the State even though the required sewer expansion contradicts the Township initiative of keeping that a low density area, as well as being a tremendous expense to the Township and the effected residents.

3) There are also several long-range, upcoming projects that the Township is facing as an added expense due to the age of the current infrastructure system.

Q2: What is potentially going to be sold?

A: At this time, the Lincolnway sewer system infrastructure and it's six pump stations.

Q3: Why is only the Lincolnway sewer system potentially being sold?

A: The Township has not ruled out a sale of the Shiloh wastewater system in the future but now is focused on the Lincolnway system due to the fact that all of the required expansion occurs in this system.

Q4: How much money will the Township get from the sale?

A: Proceeds of the sale are anticipated to be approximately \$3.5 million dollars.

Q5: Where will this money be allocated?

A: It is anticipated the funds will be reinvested and used to offset the debt service and other needed upgrades in the Shiloh sewer system and Dover treatment plant which the Township would continue to own and maintain.

Q6: When would this happen?

A: If a sale does occur, it is anticipated to be completed sometime between the middle to end of next year.

Q7: Will sewer rates increase?

A: If the York Water Company purchases the Lincolnway sewer system: The Public Utility Commission regulates and approves any increase in rates and an increase may only be done upon approval of both the percentage and the frequency by the PUC. There are discussions to try to hold rates at or below the current rates until the next application to the PUC, which is likely to be in the next two years.

If the Township continues to own the Lincolnway sewer system: The rates are anticipated to increase in the near future due to new state and federal regulations and other factors beyond the Township's control. Unlike with a private owner, the Township has the ability to change rates as need to cover costs.

Q8: Will your bill/invoice change?

A: If the York Water Company purchases the Lincolnway sewer system: They are proposing a flat rate of \$42.00/household/month for the first 4,000 gallons of water consumption plus an additional charge of \$2.00 per 1,000 gallons over that. This equates to approximately \$126/household/quarter if the household does not go over the allotted 4,000 gallons of water. Based on water consumption records, it is estimated that approximately 80% of Lincolnway sewer customers will see a reduction in their bill.

If the Township continues to own the Lincolnway sewer system: The current rate is \$140/household/quarter; however, rates are anticipated to increase due to the upgrades and mandates that will be required.

Q9: Will residents be required to dig up and remove existing septic systems?

A: The current Township Ordinance does not require that the existing septic system be removed. The state does not require this either. The Township will most likely amend the Ordinance to avoid any possible future problems. It is likely to require that you at least have the old system pumped and backfilled with stone to prevent any future issues.

Q10: What are the anticipated costs to residents?

A: York Water Company does not charge a connection fee to residents that must connect. The only anticipated expense (in addition to the septic system remediation) would be to have the lateral installed from the right-of-way to the home. This is estimated to be approximately \$3,000 - \$3,500. You will also receive a monthly sewer bill after connection which is based on water consumption but would be about \$42.00/month.

Q11: How much notice will residents receive before they need to connect?

A: Because of the mandated regulations, this project will be required with or without the sale of the Lincolnway sewer system. It is recommended that you start to prepare for it now. Once you receive a connection letter, you will have 60 days to connect. The connection letters are not expected to go out until months, or possibly years, down the road.

Q12: What are the approximate cost estimates for how much this type of thing will cost residents?

A: Total cost with lateral installation, septic system work and required permits and inspections would be anticipated to be somewhere around \$6,000 - \$7,000.

The Finance Director, Keith Whittaker, gave a financial analysis with current sewer rates and projections on future Township sewer rates with the following statics:

Rate Projections

2016 Current Sewer Rates

Sewer System	2016
LW & Shiloh Residential	\$140
LW & Shiloh Commercial **	\$150

2017-2021 Projected Sewer Rates (No Borrowing)

Sewer System	2017	2018	2019	2020	2021
LW & Shiloh Residential	\$245	\$245	\$245	\$255	\$255
LW & Shiloh Commercial **	\$255	\$255	\$255	\$265	\$265

2017-2021 Projected Sewer Rate with 25 Year Bond***

Sewer System	2017	2018	2019	2020	2021
LW & Shiloh Residential	\$200	\$200	\$210	\$210	\$215
LW & Shiloh Commercial **	\$210	\$210	\$220	\$220	\$225

2017-2021 Projected Sewer Rates After Sale of Lincolnway System

Sewer System	2017	2018	2019	2020	2021
York Water Residential *	\$126	\$126	\$126	\$126	\$126
York Water Commercial **	TBD	TBD	TBD	TBD	TBD

Shiloh Residential	\$190	\$190	\$200	\$210	\$210
Shiloh Commercial **	\$200	\$200	\$210	\$220	\$220

2017-2021 Projected Sewer Rates After Sale of LW With Sale Offset

Sewer System	2017	2018	2019	2020	2021
York Water Residential *	\$126	\$126	\$126	\$126	\$126
York Water Commercial **	TBD	TBD	TBD	TBD	TBD
Shiloh Residential	\$140	\$145	\$155	\$160	\$160
Shiloh Commercial **	\$150	\$155	\$165	\$170	\$170

* York Water current base rate based on \$42 per month on 4,000 gallons of water use

** Rates shown are base rates and are subject to additional fee of \$5.00 per 1,000 gallons over the base amount of 31,800 gallons used

*** The bond is for projects in LW **only** in the amount of \$7,061,786 paid back over 25 years

Project / Annual Maintenance Projections

2017-2021 Project Schedule LW

Year	Haviland	Trolley	Bair	West End	M&K Pump	Total
2017	\$557,134	\$477,544	\$0	\$0	\$300,000	\$1,334,678
2018	\$0	\$0	\$0	\$1,000,000	\$300,000	\$1,300,000
2019	\$0	\$0	\$0	\$1,000,000	\$300,000	\$1,300,000
2020	\$0	\$0	\$1,263,554	\$0	\$300,000	\$1,563,554
2021	\$0	\$0	\$1,263,554	\$0	\$300,000	\$1,563,554
	\$557,134	\$477,544	\$2,527,108	\$2,000,000	\$1,500,000	\$7,061,786

2017-2021 Projected Annual Maintenance - Shiloh

Year	Shiloh
2017	\$400,000
2018	\$400,000
2019	\$400,000
2020	\$400,000
2021	\$400,000
	\$2,000,000

The Zoning Officer, Monica Love, stressed there is no path design for the sewer system extension as of yet. She indicated that it is likely that the path will go through several different zoning districts, with the majority of it going through the Agriculture district. West Manchester Township is not intending to rezone any properties for development with the installation of the sewer extension. It will not change the density that is permitted or expand the growth boundaries. The Township stated that they are currently working with the York Water Company to development a proposed service area and will post the map on-line when it is available. The Township regulates its future growth in the zoning map, zoning ordinance, and comprehensive plan. No changes are proposed to those documents in order to change the aforementioned. There may be other required changes to the documents in the near future but the changes will not affect the density, zoning, or the extension of the urban growth boundary.

J.T. Hand, Chief Operating Officer for the York Water Company, spoke regarding the background and views of the York Water Company. He also introduced the President and C.E.O. for the York Water Company, Mr. Jeff Hines. As Mr. Hand was speaking, a resident asked 'How do we know if we are in the Lincolnway sewer system or the Shiloh sewer system?' Manager Kelch advised something will be added to the township website to help residents differentiate between the two. In order to help answer that question at this time, Mr. Hand asked how many people currently pay a water bill to the York Water Company. He commented that if a resident currently pays a water bill to the York Water Company, 98% of those who do, are most likely in the Lincolnway sewer system. If you currently pay a water bill to Shiloh Water Authority for your sewer, you are most likely in the Shiloh sewer system. Monica Love tried to clarify the difference through the use of the Zoning maps that were available up front. Mr. Hand referenced that approximately 2,500 sewer customers in the Lincolnway system would be affected by this potential sale. He advised that a proposal was made to the Township that if the sale moves forward, there would be a consumption based sewer bill; meaning, your sewer rate would be directly related to your water consumption. Two thirds of the York Water Company customers would be projected to pay less for their sewer bill than they currently pay to the Township for their sewer bill, based on the fact that the average water consumption in the areas affected by the possible sale is less than 4,000 gallons per household. These proposed rates would require an application to the Public Utility Commission (PUC), which allows public comments, before they could take effect.

It was then turned over to Manager Kelch to open the floor for public questions/comments.

William Crone: Is everyone going to be required to hook up to the sewer in the Lincolnway system?

Manager Kelch: There will be a map on the Township website to show who will be required and who will not. Not everyone will need to hook up. Dunedin area, the commercial side of Route 30, the Bair station area, and the Briarwood golf course area will be required.

William Crone: Who is going to be responsible for those people who don't hook up but are required to?

Manager Kelch: The Township SEO (Sewer Enforcement Officer) will still monitor any septic system complaints that are filed to the Township in regards to non-compliant residents/businesses. Anyone who still has a septic system will fall under the Township ordinance regulations and therefore will be investigated by the Township SEO.

William Crone: Why wouldn't we have everyone be required to hook up to the sewer system if the York Water Company is going to acquire the whole Lincolnway sewer system?

Manager Kelch: It is something that could be looked into and is being considered as a possibility, but it would be a tremendous cost to the Township to run that infrastructure to those areas that are not going to be mandated by Act 537 to hook onto the system. Those areas that are not mandated are areas of low density. It is a possibility the Board can explore however, it is an added cost to the residents of the Township and will need to be taken into consideration.

Mr. William Crone believes if the York Water Company is interested in purchasing the Lincolnway system, then they should be willing to bear the costs associated with having all Lincolnway sewer customers hook into the system, not just a majority of the customers.

Darlene Senft: Will the residents who have spent a lot of money on sand mounds be reimbursed or will they be mandated to upgrade to hook into the sewer system?

Manager Kelch: The Township will discuss how to assist residents who are required to connect. Regardless if the property has a functioning septic system, any property mandated by D.E.P. will be required to connect.

Darlene Senft: Will there be mandates for people who currently do not have sewer?

Manager Kelch: The mandates are for Bair station area, Dunedin area, and the commercial side of Route 30 by the year 2022.

Darlene Senft: If the Lincolnway system is to be sold, will it be sold as a separate system?

Manager Kelch: No, the Township would be selling the collection system, the pipes in the ground that convey to the treatment plants.

Darlene Senft: So am I understanding that the Township is not anticipating any building developments?

Manager Kelch: There are no plans to rezone any areas for any additional residential or commercial development.

Frank Arcuri: How will the sale affect residents of the Shiloh water system?

Manager Kelch: Shiloh is serviced by the Shiloh Water Authority for water. There is no mandatory connection required for water...only mandatory for sewer. This meeting is about sewer only, not water.

Frank Arcuri: So this meeting has nothing to do with Shiloh customers?

Manager Kelch: It does affect the Shiloh customers. Whether you see it as directly or indirectly, this mandate will affect the Shiloh sewer system customers. The Shiloh sewer customers, currently serviced by the Township, will most likely see their sewer rates increase in the future in order to subsidize costs for required sewer expansion and improvements brought about by state regulations which primarily are located in the Lincolnway sewer district. The costs to comply with state mandates will eventually be passed on to residents of both Shiloh and Lincolnway if the sale of the Lincolnway system does not proceed with the York Water Company.

Delores Meyer: Are there any plans to help offset the costs of hooking into the sewer system for those residents who are elderly?

Manager Kelch: At this point payment plans have not yet been contemplated, but staff has contacted the Department of Agriculture regarding loan information. Any payment plan decisions would be made by the Board if the sale does not go through to the York Water Company.

Will Williams: Could the township get grants to cover the costs of the mandatory sewer hook up if the sale goes through to the York Water Company.

Manager Kelch: It is high unlikely the Township would receive any grants. Over the years, most of the grant opportunities have been eliminated due to cuts in the federal budget.

Elizabeth Mialki: Are you saying that you are selling the sewer system because the Shiloh system can't handle the mandatory upgrades?

Manager Kelch: There is a mandate that is requiring the Township to upgrade the sewer pipes in the ground and to upgrade the two sewer treatment plants. There are two options to help offset the costs of this mandate. One is the Township keep both sewer systems and raise the current rates over a series of years. The other is to sell the Lincolnway sewer system to York Water Company, where they can spread out the

costs over a larger customer base and have less of an impact on all of our Township residents.

Elizabeth Mialki: So our sewer systems will always need improved?

Manager Kelch: No matter how you look at it there are always improvements that are needed to these facilities.

Elizabeth Mialki: Our taxes went up 20% and the county taxes went up 20% and our wages only went up 2%. Why can't our taxes help to pay for some of this?

Manager Kelch: I frequently get asked this question. The Township only receives approximately \$160 of your tax dollars. The majority of an average resident's tax bill is comprised of school taxes and county taxes. Manager Kelch suggested that residents who have questions about their taxes attend the local School Board and County Commissioners meeting

Elizabeth Mialki: Aren't there any federal grants to help pay for this?

Manager Kelch: As previously mentioned, it is highly unlikely the Township would receive any grants. Over the years, most of the grant opportunities have been eliminated due to cuts in the federal budget. The Township will however continue to look for grants, low interest loans and other financial aid to assist its residents.

Jan Dell: Is there an official mandate from DEP on the Act 537 plan that states sewer must be run to Bair Station, Dunedin and the industrial side of Route 30 by 2022?

Engineer Wilson: We are currently working on updating the Act 537 plan. The Township does have a letter from DEP that outlines the upgrades needed to those areas.

Jan Dell: Where does the \$20-\$30 million cost estimate originate from? There was a verbal mention 10 years ago to upgrade Bair Station and an estimate was done at that time and it was nowhere near your current estimate. Monica Love had said that there is no intent to change any zoning in those areas affected by mandated hook up, but my point is that once sewer hook up is mandatory, the temptation to change any zoning becomes greater when developers and court challenges arise. Also, if for some reason The York Water Company decides to sell it back to the Township sometime down the road, there will be worse problems than there are now. He also doesn't feel like there was an accurate appraisal done for the pipes, pump station, and customer base. He also feels it is a mistake to sell one of the Township's most valuable assets and to give up the control that goes with that valuable asset. Another thought he addressed was the fact that if the sewer system is not maintained by the York Water Authority (or some other future company) the system will be given back to the Township and then costs will be even higher to update the system, which will be worse for the Township. He also disagrees with the appraisal of the Lincolnway sewer system.

Manager Kelch: The \$20 to \$30 million dollar estimate incorporates the cost to expand the Lincolnway system to residents of Bair Station, Dunedin and other required areas, debt service payments to York City and Dover Township for required plant upgrades as well as costs associated with a long-range plan to upgrade the sanitary sewer infrastructure. An independent appraisal was done 3-4 years ago and the appraisal came in around \$7 million dollars, but that was for both sewer systems, so the offer that was made was half of the \$7 million dollar appraisal.

Jan Dell: Was that appraisal done for just the pipes in the ground or as a business?

Manager Kelch: It did take in account the business models as well.

Alex Kadyszewski: What did you say was the cost per household to hook up to the sewer system?

Manager Kelch: With a potential sale to the Water Company, there is no hook up fee. To remediate your existing septic system and to run the lateral lines to the house, a rough estimate is \$6,000 - \$7,000 per household.

Alex Kadyszewski: How long did you say you would give residents to hook into the sewer system?

Manager Kelch: Residents will be sent a written notice and then will have 60 days after that notice to comply.

J.T. Hand – If the sale of the Lincolnway sewer system goes through with the Township and if the state mandates that residents must connect, the York Water Company will give years notice to residents that this will be happening.

Robert Herman: How will the sale of Lincolnway affect Shiloh customers?

Manager Kelch: Although the two sewer systems are separate systems, they are joined figuratively speaking. If a sale would not occur, Shiloh customers would most likely see an increase in their bill to subsidize the expansion, upgrades and costs associated with the Lincolnway system.

David Blechertas: I do not feel comfortable with giving control to the PUC of the Lincolnway sewer system. The PUC has not protected me from a maximum rate hike and I have no reason to believe that they will do so in the future. As a single customer to the York Water Company, they will not give me the time of day, but as a resident coming to the Board with issues, they will look into them. I prefer any control of rates to be with the elected officials, not the PUC of the York Water Company. I also do not understand how the costs of the mandatory updates can be absorbed by the York Water Company and yet they say they can lower rates.

J.T. Hand (COO for York Water Co.): A larger customer base is how the York Water Company can distribute costs of upgrades and mandates throughout the many customers.

Jeff Hines (President & CEO for York Water Co.): The costs can be spread out across 120 years with the York Water Company whereas the Township can only do a 10 or 20 year bond. The cost per year is much higher with the Township than with York Water Company.

David Blechertas: I also do not understand that the York Water Company stated that they plan to invest \$1 million into the Lincolnway sewer system each year, but yet the Township mentioned that the upgrades and mandates will cost approximately \$30 million so it will take approximately 30 years to make the same upgrades that the Township is proposing.

J.T. Hand: He acknowledged all comments are fair comments. The York Water Company is currently distributing costs across its entire water customer base so they know it does work. One year they will make upgrades to one township and the next year to a different township and so on. The York Water Company is proposing a sewer bill of \$42/month/household for up to 4,000 gallons of water consumed with a minimum of \$42/month/household. There would be an additional fee of \$2/for every 1,000 gallons of water consumed OVER the 4,000 gallon limit. Your sewer bill will be based upon water consumption. If you don't use any water, your rate is still \$42.

Manager Kelch noted that businesses within the Township will be billed based on a consumption rate as well.

Jeff Hines: One final note he wanted to comment on was that the York Water Company has the ability to depreciate their assets over a 50+ year time period...for this sale it would be 120 year time period. The Township can only spread theirs out across a 10 or 20 year bond time frame. So the repayment time frame is much smaller for the Township than it would be for the York Water Company.

Jody Hagerman: If the Lincolnway sewer sale goes through to the York Water Company, you said the rate is based on water consumption, so will our rates fluctuate from month to month?

Mr. Hand: It could....it is based on the rates that I previously mentioned. But any rate increases must be approved by the PUC.

Steve Harlacher (chairman of the Board of Supervisors) wanted to comment and let all residents know what challenges they are facing as board members. The Board is facing state and federal mandates that are out of their control and they are trying to find the best situation for all of the residents of the Township.

Resident general question: Where can information be found on the Act 537?

Manager Kelch: on the Township website.

Manager Kelch stated that they anticipate to have another meeting regarding this issue and to be continually checking the website for additional information as well as the time and date of any future meeting.

The meeting ended at 6:05pm.