

**Towamencin Township
Board of Supervisors
Special Meeting – Potential Sale or Lease of the Sanitary Sewer System
April 20, 2022
7 PM**

Present:

H. Charles Wilson III, Chairman
Richard Marino, Vice Chairman
Kristin Warner, Treasurer
Laura Smith, Secretary
Joyce F. Snyder, Asst. Treasurer/Asst. Secretary

Staff:

Donald D. Delamater, Township Manager
Jack Dooley, Esq., Township Solicitor
William Dingman, Sanitary Sewer Engineer
Clayton Reed, IT Director
Timothy Troxel, Chief of Police
Colleen Ehrle, Manager of Administration, Communication & Human Resources

Chairman Wilson called the meeting to order at 7:01 pm and led the assemblage in the Pledge of Allegiance.

Opening Comments

Chairman Wilson noted the purpose of the meeting was to continue the discussion from the April 6th Town Hall and to provide more detailed information. The Board of Supervisors were introduced, as well as, Township Manager Donald D. Delamater, Sanitary Sewer Engineer William Dingman, and Township Solicitor Jack Dooley, Esq.

A change of agenda was noted with questions and comments relating to the PFM and bidder presentations occurring after both presentations. Mr. Wilson reminded the audience of the requested public comment 3-minute limit to allow anyone interested in making a public comment the opportunity to do so. Chairman Wilson introduced PFM representative Scott Shearer.

Presentation of Bid Results and Related Analyses & Projections

Scott Shearer, of PFM, provided a recap of the key events, the exploration process, summary of bids and indicative rates, additional analysis, and sources and uses for potential sale proceeds. Projected proceeds were used to reflect subsequent impacts to the Township's balance sheet. The use of interest earnings, from the referenced future reserve balance, was reviewed, as well as, impacts to taxpayers and ratepayers by a potential sale to NextEra. A potential timeline was presented if a sale transaction was approved.

Mr. Shearer noted the position of the team was to accept the bid by NextEra with the purchase price of \$115,300,000, explaining the recommendation was based on the ability to move forward on the referenced initiatives for the Township. Mr. Shearer introduced Bruce Hauk, of NextEra Energy. *Full presentation available via <https://www.towamencin.org/information/sewer-system-valuation/>*

NextEra Presentation

Bruce Hauk, President of NextEra Water, provided background on NextEra Energy's and their experience with utility resources. He reviewed the company's culture and focus and their experience in water and wastewater systems. He provided an overview of NextEra's Water Pennsylvania Operations Plan – the servicing and system operations for the community.

Mr. Hauk closed by stressing NextEra's purchase price is \$115,300,000, 23 million more than the second highest bid (PA-American Water), and that they are committed not to recover the full purchase price amount from Towamencin taxpayers and ratepayers of the sewer system. He continued NextEra is committed to a 2-year rate freeze, and 2-year phase-in after the rate freeze, through a process where all rates would be charged after a full- regulatory process by the PUC.

Chairman Wilson asked Mr. Hauk how NextEra's indicative rates account for the capital improvements to the collection system and treatment plant over the next 10-years. Mr. Hauk replied that the Township's capital improvement plan was reviewed, and associated pricing was included in the bid.

Supervisor Smith asked what NextEra's customer service would look like. Mr. Hauk replied there would be dedicated staff at the field and office level, locally to the community they serve. Supervisor Smith asked would they offer programs to benefit those on fixed/low incomes. Mr. Hauk referenced the PA legislative opportunities available for water and sewer assistance and that NextEra would participate in such programs.

Supervisor Marino shared resident concerns of potential surcharges allowed under Act 12 to recoup capital costs of system improvements outside the PUC rate structures. Mr. Hauk noted distribution system improvement charges are governed by the PUC, adding no rates can be charged to residents without a review by the PUC.

Supervisor Snyder stated if NextEra has no intention of recouping their full purchase price, are they a charity, adding she does not comprehend the motive not to recover the full price. Mr. Hauk replied all profits of regulated utilities, governed by the PUC, do not set the earning profits, they are set by the PUC. He added the difference of the recovered and real purchase price is the price of doing business.

Supervisor Marino referenced the concept of market penetration - to get a foot in the door of a new market, such as Pennsylvania – suggesting a possible rationale for NextEra's lack of intention to recoup the full purchase price.

Supervisor Wilson asked Mr. Hauk to explain converting sewer-biogas to other energy sources as cost-saving measures NextEra may utilize in their operations. Mr. Hauk referenced NextEra's

innovation and available technology to help reduce operating expenses, that would be shared with the customer, such as lowered electric costs.

Public Comments/Questions relating to PFM and NextEra Presentations

The following residents/ratepayers provided public comments/questions, full commentary can be reviewed by the meeting recording available on the Township's website or at this link <https://vimeo.com/701663504>.

Kofi Osei, 105 Cambridge Way, asked Mr. Shearer to explain the PFM disclosure. Mr. Osei emphasized there were no guarantees and questioned the ability to make a decision. He then addressed each Board member directly about their position on the sale.

James Collins, 596 Weikel Road, questioned the lack of openness by the Board of Supervisors not publicly acknowledging their position through this process, not included in the process while it was in progress. Recommended the Board table it and have an open conversation.

Rich Costlow, 2080 Parkview Drive, questioned if NextEra was currently regulated by the PUC and asked what the allowable profit, per Act 12.

Tina Rumsey, 115 Westminster Ct., questioned the Board's research in other municipalities, then asked what critical equipment would NextEra provide, and for a comparison of operations plans.

Ed Youmans, 551 William Penn Way, questioned Mr. Hauk's statement NextEra won't fully amortize the purchase price from residents, then referenced the 45 % rate increase after the two-year rate freeze and asked Mr. Hauk to justify the increase.

Martin Cohen, 18 Westhampton Way, asked what percentage of the purchase price would not be recouped.

George Knab, 867 Stonybrook Lane, questioned a Yahoo article that referenced NextEra's investments provide a low rate of return, a ROCE of 2.5 %. Mr. Shearer provided an overview of the PUC's Act 12 process in establishing the rate base.

Joe Meehan, 2117 Kriebel Road, asked if NextEra will purchase the system for 115 million with the use of proceeds determined by the Township.

Unidentified resident asked Mr. Hauk if he was aware of NextEra's customer service ratio of 2.6 stars and asked how they would work to improve the customer service rating.

Jonathan Maloney, 1165 Reiff Road, asked if NextEra was partners with BlackRock Investments.

Joann Gobels, 603 Heritage Drive, asked Mr. Hauk when did he join NextEra, and what his previous job titles were at American Water.

John Dukes, 134 Kimberly Way, noted he worked for the PUC for 30 years and questioned its role as a protective agency. He asked why the Board is selling now?

Emma Hodgson, 1635 Bustard Road, asked for clarification into the discount for seniors and low-income, clarifying if it the subsidies noted were provided by the Commonwealth or NextEra.

Bruce Bailey, 506 Monroe Drive, asked who owns Aqua America.

David Martin, 903 Buckboard Way, asked if the NextEra's bid is the recommendation to the Township, emphasizing NextEra's low client service rating. He asked that the Sewer Committee team be identified.

David Daikeler, 428 Militia Drive, asked if there were guarantees that NextEra would not process other municipal waste and inquired into environmental responsibilities.

Judy Cunningham, 1 Old Dutch Road, questioned PFM's final payment if a sale transpired versus no sale. She asked who wrote the consulting contract, referencing a conflict of interest. She asked if Mr. Hauk lives in Towamencin Township.

Inaudible resident, Cardinal Way, asked if there would be a moratorium for future sales of the sewer system, should NextEra decide to sell the system if it's not profitable.

Martin Cohen, 18 Westhampton Way, asked for clarity on PFM's potential payment from a sale.

David Martin, 903 Buckboard Way, requested a commitment in writing that NextEra will not resell the sewer system if they are the awarded bidder.

Unidentified resident noted a NextEra press release indicating selling 50% interest in their company to reinvest in other companies, expressing a concern of future resales of the system.

Supervisor Warner referenced the Township's 2018 sewer system valuation report and asked if the 86.6 miles of sewer pipe, various interceptors, mains and manholes are included in their maintenance of the system, in addition to the sewer plant operations. Mr. Hauk acknowledged all the infrastructure assets would be maintained and that an asset management plan would be instituted to manage capital improvements. Mr. Shearer added a utility company's capital plan is heavily scrutinized and reviewed by the PUC.

Individual Supervisor Statements

Supervisor Richard Marino referenced the financial challenges with the system system's aging infrastructure. He provided an overview of the Township's process in evaluating monetization of the sewer system and his personal evaluation process in arriving at a decision.

Supervisor Marino noted he was in favor of a sale to NextEra Energy based on the financial impact to the Township, specifically referencing the \$87,000,000 in reserves that will generate \$2.6 million in interest annually coupled with the elimination of the annual debt service of \$1.2 million. The \$3.8 million per year to tackle infrastructure and quality of life projects is an opportunity, according to Supervisor Marino. He referred to slide 13 of the presentation to explain his response.

Supervisor Laura Smith referenced her personal affinity to Towamencin and explained her personal process in the exploration process. She stressed the financial challenges the Township manages managing lean budgets. Supervisor Smith noted she was in favor of a sale to NextEra Energy, emphasizing the opportunity presented by NextEra's bid price for the Township now and for future generations, where the Township's financial state, infrastructure and parks system is enhanced.

Supervisor Joyce Snyder noted her position not to sell the sewer system has not waived. She acknowledged the \$115 million would do a lot to improve the community, but views the bid price as essentially a high-interest loan, and does not think it makes sense to pursue.

Supervisor Kristin Warner referenced her personal attachment to the Township, as a resident for 25 years. She expressed her personal exploration process in coming to a decision. She credited her personal research and her husband, a CPA, for helping provide perspective to reach a decision. She emphasized the benefits a sale could provide to the community and the measures considered to address the future rate increases.

Chairman Wilson noted he was a 40-year Township resident and that he was favor with moving forward with a sale based on the recommendation. He views the sewer system as a liability versus an asset. He provided an overview of existing and future system liabilities, as well as, unknown potential liabilities that could present themselves. He emphasized two major Township funding challenges - stormwater management requirements and improvements, and fire service needs that include a dwindling volunteer pool, increased training requirements and equipment needs. He views the recommendation as a new start for the community by paying off Township debt, which frees up operational funding in the annual operating budges going forward and the interest income from the reserves provides funding for future capital projects, ultimately increasing quality of life and property values.

Questions and Comments for the Supervisors

Kofi Osei, 105 Cambridge Way, questioned the overall analysis, commenting NextEra is selling money. He asked how is the Township's spending (of sale proceeds) cheaper than raising taxes and/or government borrowing, stating the sale translates to a loan to ratepayers. He further questioned the fiscal management practices of the Township.

James Collins, 596 Weikel Road, questioned the Board's motives disclosing their positions now.

Ronald Ulmer, 717 Spring Lane, was alarmed the Board would justify a sale in order to spend money on a wish list, offering amenities not limited to Towamencin residents. He recommended revisiting the inflation % used in the projections and suggested a resident voting resolution.

Andrew Phipps, 1231 Archer Lane, questioned if a grant writer or service was employed by the Township and if grants were sought for capital improvements of the sewer system. He questioned if the criteria of highest-responsible bidder was used in recommending NextEra.

Jim Lee, General Counsel for the Clemens Food Group, emphasized that CFG/Hatfield Meats is one of the largest sewer system customers. He noted the company's concern with rate increases from a sale. He stressed CFG has the option to reduce or eliminate their flows to TMA. However, this loss of sewer revenue will ultimately affect residents adversely with their rates.

Richard Costlow, 2080 Parkview Drive, acknowledged his change of perspective after seeing the numbers presented this evening. The projected reserve balance to fund future improvements changed his mind.

Joann Gobels, 603 Heritage Drive, noted her sale opposition to NextEra with their lack of wastewater service in PA and expressed her concerns for those on fixed incomes with future rate hikes. She asked the Board to revisit their capital list and prioritize fire services over parks.

Ed Youmans, 551 William Penn Way, questioned if the two-year rate freeze was included as part of the RFB specs and questioned how previous Boards and the current Board is spending money.

Christian Fusco, 1006 Saw Mill Way, noted he is principally opposed to the selling of government services, stressing accountability becomes lost with such transactions. Urged the Board to do the right thing and not sell the sewer system.

Becky Curlett, 968 Woodlawn Drive, stated the price is too good to be true, as residents will pay for the Board's decision via the future rate increases. She looks forward to voting the Board out.

Rory Kelley, 325 Central Drive, asked what will be done to mitigate businesses leaving the Township, referencing Hatfield Meats, and the associated impact to residents by absorbing the revenue losses. He emphasized the business community was left out of the process. He further questioned the Sunshine Act regulations being followed through the monetization process.

Joseph Meehan, 2117 Kriebel Road, referenced his long-standing residential and volunteer status at Towamencin. He noted he was now in favor of a sale, focusing on the benefits and financial impact to the Township.

Martin Cohen, 18 Westhampton Way, stressed residents should assume they will be faced with paying the purchase price back and that it is too good to be true. He requested a borrowing scenario - what it would cost Towamencin residents to pay back a 115 million loan over 30 years.

Jacob Vogels, 2140 Old Forty Foot Road, did not believe the numbers presented. He recommended the Board take residents comments into consideration. He added those in favor of a sale were violating their pledge to the American Flag taken at the start of the meeting.

Michelle Greenwalt, Worcester Township resident/Towamencin sewer customer, expressed her opposition to a sale stating it is a huge disservice to residents – noting the distraction by the large bid price and making up for sins of the past.

Paula Dreher, 317 Central Drive, emphasized the need for the Township to maintain control of the system, opposed outside agency coming in to run the system.

Edward Brubaker, President of Living Branches/Dock Woods, questioned the long-term financial analysis presented, emphasizing the return on equity at 9% that the ratepayers will be confronted with. He advocated that the Board take more time before making a final decision.

Chairman Wilson noted 32 recent sale opposition petition submissions were received from:

Carrie Carra - 1802 Dutchmans Circle
Gary Starkweather - 1503 Kriebel Road
Grandinetti Linda - 1545 Dean Drive
Sean Judge - 344 Erie Drive
Tina Gallagher - 117 Misty Meadow Lane
Michael Miller -2038 Spring Valley Road
Maureen Parry - 13 Victoria Court
Kathy Lescoe - 24 Saratoga Lane
Tim Lescoe -24 Saratoga Lane
Mary Ann Bevan - 107 Continental Drive
Pamela Quatraro -405 Shipwrighter Way
Teresa Murphy - 44 Saratoga Lane

Chris Johnson - 110 Dorchester Way
David McCreary - 1809 Hickory Way
Herta Taylor - 1704 Dager Circle
Harry Rawlins - 85 Newbury Way
Lorena Fields - 104 Concord Drive
Anna McCreary - 1809 Hickory Way
Gisela Koch -703 Freedom Circle
Marie Kenyon - 1667 Bishopwood Blvd
Lisa Lieb -2000 Kriebel Road
Mike Rollin - 1559 Yeakel Way
Debbi Ricci -107 Richmond Court
Liz Allman -1680 Wagon Wheel Lane

Ann Morgan - 2114 Marshall Court
Steve Ryan - 1390 Troxel Road
Christina Vincent - 1110 Nash Avenue
Ann Morgan - 2114 Marshall Court

Brian Healey - 1680 Wagon Wheel Lane
Melissa Cafaro - 1995 Kriebel Road
Melissa Kay Fiala - 1170 Archer Lane
Richard Kratz - 790 Keeler Road

Emailed Public Comments

Chairman Wilson read the emailed public comments from the following, who expressed concern and/or opposition to a sale of the sewer system:

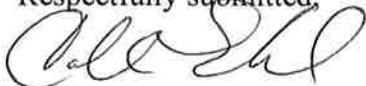
- Gary Starkweather - 1503 Kriebel Road
- Joan Tavernelli - Devonshire Court
- Rich McDermott - 1114 Amber Lane
- Bill & Louanne Seipt – 1451 Troxel Road
- Harris Novick - 1730 Meadow Glen Drive
- Jen Elliott - 105 Dorchester Way
- Maureen Parry - 13 Victoria Court
- Katie Kelley - 325 Central Drive

Next Steps

Chairman Wilson noted the Board will make a decision to authorize the Solicitor to draft and advertise the associated ordinance at their May 11th Meeting. The Board will then vote on the ordinance at their May 25th meeting. Chairman Wilson thanked the public for coming out to the meeting and for their patience and attention.

There being no additional business, the meeting adjourned at 10:37 pm.

Respectfully submitted,



Colleen Ehrle
Manager of Administration, Communication & Human Resources