

Chairman Nelson Brenneman called the Special Meeting of the Board of Supervisors to order at 3:00 p.m. with the following in attendance:

Supervisor Dennis Luckenbaugh  
Supervisor Tanya Crawford

Mark E. Derr, Manager  
Steven Hovis, Stock and Leader

Chairman David Boyer called the Special Meeting of the North Codorus Township Sewer Authority to order at 3:00 p.m. with the following in attendance:

Authority Member Nelson Brenneman  
Authority Member Russell Fuhrman

Craig Sharnetzka, Solicitor  
Terry Myers, Engineer

**I. New Business**

Mr. Boyer reported on a meeting that was held on Friday, March 5, 2010 at the offices of CS Davidson with Jens Damgaard, Steve Hovis, Terry Myers, Dave Boyer, Nelson Brenneman and Mark Derr. At that time, it was explained by bond counsel that the Trust Indenture which governs the issuance of bonds and establishes the rules and regulations related to the issue also specifies how and under what circumstances the Authority can borrow additional money. The indenture identifies two types of debt, Additional Bonds and Subordinate Bonds, Notes or other Debt Obligations. Additional Bonds can only be issued for paying project costs or refinancing existing debt. They cannot be issued to prevent or cure and Event of Default, in other words not having sufficient revenue to pay the existing debt. Since this is the purpose of borrowing the funds, the issuance of Additional Bonds is not an option. If the Authority was to issue Subordinate Bonds, the only way to pay the Subordinate Bonds off would be from excess revenues or money that is left over after all operations and maintenance costs and existing debt service are paid. Since the current revenues aren't sufficient to pay operating and maintenance costs and the existing debt service, there is no "excess" money left to pay for a Subordinate Bond issue. As a result, it was the opinion of Bond Counsel that the Township would have to be the entity that borrows the money. Mr. Hovis explained various other requirements for the Township to borrow funds to assist the Authority in paying their debt. Mark Derr explained that State law establishes limits on the amount of money that a municipality can borrow. North Codorus Township's limit is approximately \$9.9 million dollars for the Township and the Authority's debt that the Township has guaranteed. Originally, it was estimated that the revenue generated by the Sewer System would be enough to pay the Authority's debt. As a result, the debt was considered to be "self-liquidating" and it didn't count against the Township's ability to borrow. However, we now know that the sewer rentals do not generate enough revenue to pay operation and maintenance costs as well as the debt service. Because of this, a portion of the debt is now considered "non self-liquidating" and will count against the ability of the Township to borrow money. At the existing rates of \$200 per quarter, the Township does not have the ability to borrow any additional funds according to State law. The only way that the Township could borrow additional funds would be if the Authority increases their sewer rates. A spreadsheet demonstrating the effect of various sewer rates was used to show how each rate affected the amount that the Township

could borrow. It was discussed that New Salem Borough currently charges \$975 per year which many customers may see as an equitable increase. It was also noted that for several years, the Authority's customers paid \$175 per year less even with the knowledge that sufficient revenues weren't being generated to pay for the system.

Based on the above analysis, Mr. Brenneman made a motion, seconded by Mr. Boyer to increase sewer rates to \$1,000 per year or \$250 per quarter. Mr. Brenneman and Mr. Boyer voted aye, Mr. Fuhrman opposed; motion carried.

The Board of Supervisors discussed the rate increase imposed by the Authority and its effect on the Township's ability to borrow additional funds. It was explained that the current proposal was that the Township would borrow the funds; no payments would be made until 2010. In 2012, the Sewer Authority would refinance their existing debt and borrow additional funds to pay back the Township. Mrs. Crawford expressed concern that in her opinion, there is not enough financial oversight of the Authority and without more oversight by the Township she would not be in favor of the Township borrowing additional funds to meet the Authority's expenses. Mr. Brenneman stated that he's not in favor of not paying the interest due on the debt, that paying interest on interest just doesn't make any sense.

**Motion** by Mr. Luckenbaugh, seconded by Mr. Brenneman to pursue borrowing additional funds in order to assist the Authority with their anticipated shortfall over the next several years. Mr. Brenneman and Mr. Luckenbaugh voted aye, Mrs. Crawford opposed; motion carried.

**Motion** by Mrs. Crawford, second by Mr. Luckenbaugh to adjourn. All members voted aye; motion carried. The meeting adjourned at 4:35 p.m.

Respectfully submitted,

Mark E. Derr,  
Township Secretary/Manager