

TOWNSHIP OF LOWER MAKEFIELD
BOARD OF SUPERVISORS
MINUTES – APRIL 2, 2008

The regular meeting of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on April 2, 2008. Chairman Caiola called the meeting to order at 7:30 p.m. Mr. Maloney called the roll.

Those present:

Board of Supervisors: Greg Caiola, Chairman
 Steve Santarsiero, Vice Chairman
 Matt Maloney, Secretary/Treasurer
 Ron Smith, Supervisor
 Pete Stainthorpe, Supervisor

Others: Terry Fedorchak, Township Manager
 David Truelove, Township Solicitor
 James Majewski, Township Engineer
 Kenneth Coluzzi, Chief of Police

PUBLIC COMMENT

Mr. George Schott stated he understands CSX will not approve the use of wayside horns in the near future because the lines cannot be upgraded given the existing technology. He stated Mr. Majewski indicated that there may be future technology which could allow them to upgrade the circuitry. He thanked the Board, Mr. Fedorchak, and Mr. Majewski for working on this matter for the last two years. He stated he hopes they can revisit this issue in the future if there is new technology. Mr. Caiola thanked Mr. Schott for representing the community in such a civil way.

Mr. Dave Shuster, 1270 Bluestone Drive, stated he is happy to see that work has started on the Patterson Farm barn. He suggested the Township take “before” photos as well as photos during the reconstruction to preserve the process as it appears to be a unique restoration. He also asked for an update on the process. Mr. Fedorchak stated they will take pictures. He stated they are removing the south wall. He stated an addition was constructed in the 1930’s, and this will be completely removed. A new wall will be constructed, and what will be left will be the footprint of the original barn. This will not be included in the Tour scheduled for May 9, 2008.

Mr. Harold Koopersmith, Box 93, Langhorne, thanked the Board of Supervisors for an excellent meeting held on March 19. He asked if the Township has done any work on assessing the long-term needs of the Township and requested a copy of this if it is available. He stated he hopes that Aqua will be realistic with rate increases if the

Township decides to sell the sewer system. Mr. Caiola stated at the next Board of Supervisors meeting to be held on April 16, the Board will discuss the five to ten year needs of the Township.

Mr. William Gibney stated a letter he has written with regard to the sewer system will be published shortly in the Bucks County Courier Times and the Yardley News, and he will read the letter into the record when the sewer system is discussed later this evening.

Mr. Steve Autin, 1573 Silo Road, stated he has scheduled time to meet with Mr. Potter this Friday with regard to the Airport case, and he hopes to be able to devote some time pro bono to this matter. He will report back to the Board on this later this month. Mr. Autin asked the status of the Aark proposal. Mr. Caiola stated the Board has decided to look into other uses for the Patterson Farm, and the Aark will not be part of the concept at this time. He stated the Aark is a worthwhile organization, but the intention is to have one Plan for Patterson Farm and not one that is piecemeal; and more discussion is needed. Mr. Smith stated the Patterson Farm stakeholders will be discussing this matter further in the future, and he suggested that Mr. Autin be considered to serve on this committee; and Mr. Autin stated he would be willing to do so.

APPROVAL OF MINUTES

Mr. Santarsiero moved, Mr. Maloney seconded and it was unanimously carried to approve the Minutes of March 19, 2008 as written.

UPDATE ON BLACK ROCK/YARDLEY-MORRISVILLE ROAD INTERSECTION REPAIRS

Mr. Majewski stated the accident resulted in an oil spill and melting of the traffic signals, pavement, and underground pipes. A contractor is in the process of making repairs. The environmental contractor for the oil company removed the contaminated pavement, and work will now be started to replace storm sewer pipes and pavement. The traffic signal contractor will start work tomorrow on reinstalling the traffic signals. All work may be completed within the next week or two. Mr. Caiola asked that the public be kept advised of the progress on the Township Website and cable channel so they know when the road will be reopened.

DISCUSSION OF PROPOSED SALE OF THE SEWER SYSTEM

Mr. Mark Kropilak, Mr. Anthony Donatoni, Mr. Tom Rafferty, Mr. Allan Roth, and Ms. Jeannie Liget, from Aqua Pennsylvania, Inc. were present. The Aqua America, Inc.

2007 Annual Report was made available this evening. Mr. Kropilak stated Aqua submitted a proposal to own and operate the Township's sewer system, and they are committed to this proposal. He stated they Plan to make the Township proud of their decision to sell their system to Aqua. Mr. Kropilak reviewed his resume. He stated he has worked on more than a dozen successful Municipal acquisitions with no regrets by those Municipal officials. He stated after Closing, there is Municipal relief that they have transferred the operational issues, potential liabilities, and financial exposure of the system to someone who is in the business in exchange for money which can be used for other public benefits. He stated Aqua has an excellent track record in treating people fairly in the course of negotiations and living up to their commitments following the Closing.

Mr. Kropilak reviewed the offer they have made to the Township, adding their intention is to own and operate the system, and they have no intention of selling it. Mr. Kropilak stated their projection for rates by year five or six would result in an average residential rate of between \$470 and \$480 which is comparable to what the Township would have had in the same time period. He stated they will include their Rate Plan in the Agreement, and will honor this commitment.

Mr. Kropilak stated Aqua Pennsylvania is owned by Aqua America, with both companies headquartered in Southeastern Pennsylvania. They have been in business for over 120 years. They are listed on the New York Stock Exchange, and many Aqua customers are also shareholders. They serve approximately 3 million people; and while the majority of those are water customers, they have nearly 100,000 sewer customers, and this is a growing part of their business. They own and operate over 100 sewer plants and collection systems, and they operate in a regulated environment such that there is a regulated return on capital. Rates are regulated and established by the Public Service Commission on the basis of recovery of prudent costs and a return on prudent capital investments.

Mr. Kropilak showed a list of their Pennsylvania Municipal acquisitions and they agreed to provide contact information on these Municipalities so the Township can learn about their experience dealing with Aqua. He reviewed the details of several of their acquisitions.

Mr. Donatoni stated he is President of the Pennsylvania Wastewater Utility Division within Aqua Pennsylvania, known as Little Washington Wastewater Company/Suburban Wastewater Company. He stated Aqua has thirty-five years of experience in the wastewater business. He reviewed his resume. He stated they look forward to hiring the two Township employees that would come with the system as he understands that they are outstanding employees. He stated they look forward to meeting with them to discuss career opportunities with them.

Mr. Donatoni stated the Lower Makefield sewer collection system is a perfect operational fit to Aqua's business. He stated he heads up the operation which is engaged in the wastewater services business which provides maintenance of collection systems and pump stations. He stated they do excavation of pipe, line repairs, and complete septic tank services which could be afforded to residents of Lower Makefield not connected to the public system. He stated they are very good at emergency response. He stated they feel preventative maintenance can avoid disastrous situations, and they have the equipment needed such as video trucks and infiltration/inflow equipment to provide information on the structural integrity of the systems and can remedy problems before they become more catastrophic situations. Mr. Donatoni stated Aqua has one of the best laboratories in the State of Pennsylvania. He reviewed the numerous awards they have earned for environmental achievements.

Mr. Donatoni stated they actively participate in the communities in which they serve, hire locally when possible and purchase and contract locally when possible, although he added they do use some economies of scale and they have large purchasing power because of the size of Aqua. He stated they contribute to local, civic, and charitable organizations in the communities in which they serve. He stated they are proud to be an environmentally and socially responsible business.

Mr. Caiola asked if there are systems which they have taken over which are comparable to Lower Makefield Township. Mr. Donatoni stated he feels Media Borough's wastewater system would be comparable to Lower Makefield's noting there were miles of older pipe and infrastructure, and Aqua has been constantly vigilant with maintaining that collection system dealing with infiltration and inflow. He stated they have been working with the Department of Environmental Protection to invest prudent capital in the correction of some of these problems. He stated they do not want clean water being sent to the treatment plants, and the first thing they do is determine the condition of the collection systems. Mr. Caiola stated he understands that Media had a longer grace period before rates were increased and asked if this was because they were offered less for their system; and Mr. Kropilak indicated this would have been a factor in the overall analysis.

Mr. Caiola stated there are a number of areas in the Township which are not hooked up to the sewer system, and he asked what they would be able to do for people who may want to hook up. He noted particularly Edgewood Village. Mr. Kropilak stated they have main extension policies which are comparable to what the Township has done. He stated they would be willing to discuss this further in the negotiations, and they could specifically identify some policies if there is a desire to get specific areas sewerred.

Mr. Caiola asked where emergency vehicles would be coming from if there were an emergency in the Township. Mr. Donatoni stated they have an operation center in Souderton so they could be at the Township within half an hour with all equipment

needed to deal with any situation. He stated at that location there are approximately thirty trucks and fifty employees. He agreed to leave with the Board of Supervisors this evening a brochure that explains the services they provide with regard to maintenance.

Mr. Santarsiero stated there have been concerns voiced by the citizens over the last few meetings, and he feels there is an assumption that the Board of Supervisors has already made a decision to sell the system, and this is not the case. He stated they will continue to have public discussions and discuss financial issues relative to the potential sale of the sewer system. He stated they also want to continue to solicit public comment, and they are listening to the concerns being voiced by the residents and they will take those comments into consideration.

Mr. Santarsiero stated he understands that it is Aqua's policy when they acquire a system to set up a division for that system. Mr. Kropilak stated in this case, they would purchase the Township's system, and initially treat it as a stand-alone system. Mr. Santarsiero stated he understands that doing this would impact on single tariff pricing which also has an impact on whether the cost of upgrades done would be borne only by the ratepayers for that particular system or are spread out among all the systems owned. He stated the Township felt that one of the economies they would see in a potential sale of the system was that any future capital work that would have to be done would not be borne simply by the ratepayers in Lower Makefield. He stated the Township was concerned that since a large portion of their system was 40 years old, it would be a likely candidate for replacement, and there would be large expenses in the future for the Township. To the extent that those expenses for the Township ratepayers could be ameliorated by being spread out among a number of ratepayers, this would be one aspect that might make a sale more attractive. He stated if this is not Aqua's practice, this is something the Township would have to reconsider. Mr. Kropilak stated one advantage is that being part of a large organization is that the Township would get the efficiencies of what is already in place as they have the ability to do excavation, repair, and maintenance work. He stated the Township would get the benefit of these operational efficiencies and this should reduce operation and maintenance costs. He stated they also feel they can be more responsive in maintaining the system to avoid system failure and do major repairs more quickly as they would not be subject to the public bidding requirements the Township must follow. He stated they would be able to respond quicker and get a better price. He stated initially for the rate setting process, Lower Makefield would be looked at on its own basis, and the rate schedule for the five year period presented is assuming that it would be focused on Lower Makefield.

Mr. Santarsiero asked if this would change at some point, and Mr. Kropilak stated at some point if they were to consolidate their sewer division into one entity, they would then be spreading the costs and have single-tariff pricing. He stated they have this in their water division which is much larger than their sewer division. He stated when they do an acquisition on the water side, there is a target main system rate that the system

would generally work up to. He stated with regard to Lower Makefield, they are offering a rate gradulization plan which they feel is actually better than what the Township would do on their own, but it is based more on the merits of Lower Makefield and not on any other system. Mr. Santarsiero asked if they anticipate combining at some point, and Mr. Kropilak stated they would consider moving toward consolidating the sewer rate divisions at some point. Mr. Santarsiero asked what the criteria would be to take this step, and Mr. Kropilak stated usually it would be a collection of systems in one geographic area which would be grouped and treated as one system. Mr. Santarsiero stated he is trying to get a sense as to how likely it is that they would do this for Lower Makefield. Mr. Kropilak stated it is not likely that they would do it in the first five years.

Mr. Santarsiero stated the residents have raised concerns about the possible impact on rates. He stated he has researched rate increases Aqua has sought and obtained for other systems. He noted specifically a settlement that the PUC agreed to in 2005 for Chester County where there was a 48.43% increase for the Plumstock Division. Mr. Donatoni stated the Plumstock situation is unique as there are only 38 customers supported by a small sewer plant with groundwater discharge so it is not inexpensive to operate. He stated that small community is paying for the operation of the plant and any capital improvements made by Aqua. He stated Aqua recognizes that they need to be prudent.

Mr. Santarsiero noted the Little Washington Division in Chester County where there was a 63.9% increase. Mr. Donatoni stated this Division was the first sewer plant they purchased in 1996. He stated Aqua did not impose a rate increase for approximately nine to ten years and there had not been a rate increase for ten years before that. He stated the plant was in total disrepair, and Aqua spent close to \$1 million to rebuild it. It is now in environmental compliance. He stated there are 350 customers supporting the operation of this plant. He stated the DEP asked Aqua to acquire it and fix it, and it is now operating well. He stated in that situation as well, years had gone by without an increase and Aqua went to the Commission and asked for an appropriate increase which was granted. Mr. Caiola asked why Aqua did not raise rates over the nine to ten years they had the system as opposed to waiting and then raising the rates so substantially. Mr. Donatoni stated this was the first system they had acquired, and they were finding their way in the sewer business at that time. He stated they were trying to look for solutions to run the plant as efficiently as possible. He stated they did lose money, but they kept investing prudently in the system as they felt this was their job. He stated now they look at every Division and recognize that every Division has to hold its own. Mr. Santarsiero stated he understands that Little Washington also involved improvement to a treatment plant, and Mr. Donatoni agreed that it was a collection system and a sewage treatment plant.

Mr. Santarsiero noted the River Crest system which involved a 94.3% increase. Mr. Donatoni stated this was in northeast Pennsylvania with 214 customers served by a very poorly-operated small sewer plant that was in complete disrepair. He stated Aqua

acquired the system at the encouragement of DEP and the PUC. He stated Aqua invested a considerable amount of money and then asked for an appropriate rate increase. He stated the existing rates were extremely low given the true cost of treating and disposing of wastewater, and the previous owner had not only let the system fall into disrepair, but also did not take the necessary steps to raise the rates over time. He stated Aqua did invest a lot of money; but did so with low-interest loans. He stated Aqua does try to find low-interest financing so they can save the customers rate impact. Mr. Santarsiero stated he understands this involved a treatment plant as well, and Mr. Donatoni agreed.

Mr. Santarsiero noted Twin Hills were there was a 37% increase. Mr. Donatoni stated they purchased this system in 2000 and did not raise rates until just recently. He stated an adjacent community wished to tie into this plant which increased the customer base and allowed Aqua not to have to raise rates for some time. He stated this is a sewer treatment plant with nutrient reduction with considerable land area into which the treated wastewater is being disposed. He stated they had additional operating expenses because of the groundwater discharge. He stated eventually they needed rate relief and asked the Commission for a fair return of the investment Aqua had put into the system over time. There had been no rate increase for six to seven years. Mr. Santarsiero stated he understands that this also involved a treatment plant, and Mr. Donatoni agreed.

Mr. Santarsiero asked how many of the systems they have acquired have treatment plants as opposed to Lower Makefield which is only a system of pipes. Mr. Donatoni stated all of the systems they currently own have sewer treatment plants; however they do operate and maintain collection systems for Authorities that they do not own, and those Authorities contract with Aqua to operate and maintain their systems. Mr. Kropilak stated in other States Aqua does own systems which do not have treatment plants, although generally it is collection system and the sewer treatment plant.

Mr. Smith stated he has done some research on the Internet and found that Aqua is a very good company which has done some award-winning work. He stated he is concerned however with the 1/11/08 letter which appeared in the Bucks County Courier Times which indicated that Aqua was asking for a 34% increase in Bensalem Township and that the State was investigating this increase. Mr. Kropilak stated they filed a rate case for the Water Division in Pennsylvania in November, and the filing of the rate case leads to Public Hearings followed by a Hearing in front of the Public Utility Commission. He feels what they indicated was an “investigation” was the standard rate proceeding. He stated for the Water Division they have a main system rate so they were taking one of those step increases toward the main system rate. He stated the percentages can sometimes be misleading. He stated some of the systems they are talking about, the rates were approximately \$15 a month and when you raise those to \$25 or \$30 a month, it is a high percentage, but is not necessarily a high dollar amount. He stated Bensalem had relatively low rates and they are moving them toward the main system rates for the Water Division in Pennsylvania. He stated they did make substantial improvements to the Bensalem system which started with relatively low rates.

Mr. Donatoni stated the 34% was what they felt would be appropriate at this stage for the Bensalem water rate to get them a little closer to what all of their customers pay for water. He stated when you look at the rate case noted by Mr. Smith, it actually asked for a 13% increase across the board, although there were a few divisions, including Bensalem, where the rate increase was higher than what they asked for as an average in order to get them closer to the same equalized rate. Mr. Smith stated it appears that they are indicating that if a Municipality is undercharging their customers in Aqua's opinion, Aqua will try to put them on an even footing with other Aqua customers. Mr. Donatoni stated Aqua would like to get to a situation where everyone pays the same for a thousand gallons of water.

Mr. Smith stated it appears that Aqua goes before the PUC every 18 to 24 months for rate increases. He asked if they could provide to the Township a rate history for acquisitions they have made in Pennsylvania, and Mr. Kropilak agreed to provide this. Mr. Smith stated it appears that Lower Makefield is one of the first sewer systems that Aqua has acquired which does not have a treatment plant. He asked what makes Lower Makefield an attractive acquisition. Mr. Donatoni stated they are in the business of operating and maintaining such systems. Mr. Smith stated it appears that other than economies of scale, the Township will not be able to spread out their costs to other Municipalities and will suffer for their own system through the formation of a corporate entity of Aqua/Lower Makefield. Mr. Kropilak stated Lower Makefield would achieve the economies of scale. He stated for rate purposes, Lower Makefield would be viewed on its own. He stated the two employees they hire from Lower Makefield would be operating and maintenance expenses to the system and the capital spent on Lower Makefield would be tracked against Lower Makefield. Mr. Smith stated it appears that the problems that are unique to Lower Makefield would be assessed to Lower Makefield if and when Aqua desires a rate increase, and Mr. Kropilak agreed. Mr. Smith stated this is essentially what Lower Makefield has now, and Mr. Kropilak agreed.

Mr. Smith stated Aqua listed this evening in their presentation a number of Pennsylvania Municipalities whose water and sewer systems they acquired, and he asked if they have owned any of them in excess of ten years. Mr. Kropilak stated the water systems listed were purchased beginning in the early to mid 1990s. He stated the first sewer system purchased was Media Borough in 2000. Mr. Smith asked if there was a rate increase in Media Borough since they purchased it, and Mr. Donatoni stated the first one was last year for 9 ½%.

Mr. Smith asked if they are a political contributor in Bucks County, and Mr. Kropilak stated there is a PAC that employees can join and his colleagues have indicated that Aqua also makes contributions, and this would be part of the public record.

Mr. Smith stated there have been no commitments yet to sell the sewer system despite some of the comments which have been made by some of the Township residents. He stated the Board of Supervisors does listen to the comments of the public.

Mr. Stainthorpe stated they indicated that the Lower Makefield Township system would stand on its own and any investments made would be borne by the Township ratepayers. He asked if they would change this in five to ten years and would they anticipate that it would be structured more like their water companies. Mr. Stainthorpe added that he feels this would be dependent on whether or not Aqua is successful in making some additional acquisitions. He asked if they have any other systems under consideration, and Mr. Kropilak stated currently they do not. Mr. Stainthorpe asked how a percentage of Aqua's corporate overhead would play into the Township rates. Mr. Donatoni stated certain expenses from the corporate office are spread out among all the utility operations. He stated these expenses are generally appropriated across all the divisions based on the revenue that a particular entity is generating. Mr. Stainthorpe asked if there is a threshold of customers when it makes sense to have a single tariff. Mr. Kropilak stated Lower Makefield Township has approximately 11,000 customers with a single tariff pricing, and if there were systems acquired nearby which were operated by the same resources, then it would make sense to group them and apply uniform rates across that group. He stated these entities would have to be in Pennsylvania.

Mr. Maloney stated it appears from their financial statements that Aqua keeps very little cash on hand compared to the assets on the balance sheet, and he asked how they fund their acquisitions. Mr. Kropilak stated they are funded through short-term debt and eventually the company would replace it with a combination of debt and equity. He stated the typical utility has a balanced capital structure so that if there is \$2 billion of assets they would have approximately \$1 billion of debt and \$1 billion of equity which would be the long-term financing arrangement. Mr. Maloney stated it appears that the rates the Township is currently paying seem to be in line with what Aqua feels would be a reasonable rate for the system based on their projections. Mr. Kropilak stated the current rate is their starting point. He stated they made projections out five to six years based on operating expenses and reasonable capital, and in year five or six, they came up with a rate which they feel would be \$470 to \$480 per year for the average customer. He stated he understands that the Township has done a similar study which showed that in year five, the Township rate would be slightly higher than what Aqua is projecting. He stated the difference to the Township would be that if Aqua bought the system the Township would have \$17 million over a number of years, less the debt such that the Township would net \$9 to \$10 million. Mr. Maloney stated if the Township rates reflect between \$6 and \$7 million in debt, and the Aqua debts will reflect \$8.5 million in debt and \$8.5 million in equity issuance, Aqua will still have to deliver results to the shareholders for that equity they have issued. Mr. Kropilak stated he feels Aqua can be more efficient than the Township, although he stated he did not analyze the Township's initial rates and does not know if those rates covered their debt or more than their debt. He stated Aqua looked at the rates recognizing that they would generate a certain level of revenue in relation to Aqua's operating matrix and capital investment such that their analysis in year five indicated that it would likely be an end rate of \$470 to \$480 per year for the average resident. Mr. Maloney stated he assumes that this would reflect the cost

of the \$17 million for the purchase price as well as operating and maintenance expenses over the first five years, and Mr. Kropilak agreed. Mr. Maloney stated he also assumes that the \$480 rate in year five would assume that nothing catastrophic happens and that operating and maintenance expenses are fairly regular. Mr. Kropilak stated this is generally true. He stated he understands that the analysis the Township did also assumed the lack of a catastrophic event. He stated the difference would be that if such an event happened, Aqua feels they could fix it quicker and for less money than could the Township and their method of recovery for that expense is over a longer period of time whereas the Township could raise rates immediately. He stated Aqua would finance it with long-term debt and recover it over time after filing a rate case. Mr. Maloney asked how the regulatory environment covers how much cash Aqua can keep on hand and their return to investors in the form of dividends. Mr. Kropilak stated the regulatory agency does not look at dividends or cash on hand other than working capital adjustment. He stated rates are set based on expenses and return on capital. He stated utilities have the ability to go to the stock market to raise equity so their capital sources are both debt and equity. He stated generally they get a return on their debt and a return on the equity. He stated out of the return on the equity, Aqua then has a policy decision that would put some of the money back into the system as retained earnings and some would be paid out as dividends.

Mr. Maloney stated it appears that where Aqua had high rate spikes, it was because there was something wrong with the system they acquired; and he asked if they feel there may be something in the Lower Makefield system which would cause them to have these huge spikes. Mr. Kropilak stated they feel they have a good understanding of the system recognizing that there are some future problem areas and I and I issues. He stated the Township has done a good job with maintenance, but they feel that Aqua can do a better job and will be able to stay ahead of the curve and avoid catastrophic failures and provide levelized rates that would be commensurate with the operating expenses and the capital.

Mr. Caiola stated he does not feel the Township is as concerned with rates in years one to six as they are with years seven to twenty. He stated if the Township continues to own the system and something catastrophic occurs, the Township has an acute reaction to this financially; but he feels the residents want to know that the system will be managed as well as it has been in the past if not better and that the years following year six are ones which they can have some reliance that there will be increases in rates but not double the rate paid in 2011. Mr. Kropilak stated they understand this concern. He stated the first five to six year period is intended to be a transition and after that it should be operating expenses similar to those incurred by the Township, although they feel Aqua will be able to be more efficient. Financing for capital improvements which would need to be done would be spread over a longer period of time and be recovered over a longer period of time because of the regulatory lag.

Mr. Smith stated at the last meeting, reference was made to PennVest loans or grants for areas which need help with their infrastructure in more rural areas; however, he now understands that Bristol Township was able to get such a grant. Mr. Kropilak stated it is not limited to rural areas or Municipalities, and is also available to public utilities. He stated when they purchased the White Haven system, Aqua assumed the PennVest loan; and in many of their operations, they look for low-cost financing. Mr. Donatoni stated Aqua has had some success in attracting low-interest loans from PennVest. Mr. Smith asked if the Municipality could do this as well, and Mr. Donatoni stated they could. Mr. Kropilak stated Aqua can also apply for tax-exempt financing through various development authorities.

Mr. Smith stated it appeared from his on-line research on privatization of water and sewer systems, that the opinions of most indicated that privatization is not the right way to go. Mr. Kropilak stated Aqua has been involved in privatization in Pennsylvania for the last ten to fifteen years, and he would ask that the Township talk to those who have sold their systems to Aqua. He stated Aqua has an excellent track record.

Mr. William Gibney stated he has lived in the Township since 1962. He stated for the last ten years he has been trying to get a Senior Center built in Lower Makefield but has not been successful. He stated an article he wrote will be published in the Bucks County Courier Times and the Yardley News, and he read the letter into the record which suggests that the Township sell the sewer system and build a Senior Center in Lower Makefield. He stated the \$6.1 million bond which is owed on the sewer system at 4% is costing the Township \$244,000 per year. He stated much of the system is over forty years old and will have to be repaired in the near future costing additional money. He stated he is in favor of selling the system to a private company which has guaranteed not to raise rates for two years. He noted the number of Senior Centers in the County and the lack of one in Lower Makefield. He recommends sale of the sewer system, use some of the proceeds to pay off the \$6.1 million bond and use a small portion of the balance to build a Senior Center in Lower Makefield. Mr. Gibney stated one of his letters was published on March 13th in the Yardley News, and as a result Mr. Gary Cruzan has accused the Supervisors of making a secret deal with the seniors in the Township.

Mr. Gibney stated this is a lie. He again asked that the Township sell the sewer system, pay off the bond, and build a Senior Center.

Mr. David Steil, 1027 Darby Drive, asked if the Township's sewer employees are members of a Labor Union, and Mr. Truelove stated he understands they are members of a local, non-affiliated collective bargaining unit. Mr. Steil asked when their Contract expires, and Mr. Truelove stated he believes it expires in 2009 although he is not certain. Mr. Steil asked how their wage rate on an average basis compares with the prevailing wage rate, but Mr. Truelove did not know have this information. Mr. Steil stated he knows that the Township employees involved in the sewer system are involved in a Pension Plan

and have health benefits, and he asked if these would be transferred should they be hired by Aqua. Mr. Truelove stated the Township has not gone into those kinds of details. He stated they would have to honor the commitment under the collective bargaining agreement to the extent it mandates anything, and they would discuss these details with counsel for Aqua if they get to that point.

Mr. Steil asked if the Township has a long-range capital improvement plan for the sewer system, and Mr. Hoffmeister stated there is a five year plan. Mr. Steil asked the cost of those improvements within the five years. Mr. Hoffmeister stated for a number of years the Township has had an ongoing capital improvement program which was mandated by the State in 1991 when the Township had to undergo an analysis for the connection fees. He stated the Township created a five year capital program which was updated two to three years ago when the State again mandated that the Township do another connection fee analysis brought on partially by the Homebuilders' Association of Pennsylvania in discussion with the Legislature. He stated the five year capital program exists, and they have completed some of that work including the Canal Interceptor, have done some additional lining projects with proceeds out of the Bond, and there are some proceeds left. He feels there is approximately \$2 million in projected capital expenditures left although part of that may be ameliorated by a sale or by some improvements the Board of Supervisors has indicated in the past could be handled by developers.

Mr. Steil asked if there is an inventory of assets and if there is open space included in those assets which would now be purchased by Aqua such that the Township would be selling open space at a time when the Township is trying to acquire open space. Mr. Hoffmeister stated a lot of the properties that have been acquired by the Township from developers over the last ten to fifteen years, while they are sewer properties, they are not separated from open space properties. He stated when the system was formed in 1964, the original properties were separated and were Lower Makefield Sewer Authority properties. He stated the more recent subdivisions on which pump stations exist would have to be carved out, and they have been looking into doing this. He stated they do have an inventory of the assets. Mr. Kropilak stated they have been provided the inventory. Mr. Steil stated it appears that Aqua will therefore be acquiring some open space. Mr. Truelove stated technically this would not be open space, and he feels it would be easement rights through some of the area.

Mr. Howard Woods stated within the draft Agreement of Sale they treated all of the land as an excluded asset so that if there was a piece of open space upon which a pump station was located, the land would be retained by the Township with the understanding that an easement would be given to a purchaser in order for them to maintain the facility. He stated there are a few small pump stations which sit on very small lots not associated with a park or open space, and these would be transferred in fee simple with those pump stations. He stated the impact associated with property taxes from these transfers would be only a few thousand dollars a year.

Mr. Steil stated in certain areas, the sewer collection system shares the right-of-way with other property, particularly property of the State of Pennsylvania and property along the Canal. He stated the Township leases the right-of-way along the Canal and pays a small yearly fee so that it will require a permit from the Department of Conservation Natural Resources in order to sell the right-of-way off of the Canal. Mr. Hoffmeister stated the Township has an easement separate of DCNR. He stated the Canal is approximately 12' wide, and the State Park exists from the west side of the water bank to approximately 12' east of the east water bank. He stated Lower Makefield Township has a 20' easement which was acquired from residents forty-four years ago so the Township does not have any pipes in property owned by the Commonwealth of Pennsylvania. He stated when they did construction last year they did need DCNR approval as they were going to be on the towpath, and this has been restored and additional work will be done. Mr. Steil stated he feels the attorneys will have to discuss this further as DCNR believes that they do own right-of-way that is leased to the Township according to their Director of Engineering Services.

Mr. Steil stated the Sewer Authority leases the sewer system to the Township. He stated he understood that it is the Authority which actually owns the assets, so he feels if there is to be a sale, it would be the Sewer Authority which would sell it and not the Township Supervisors. Mr. Truelove stated technically this is correct, but the relationship between the Authority and the Township is such that the Township would be able to direct the sale. Mr. Steil stated the Sewer Authority would have to give their authorization, and Mr. Truelove stated the Lease Agreement has provisions within it allowing the Township to sell it.

Mr. Steil stated if the system is acquired by Aqua he understands that routine maintenance would be done by their own crews and long-term capital improvement projects may be done by their own crews or may be sub-contracted; and Aqua representatives agreed. Mr. Steil asked if their work force is Unionized, and Mr. Donatoni stated part of it is. He stated when they acquired the Borough of Media's wastewater system a portion of the work force were covered by a collective bargaining unit. He feels there are three to four employees who are in that unit, but they strictly work in Media Borough. He stated the greater majority of all of their employees within the wastewater business of Aqua Pennsylvania are non-Union. Mr. Steil asked how their average pay scale would compare to prevailing wage rates. He stated he would like to know if the prevailing wage rate for work done in this area is comparable already to the rates Aqua pays or whether they would be higher or lower. Mr. Donatoni was unable to answer this question.

Mr. Steil asked with regard to the long-range planning, when Aqua looked at the system did they do an estimate as to the amount of work the system would require in the next five years. Mr. Kropilak stated he feels they relied heavily on Mr. Hoffmeister's expertise which helped them estimate what their capital investment projections would be.

Mr. Steil asked who would retire the debt and asked if it is in the name of the Township or the Authority. Mr. Truelove stated he believes it is the Township that has the debt and would retire it.

Mr. Steil asked if there is any agreement as part of the discussions to date as to extending sewer service to the non-served areas in the Township and if this was included in the cost. Mr. Donatoni stated it is not part of the proposal in front of the Township, but Aqua does have a program to extend sewer and water mains to areas where people are in need. The price to do so has not been included in the offer made to the Township.

Mr. Steil stated he has always considered infrastructure to be one of the most important responsibilities of the Board of Supervisors next to public safety. He stated the infrastructure affects the lives of all the citizens every day. He stated Lower Makefield is a collection system only, and they have to deal with the Morrisville Authority and the Philadelphia sewer treatment systems. He stated the Township must consider where they will have more leverage. Mr. Steil stated as a private owner of the system Aqua has little to lose because whatever costs Morrisville accesses, those costs will be passed along. He stated it appears that with respect to capital improvements, it will be the same whether the Township or Aqua owns the system. He stated the single tariff issue could work both ways, and could work to the Township's benefit if the Township pays for its own system and is not subject to bearing some of the costs of other treatment systems that may need work. He feels operating as an independent division works. He stated they must also consider that all of the users of the system are residents of the Township and one of the abilities the Township ratepayers have now is that the Township is responsible for the management of the system, and there is someone locally managing the system who can be held accountable. He stated selling the system means the residents would lose this ability. He stated they would also lose the ability to manage the system with regard to extensions and design as part of the Land Development process, although it would still be part of the planning process. He stated there is also the issue of eminent domain, and if they were to ultimately extend the sewer system to certain areas, there could be eminent domain requirements. He stated a private owner of the system will have to come back to the Municipality, and the Township would still be responsible to exercise that right if necessary.

Mr. Steil stated he has asked himself if there was one compelling reason why the Township should sell the system, and he could not find a single compelling item as a reason why the system should be sold. He stated he feels this issue should be put to a Referendum, and the whole Municipality should be involved in this as they all paid for the construction and operation of the system. He also stated they should consider if the proceeds of the sale will be invested in assets which serve more people in the Township, invested in operations or functions related to the core responsibilities of the Township, or for activities that make the lives of citizens better everyday. He stated if they cannot answer "yes" to those three questions, there is no compelling reason to sell the system.

Mr. Harold Koopersmith, Box 93, Langhorne, stated he is paying approximately \$510 a year for his sewer currently; and using Aqua's calculations, he would be paying approximately \$580 by 2018. Mr. Kropilak stated this is incorrect. He stated his understanding was that the typical Lower Makefield customer is currently paying \$320 per year and it was estimated that for this customer by year five, the Township rates would have been \$482, and Aqua projections would be closer to \$470. Mr. Koopersmith stated he is an average customer and he is paying \$510. He stated he is questioning what he will have to pay if Aqua takes over the system, and Mr. Kropilak stated the rates would be comparable to what the Township would charge.

There was some question as to whether Mr. Koopersmith actually lives in Lower Makefield since he has a Langhorne post office box, and he may not actually be living in Lower Makefield and paying Lower Makefield rates. Mr. Koopersmith stated he received his sewer bill today from Lower Makefield. Mr. Hoffmeister stated there are some portions of Lower Makefield, one of which is Old Oxford Valley Road, which do have Langhorne addresses. Mr. Koopersmith stated he does not live in that area and the address of his property is 612 B Wren Song Road. It was noted it appears he is using a post office box in Langhorne for his mail. Mr. Maloney stated he would estimate that if he is currently paying \$510, he would most likely be paying \$750 under a tariff increase. Mr. Maloney stated it appears he is using approximately 50% more water than the average Township customer. Mr. Koopersmith stated the property is a duplex. Mr. Kropilak agreed with Mr. Maloney's estimation of what Mr. Koopersmith would be paying.

Mr. Norman Shachat, 382 Tall Meadow Lane, stated he was in attendance at the last meeting and heard the presentation made by Mr. Woods and the subsequent public comments. He stated he has read the Woods report and had discussions with Mr. Hoffmeister and a number of the Supervisors. He stated he feels that those currently responsible for the system feel that the system can be operated and maintained much more efficiently and cost effectively by Aqua than by the Township. He stated it appears that within the next five years the costs to the homeowner will not be significantly different whether it is operated by Aqua or the Township, and in the long run it appears likely that the costs will be lower if the system is run by Aqua. He stated Aqua is a large and stable company which has been in business for a long time and has a history of treating customers fairly. He stated Aqua must also obtain regulatory approval for any rate increases while the Township would not be required to do so. He stated all sewer rental fees collected by the Township can only be used for sewer purposes by law and can only be used to upgrade the sewer system or reduce sewer rates. He stated he feels it is in the best interest of the Township that they accept Aqua's Alternative proposal which would eliminate the Township's \$6 million sewer debt and provide the Township with over \$9 million over the next three years. He would recommend that before agreeing to the sale, the Board delineate how they plan to utilize the \$9 - \$10 million dollars for

needed future capital expenditures and how it would stabilize the Township taxes in the future.

Mr. Smith stated he had previously indicated that he would not consider the sale of the sewer system unless they addressed protection of the individuals who do not currently have access to the sewer system as well as what the Township would do with the proceeds of the sale.

Mr. Shachat stated he does not feel it is in the best interest of the Township to have septic systems, and he would propose that they use part of the proceeds to help those people who do not have public sewers possibly through low-interest loans so they can hook up to the system. He stated he feels a compelling reason to sell the system is that the Township will get \$9 million to do things that are important to do in the Township.

Mr. Richard Johnson, Evergreen Road, stated he is concerned that there are so few people coming to the meetings to speak about this subject. He suggested that residents go to www.LMT.org and email the Chairman or contact the Township by telephone to advise as to how they feel about this issue. He stated while he would prefer a Referendum, this would be an alternate means to advise the Supervisors. Mr. Johnson questioned whether the price offered by Aqua is fair noting this is difficult to determine as only two offers were made. He questioned if they did a good enough job involving potential bidders. He stated they must also consider if Aqua can operate the system better than Lower Makefield Township. He stated he feels they do have better experience and would have better buying power although he is not certain that they have as good access to capital as the Township does. He stated he understands that they are a very profitable company and have 25% before tax operating margin. Mr. Johnson stated the Township must also consider to whom residents will complain if there are problems. He also asked if the Township Board of Supervisors will be able to resist the demands of special interest groups for use of the proceeds for pet projects.

Mr. Geoffrey Goll, 5 S. Homestead Drive, stated aside from the sewer system, all the other infrastructure in the Township other than roads are supplied by private companies, including water, electric, cable, telephone, and gas. He stated if the sewer system is sold he does not feel it will be any different than these other systems. He stated it appears that Lower Makefield would be one of the first sewer clients Aqua will have in the area and he would like to know whether there is a possibility that there will be a larger system the Township could tie into to spread out the costs. He stated he assumes that Aqua is looking to build a portfolio in the area. He stated if there is a larger portfolio, the hope would be the level of price increases could be lessened.

Mr. Goll stated he has learned that Mr. Stainthorpe is Chairman of the Bucks County Water and Sewer Authority. Mr. Goll stated he feels aside from Mr. Majewski and Mr. Hoffmeister, Mr. Stainthorpe would be one of the most authoritative figures to ask questions about the potential sale, and he feels Mr. Stainthorpe has been quiet this

evening. Mr. Goll also asked why the Township is not part of Bucks County Water and Sewer which would be a way to spread out the costs to the Township ratepayers. Mr. Stainthorpe stated he did not feel it was necessary to repeat questions which had already been raised this evening. Mr. Stainthorpe stated with regard to Lower Makefield being part of the Bucks County system, it is voluntary on both sides; and if Lower Makefield had approached Bucks County at some point in time indicating that they wanted to be acquired, it could have been considered at any time. He stated the Bucks County Water and Sewer Authority had a \$120 million bond issue last year and almost 100% of that is devoted to upgrades and improvements of the system, and there was no money for acquisitions. He stated a decision was made by the professionals at Bucks County Sewer and Water that Lower Makefield was not an attractive proposition for them at this time, and he did report this at a previous Township meeting.

Mr. Goll stated he understands that there has been a huge push from the Township staff to get rid of the sewer system and that the system is aging and something needs to be done. Mr. Hoffmeister stated it is well known that he suggested to the Board of Supervisors one year ago that they explore this matter. He stated he had also expressed this same sentiment several years ago, but it was not acted on by the Board at that time. He stated there is not a “push” to sell the system by the Township staff, but there is a push to explore the sale of the system and to do what is right for Lower Makefield Township. He stated there are ongoing costs to the Township including roads, Police Department, capital, etc. He stated while they do not know what will happen with the sewer system, and while it could last another twenty years without incident, there could be another catastrophic failure since it is an aging system. He stated they must consider all the costs to the residents. Mr. Smith stated Mr. Hoffmeister raised this issue, and it was incumbent upon the Board of Supervisors to explore it.

Mr. Goll asked that Mr. Stainthorpe go back to Bucks County Sewer and Water to see if they would reconsider this as he feels Mr. Stainthorpe is an influential member of that Board. Mr. Stainthorpe stated this matter had been discussed previously, and he feels it would have been completely inappropriate for him as a member of the Board of Supervisors and of the Bucks County Sewer and Water Authority to either influence against or in favor a decision between these two entities. He stated this was also the advice of the Township Solicitor and the Bucks County Sewer and Water Authority Solicitor. He stated once he was able to speak out on the sale of the sewer system, he did not want to form an opinion until he had heard every side of the issue. He stated to have been an advocate before he heard Mr. Wood’s report, would have been inappropriate. He stated the decision to be made is whether the Board should accept the offer made by Aqua. He stated Bucks County Sewer and Water Authority is not currently in an acquisition mode, although this could change in the future. Mr. Goll stated if Mr. Stainthorpe would step down from his position at Bucks County Sewer and Water possibly he could be more of an advocate for the Township.

Mr. Zachary Rubin, 1661 Covington Road, stated he is opposed to putting this matter out to a Referendum. He stated initiative recall and referendum is un-Constitutional in the Commonwealth except to incur additional debt. He stated he is opposed to a non-binding Referendum. He noted the acquisition of the Patterson Farm did not go to a Referendum and the Township floated a \$7 million bond to acquire that property. He stated he feels had this gone to a Referendum, there would be homes on the property as opposed to the open space it is today. He stated the Township also acquired the property on which the current Makefield Highlands Golf Course is located without a Referendum and floated a \$16 million bond. He also feels that property would have been developed into homes if it had gone to a Referendum. He stated previous Boards abrogated their elected responsibilities and went to Referenda twice for Senior Center/Community Centers; and he feels the Board is elected to make decisions and not to abrogate their responsibilities. He stated there have been over four meetings about the potential sale of the sewer system and there will be at least two more meetings scheduled with a tremendous amount of information for the Board and Township residents to avail themselves of to make informed decisions; and unfortunately many residents have not invested the time to make an informed decision. He stated he feels that since there is a representative Government, and the Board has been elected to make decisions, they should make the decision. He agrees with Mr. Johnson that the residents should read the consultant's report and watch the public meetings on television, but he does not feel that the residents are doing this; and he therefore feels the Board should make the decision.

Ms. Jeanne Bray, 12 Terracedale Road, thanked the Board for having so many opportunities to allow people to discuss this issue. She stated she has been impressed with what the consultant has said and what Aqua has indicated this evening, although she feels there is still more research to be done. Ms. Bray stated Mr. Steil raised the question as to who would care more if there is a problem, and she feels that if Aqua was not a company that cared about their customers, they would not be so reputable. She stated she feels that if there was a catastrophe in the Township, we would want the availability of Aqua's large staff and equipment rather than the handful of people that the Township would have on staff to work on it.

Mr. Ethan Shiller, 367 Lang Court, stated he is on the Citizens Budget Committee and they have reviewed this matter a number of times and Mr. Woods made presentations before their Committee. He stated there has been concerns raised about the financial markets and the return on the savings or principal, and he feels if they go with the \$17 million it would be approximately 5%. Mr. Shiller stated he did comment at the Citizens Budget Committee on where he felt the money should go. He stated residents have indicated that the sewer system is an asset; and while this is correct, he stated there are a number of assets within the Township such as the Pool and Golf Course which attract community people and residents. He stated the sewer system is not a reason to move to the Township. He stated he would recommend that the Township have a Community Center which would be an asset which could be put in place using a Bond against the

principal. He stated he is not suggesting using the proceeds. He stated the Community Center should be structured so that it would be self-sustaining similar to the Pool and the Golf Course. Mr. Shiller stated when they go through the Budget process every year, there is a recognition of the current infrastructure. He stated there are a number of Budget categories that are low financially to pay for some of the current infrastructure such as paving roads, Police cars, etc. and some of the proceeds from the sale of the sewer system could be used to alleviate this situation. He stated when you look at the future of the sewer rates, he feels this should be balanced against possible tax rate increases that would have to occur. Mr. Shiller stated if Lower Makefield Township had to acquire another \$6 million bond, this would immediately impact the sewer rates by over 10%. He stated if an event would occur while Aqua owned the sewer system, that \$6 million would not impact the sewer bill immediately and would be spread out over a period of time as noted by their representatives. He stated they should not only look at the sewer rates, but look at an overall perspective of the funds coming in and how it impacts the overall Budget as well as the liabilities they would be turning over to Aqua. He stated he supports the sale of the sewer system.

Mr. Smith stated people in the past have indicated that by doing this, it is a tax increase from a different direction. He asked Mr. Shiller if there is a difference between assets that provide essential services such as the sewers, and assets that provide non-essential services. Mr. Shiller stated he determines assets by what they provide to the community as a quality of life issue which is a “tag line” of Lower Makefield since they want to provide services that improve quality of life which includes safety, the pool, the golf course, and could also include a community center to meet the needs of everyone. Mr. Smith asked if he would recommend selling an asset such as the sewer system to utilize the proceeds elsewhere to improve quality of life, and Mr. Shiller agreed. Mr. Shiller stated while they are selling an asset, they are also gaining an asset and some other services as well as improving any Budget areas that need to be improved.

Mr. Sam Conti, Sutphin Road, stated Aqua representatives indicated that if they had to make improvements to the infrastructure, they would keep the cost of this separate and include it in the rates charged Lower Makefield. He asked what will happen with the \$17 million investment they will make to purchase the system, and asked if they will pro rate that to Lower Makefield as well or will it be put in with the \$1 billion, \$62 million debt that they currently have. Mr. Kropilak stated the debt that relates to Lower Makefield sewer system would relate to Lower Makefield sewer system. The debt that Aqua America has on its books that supports almost \$3 billion in assets would not be relevant to what is happening in Lower Makefield. Mr. Conti asked how they would amortize the debt. Mr. Kropilak stated they would borrow money long term and get the best rate they can and this would establish an interest expense that they would seek to recover as part of a rate schedule. Mr. Conti asked the length of term of the long-term debt. Mr. Kropilak stated initially the purchase price would be paid by short-term debt and it would be replaced by a combination of thirty-year debt and equity.

Mr. Conti asked the relationship of Aqua Pennsylvania and the Wastewater Division. He stated Aqua Pennsylvania has a number of executives. He asked the number of employees in both Aqua Pennsylvania and the Wastewater Division. Mr. Donatoni stated the company that would acquire the Lower Makefield sewer system is a company called Little Washington Wastewater Company which is a wholly-owned subsidiary of Aqua Pennsylvania. He stated he is the President of Little Washington which is referred to as the Wastewater Division. He stated they own and operate over twenty systems in Pennsylvania. Mr. Conti asked about their employees. Mr. Donatoni stated besides himself, there is an Operations Manager, twelve employees in southeastern Pennsylvania and ten employees in northeastern Pennsylvania. He stated the employees in northeastern Pennsylvania operate both water and sewer systems for Aqua Pennsylvania and Little Washington Wastewater Company. He stated the employees in southeastern Pennsylvania operate only the wastewater utility systems.

Mr. Conti asked if they subcontract a great deal of their work. Mr. Donatoni stated they do this when needed. He stated they operate their systems around the clock and on weekends. They give their employees time off and substitute that time with contract services. He estimated that 10% of their operation is sub-contracted. Mr. Donatoni stated they also have a sister company that he is also in charge of that provides mechanical, electrical, and line repairs, and collection system maintenance; and this is the company they would rely on to perform these services in Lower Makefield as well. He stated they have a strong support system of resources. He stated they try to limit their outside contract work to an absolute minimum. Mr. Conti stated it appears that there are three levels. Mr. Donatoni stated they have Aqua Pennsylvania, Little Washington Wastewater company which is the wastewater utility, and they have the sister company called Aqua Wastewater Management which provides a lot of the support resources. Mr. Conti stated it appears that each company is generating costs which are passed up the line to Aqua Pennsylvania. Mr. Donatoni stated if they utilize their own personnel to operate the systems the costs are expensed to the operation of the system directly. He stated if they use the resources of the sister company to do repairs or maintenance, they will expense that as an operating expense to the particular division, such as the Lower Makefield Township Sewer System, for which the work was performed.

Mr. Conti stated it seems that there is a build up of costs all the way up to Aqua Pennsylvania and the costs are then billed over to Aqua America. Mr. Donatoni disagreed. Mr. Conti asked to whom the revenue would go to, noting he feels it goes to Aqua America. Mr. Donatoni stated ultimately the Corporation reports on its earnings; however, each of the Utility operations are responsible for the profit and loss of each of their systems. He stated they would manage the Lower Makefield system as a separate stand-alone system for the foreseeable future, but it would be done on a profit and loss basis. They would carefully manage the expenses, prudently invest in capital, and at the end of every year determine how well they have done with respect to maintaining expenses, operating the system, meeting environmental compliance, and customer

service. Mr. Conti stated he feels all the revenue ends up with Aqua America in the financial reports and all the costs end up in Aqua America and consequently they are earning a revenue that for the last five years has ranged from 29% to 32%. Mr. Donatoni stated he feels the interest should be on Aqua's costs to properly operate the Lower Makefield sewer system and whether they can do it efficiently, effectively, and provide the customers with good service. Mr. Conti stated he is concerned that Aqua America is generating a 29% to 32% return on their revenue since the revenue is being generated from the rates being charged. Mr. Conti stated he feels it is easy for them to get these revenues because they have a captive customer base and there is no competition.

Mr. Kropilak stated customers pay rates and the revenue goes to the system that would operate Lower Makefield. He stated out of that system, they pay employees, expenses, interest expense and what is listed as net income which is return on equity capital does get put back into the system or paid out as a dividend to the shareholder. He stated the shareholder in this situation would be Aqua America. He stated for financial purposes everything is consolidated but the major portion is put back into the system. He stated Mr. Conti's numbers are incorrect as to percentage of revenue. He stated the net income they earn is approximately 9% on invested equity capital. Mr. Conti stated the financial statements he reviewed reported return on revenue to be between 29% and 32%.

Mr. Bill Thomas, 234 Emerald Drive, stated he has lived in the Township for nine years. He stated a question was raised as to whether enough companies were asked to consider participating in this transaction. He stated he read the consultant's report which indicated that ten companies were contacted. He stated in the last twenty years, he has been involved in twenty-five transactions of asset transfers up to \$200 million and he has never contacted that many companies. He stated these all involved for-profit organizations. He feels the Township has done an unbelievable job. He stated Aqua is a regulated utility, and as such they are not allowed to make as much money as they want; and Mr. Kropilak agreed. Mr. Thomas asked if the PUC has a specific percentage Aqua is permitted to make above their expenses, and Mr. Kropilak stated they do not make money on the expenses. Mr. Thomas asked what incentive Aqua would have if Morrisville indicated they would be quadrupling the costs to treat the sewage, to tell them that they could not, as these costs would be passed onto the Lower Makefield ratepayers. Mr. Kropilak stated these costs could not automatically be passed onto the Township ratepayers as they would have to wait for a rate increase. Mr. Kropilak stated Aqua is a cost-containment company, and they would be very aggressive to prevent any type of expense increase. He stated there is a long-term Agreement with Morrisville, and the terms have already been set. He stated there are mechanisms in place such that Aqua would audit the books of Morrisville to make sure that the charges are fair just as Lower Makefield is doing currently. Mr. Thomas stated he understands that Lower Makefield prepared the draft Agreement of Sale, and Mr. Kropilak stated this is correct.

Mr. Thomas stated he understands that Aqua intends to make money on this transaction as they should since they are a for-profit organization. He stated he feels the Township will benefit because not only will they get money up front from the sale of the system, but Aqua will continue to do what the Township has been doing, but will do it much more efficiently since they deal with these types of problems all the time. He also feels there will be a significant enhancement in service and efficiencies. He feels those efficiencies will offset any profit that Aqua makes. He stated the only question he would have as a resident is what the Township intends to do with the money received, and he would like to know this before they sign any Agreement. Mr. Caiola stated the Board has indicated that if they do sell the system, what they will do with the proceeds, after the debt is paid, will be part of the discussion.

Mr. Thomas stated he understands that the Township debt of \$17million will be put in Aqua's total expenses of which they will wrap into what the Township residents pay. He stated he assumes this has already been calculated in the projected five year rates, and Mr. Kropilak agreed. Mr. Thomas asked if the five year rate projection is a guarantee, and Mr. Kropilak stated they have agreed to a two year rate freeze and they have provided a projection out five years. He stated they do expect that the rate plan will be in the Agreement in some form. Mr. Kropilak stated he suspects that by the time the Solicitor and Board have completed discussions, the five year rate will be a commitment. Mr. Donatoni stated the projection was based on what they expect over the next five years with respect to routine maintenance and capital. He stated if there is a regulatory order from DEP which the Township and Aqua were not anticipating, this would be an exception.

Ms. Connie Gruen, 10 Twin Circle Court, stated the quality of life is the major asset they have in the Township, and the reason the Township has this quality of life is because it is made up primarily of residences and not a lot of businesses. She stated the downside of this in the long run is that there are not a lot of ways to bring in revenue other than property taxes. She stated she feels the money from the sale of the sewer system could be used to turn something that currently has a potential for an increasing burden and transfer it to another asset that could maintain the quality of life.

Mr. Keith Sigman, 1510 Page Drive, stated he feels private companies are more efficient than Government as they have economies of scale and they can leverage resources. He stated he is most concerned with what will happen with the proceeds. He stated he has already heard mention of a Senior Center or Community Center. He stated this will be a substantial windfall, and he feels it would be irresponsible to spend it loosely. He stated the economy is difficult and it is hard for the residents to give up so much in taxes, recognizing that a large part does go to the School District. He stated he feels the more conservative the Township is with the proceeds, the better off they will be as a community. Mr. Santarsiero stated the Board will be discussing the financial future of the Township at their next meeting.

Mr. Tim Malloy, 1902 Makefield Road, stated the fundamental question is what is the role of Government, and he does not feel it is quality of life. He stated the primary role of Government is to provide services that the people cannot provide for themselves. He stated all citizens of Lower Makefield do not use the Pool, Golf Course, or will use a Community/Senior Center. He stated all residents do use the water and sewer systems. He stated Governments have always provided sewer systems to their citizens dating back to the times of the Romans. He stated the reason is the citizens cannot provide this for themselves. He stated a Lease was never discussed in the arrangement with Aqua America. He stated he reviewed the RFP to solicit bids, and a discussion on leasing was not an option and selling was the primary intent in his view. He stated he does not discourage Aqua America from making a profit, but he does not feel the case is closed that privatization works. He stated Aqua may sell the system in the future, and the system may continue to be sold. He questions what would happen to rates twenty to twenty-five years in the future and who will own the sewers in the long term. He noted a Newsweek article which reports that Governments have taken back assets they have sold because it did not work out as there were escalating costs escalating and a decrease in service. He stated he knows from discussions with some of the Supervisors that they would have preferred that Bucks County Sewer and Water would have purchased the system. He stated Mr. Hoffmeister indicated earlier that the sewer could last another twenty years. He questions if it is worth the risk to sell the system to a company when they do not know who will own the system in twenty to twenty-five years. Mr. Malloy stated there is a difference between sewer and cable since cable is an option.

Mr. Smith stated he agrees that Government has the obligation to provide essential services, but they also have an obligation to maintain if not improve the quality of life of the residents. He feels the Board will do the right thing.

Mr. Malloy stated there was a tax increase in the Township this year of 2 mills, and transfer taxes are down so that the Government is not taking in as much money. He stated it also appears that the Township is spending more by \$500,000 to \$1 million in debt. He stated the proceeds may be used to offset this debt which he does not feel is how they should be thinking. He stated the Park and Recreation Board has already discussed purchase of open space and floating bonds for open space and floating bonds for other recreational items. He stated there has also been discussion this evening about a Community Center and Senior Center. He feels the challenge to the Board is to separate out the spending and the challenge of raising taxes or floating bonds to maintain the quality of life and whether or not they should privatize the sewer system in the same transaction.

Mr. Bob Slamen, Bedford Place, stated he disagrees with the Budget Committee spokesperson who indicated they are holding down taxes. He stated there was a 15% tax increase last year which was the largest increase ever in Lower Makefield. He stated he feels the sale of the sewer system should be put up to a Referendum. He stated sewer is

an essential service which the Township should not sell. He stated he paid for the system and he does not feel the Board should be selling it.

Ms. Helen Bosley, 546 Palmer Farm Drive, asked who is on the Sewer Authority that is the owner of the system. Mr. Truelove stated the members of the Sewer Authority are Richard Gauck, George Davenport, Robert Archibald, Phil Tyler, and Jeff Shanks. Ms. Bosley asked if they have been present at the meetings when this was discussed, and Mr. Truelove stated they have discussed this matter at the Sewer Authority meetings which are open to the public. Ms. Bosley stated she felt it would be of interest to the residents present to see those individuals. Mr. Santarsiero stated they have not been prohibited from speaking. Ms. Bosley stated while she realizes that, if the assets were to be sold from the Golf Course whose Committee she sits on, she feels she would be present at the meetings. Mr. Santarsiero stated they would welcome their participation at the Supervisors' meetings.

Ms. Bosley stated Aqua representatives indicated there have been no regrets from Municipal officials whose systems they have purchased. She feels what is happening relates to a conversation she had approximately two years ago when the Board of Supervisors was considering refinancing the remaining \$1.8 million in principal on the bond and rolling it into a longer term bond issue. She had questioned at that time why the Township wanted to renegotiate a bond and take the \$1.8 million that was going to be paid off in three years, and it was indicated the Board did not want to increase the rates. She stated she feels there has been hesitancy on the part of the Township to raise rates or agree that there are maintenance issues needed and to pay for them and have those who use the system pay for it. She feels what is now being considered will take away from the responsibilities that may have been "shirked" over the past two to four years. Because of this she can understand why Municipal officials would not have a problem with Aqua purchasing their system.

Ms. Bosley asked who currently handles the billing for the Township's sewer system. Mr. Fedorchak stated one full time person is devoted to this task. Ms. Bosley asked if that individual is one of the two people who is going to Aqua, and Mr. Fedorchak stated the two people that would go to Aqua are both in operations and maintenance. He stated they anticipate that the person who does the billing currently will retire. Ms. Bosley stated she recalls that two years ago Mr. Hoffmeister recommended sale of the sewer system to the Board of Supervisors which she felt was unusual.

Ms. Bosley asked if Aqua would consider a professional services contract to operate the system rather than buying the asset, and she asked if this was part of the proposal to which Aqua responded. Mr. Kropilak stated on rare occasions they will consider operating a system, but it is done on a very selective basis. He stated the problem with operating a system which they do not own is the issue of who pays for the capital. He stated their preference is to own and operate it.

Ms. Bosley stated Aqua representatives indicated they have approximately 1 million water customer accounts and 100,000 wastewater accounts, and she asked how those numbers have changed over the past four to five years and from where growth is coming. Mr. Kropilak stated they are in thirteen States, and the growth comes at various times from those States. He stated where there is a platform system in a State, they look to do a “tuck-in” acquisition of a nearby system. He stated the trend has been they continue to have a steady stream of water acquisition opportunities, but there are many more wastewater opportunities coming their way. He stated many Municipalities and others in the wastewater business are looking to sell so a majority of opportunities they are looking at now are wastewater transactions. Ms. Bosley asked how the Lower Makefield system relates to the size of the other systems in the eastern Pennsylvania region. Mr. Kropilak stated it would be the largest system in Pennsylvania, but compared to other States they have wastewater treatment and collection systems which are much larger than Lower Makefield, and they have systems in other States which have many more customers than Lower Makefield.

Ms. Bosley stated she feels that selling assets that are necessary is not a wise idea, and she feels the system should continue to be operated by the Township and those using the system should pay the appropriate fees.

Ms. Virginia Torbert stated she is concerned about what happens after five to six years. She stated Aqua indicated that they would raise rates in an orderly fashion, but with the examples noted by Mr. Santarsiero, the increases were not orderly and there were increases of 70% to 94%. She asked if they would be willing to make it part of the Agreement that increases would be limited to 10% per year for a certain period of time. Mr. Kropilak stated the examples raised were situations which involved very small systems with a small number of customers where significant repairs were needed. He stated Aqua was asked by the State regulatory agencies to take over some of these systems. He stated the capital needed in those instances generated those levels of rate increases. He stated the Lower Makefield Township system is already an operating system with a larger customer base; and after the five year period, they would expect that the rate increase would be reasonable as it would be operating and maintenance expenses and return on the capital. Ms. Torbert asked what would happen if something unexpected occurred. Mr. Kropilak stated, unlike the Township which can raise rates at a public meeting, Aqua cannot immediately raise rates as they would have to file a rate case with the PUC. He stated customers and the Township will get notice of this and can participate.

Ms. Torbert stated Aqua indicated that Municipal officials had been very happy that Aqua had taken over their system. She asked if any of the Townships have done surveys as to how their residents feel about Aqua taking over the system. Mr. Kropilak stated he is not aware of any formal surveys but most Municipal officials he knows hear from their

constituents so he feels the opinion of the Municipal officials really reflects the opinion of the residents.

A short recess was taken at this time.

APPROVAL OF AMENDED/REVISED FINAL PLAN FOR FLORAL VALE, PHASE III

Mr. Jeffrey Garton, attorney, Mr. Jodi Litus, engineer, and Mr. Bob Riviezzo were present. Mr. Garton stated this is the last phase of the Floral Vale project. He showed the changes from the Plan since it was originally approved. He stated the square footage of the building has been reduced by 3,000 square feet. There will be only one building in the footprint as opposed to two. A driveway to the left has been eliminated. Two rain gardens have been added as well as three underground recharge basins and two vegetated swales. At the request of the Planning Commission certain of the aisles have been reduced, and they have placed forty-three parking spaces in reserve with the net effect being that they will reduce the impervious surface by 15,000 square feet.

Mr. Truelove stated he and Mr. Garton have had discussions about appropriate Conditions of Approval and that based upon a Stipulation Agreement that was entered into between the original developer and the Township in March, 1990, there is a Waiver of any impact fees based upon other improvements that were made at the time as part of the overall development plan. He stated the 1990 SALDO did require a refuge island and they will recommend that this be waived as well. Mr. Truelove reviewed the potential conditions of approval, and Mr. Garton stated most of these changes have already been made to the Plan.

Mr. Stainthorpe moved and Mr. Santarsiero seconded to approve the Amended/Revised Final Plan for Floral Vale, Phase III Plans dated 3/26/1990, last revised 3/24/08 subject to the following Conditions:

1. Compliance with the review letter of CMX dated 3/19/08 except as it relates to Item 1 inasmuch as pedestrian crosswalks and refuge islands were not a requirement when the original Plan was approved, and also with the reservation of parking spaces, the refuge island serves no purpose, and furthermore, consistent with the request for a Waiver of said requirement listed below:
2. Continued compliance with all prior Conditions imposed as a result of the Township's approval of the Floral Vale project subject to the modifications to same as set forth in this Approval;

3. Receipt of all permits and approvals from any agencies having jurisdiction over such matters including, but not limited to the Bucks County Conservation District;
4. Funding and execution of Development and Financial Security Agreements;
5. Compliance with the Lower Makefield Township Subdivision and Land Development Ordinance (SALDO), and the Lower Makefield Township Zoning Ordinance to the extent same were applicable in 1990;
6. Waiver of the requirements of SALDO 178-58.Q, relating to refuge islands;
7. Applicant to enter into an Agreement with the Township related to the forty-three (43) parking places being placed in reserve. The Agreement is to be consistent with the provisions of the Zoning Ordinance related to the approval and construction of reserved parking spaces;
8. Applicant to enter into an Operations and Maintenance Agreement with the Township related to storm water controls and BMPs, which said Maintenance Agreement shall be transferred in the event ownership of the project is transferred;
9. Applicant to enter into an Agreement with the Township permitting the Township to enter upon the owner's site to inspect and monitor the infiltration ports, the form of which said Agreement shall be subject to the approval of the Township solicitor;
10. Compliance with the Police Department report dated 11/20/07;
11. Compliance with the Disabled Persons Advisory Board report dated 12/10/07;
12. Compliance with Remington, Vernick & Beach letter dated 12/17/08;
13. Compliance with the Lower Makefield Township Planning Commission report dated 2/13/08.

Mr. Garton agreed to the Conditions of Approval, and the Motion carried unanimously.

**APPROVE EXTENSION OF TIME FOR NORMAN AND PATRICIA O’ROURKE
MINOR SUBDIVISION PLAN**

Mr. Santarsiero moved, Mr. Maloney seconded and it was unanimously carried to approve an Extension for Norman and Patricia O’Rourke Minor Subdivision Plan to 7/21/08.

**APPROVE HIRING WALLOVER ARCHITECTS TO PROVIDE PROFESSIONAL
ARCHITECTURAL SERVICES**

Mr. Santarsiero stated this is pursuant to the previous decision to go forward with work at the Community Pool. Mr. Santarsiero moved, Mr. Stainthorpe seconded and it was unanimously carried to hire Wallover Architects to provide professional architectural services relating to a new tot pool, expanded leisure pool and regraded site at the Township Community Pool.

ZONING HEARING BOARD MATTERS

With regard to the Michael and Kathleen Sanwald, 1095 Bancroft Lane, Variance request to permit construction of a fence within a storm sewer easement and at a height greater than permitted in the front yard, it was agreed that the Solicitor should participate to insure that Township requirements for access and minimum clearance are met.

With regard to the Krzysztof Kania, 701 Briarwood Court, Variance request to permit a shed to be located on the lot closest to the abutting street, it was agreed to leave the matter to the Zoning Hearing Board.

With regard to the Rick Albuck, 872 Dukes Drive, Variance request to permit construction of a shed within the 100’ special setback of Edgewood Road, it was agreed to leave the matter to the Zoning Hearing Board.

With regard to the Mike and Judith Berger, 597 Leslie Lane, Variance request to permit construction of a fence resulting in encroachment into an easement it was agreed that the Solicitor should participate to insure the Township has right of access and provide minimum clearance.

OTHER BUSINESS

Ms. Sue Herman read into the record a letter from R.R.T.S. (copy attached to the Minutes) regarding the Bucks County Regional Traffic Study. In this letter she details

three pieces of correspondence received from Municipalities since the 10/29/07 Task Force meeting which Mr. Steil distributed at the 3/31/08 Task Force meeting. Ms. Herman asked that the Board of Supervisors memorialize the Motion that was passed at the 3/31/08 Task Force meeting in a letter to be addressed to the Task Force and others as noted in her attached letter. She reviewed the contents of the Motion and how various Townships voted. She also asked that the letter and other material she provided this evening be included with this evening's Minutes (copies attached). She expressed her concern with the potential of a roundabout at the intersection of Stoopville and Washington Crossing Roads which she feels will be a benefit to truck traffic and requests that this concept be abandoned. She stated R.R.T.S., residents, and Lower Makefield Township have gone on record opposing any modifications to that intersection beyond installation of a traffic signal. She thanked the Board for the Resolution approved on 3/19/08 which stated that Lower Makefield Township opposes the Bucks County Regional Traffic Study and the January, 2008 Addendum.

APPROVE ADDING AN ALTERNATE POSITION TO THE DISABLED PERSONS ADVISORY COUNCIL

Mr. Stainthorpe stated this was requested by the Disabled Persons Advisory Council. Mr. Stainthorpe moved, Mr. Santarsiero seconded and it was unanimously carried to add an Alternate position to the Disabled Persons Advisory Council.

APPOINTMENTS

Mr. Maloney moved, Mr. Santarsiero seconded and it was unanimously carried to appoint Mr. Derrick Dobos to the Farmland Preservation Board and the Historic Architectural Review Board and Dennis O'Brien as the Alternate to the Disabled Persons Advisory Council.

There being no further business, Mr. Maloney moved, Mr. Santarsiero seconded and it was unanimously carried to adjourn the meeting at 11:20 p.m.

Respectfully Submitted,

Matt Maloney, Secretary

