

**QUESTIONS & ANSWERS REGARDING SALE OF SEWER SYSTEM
UPPER POTTS GROVE TOWNSHIP
APRIL 14, 2020**

What are PA American's historic rates? – PA American Water is working on compiling this data.

How can residents delay the vote on the sale? There is no mechanism to delay the vote on the sale. The Board of Commissioners has been discussing this matter for over a year and are following the timeline that was established as part of the process. Please note that monthly updates were previously provided at Sewer and Board meetings as well as posted on the Township's website and in the lobby which included the tentative timeline. It is the discretion of the Board of Commissioners as to when they want to take a vote on a particular matter.

Why is the Township rushing when there are so many questions still to be answered? The Township is not rushing this matter as it has been discussed for over a year. The Township has been and is still providing answers to questions as part of the ongoing process.

Why did we stop at 2 bids? –The Request for Qualifications was sent out to a very wide universe of potentially interested parties. Two very qualified and experienced companies were interested and responded to the RFQ. Both companies performed their due diligence over the past year and both provided responses to the Request for Bids. Having these two companies respond was the probable outcome the Township expected as they are commonly the most interested entities in acquiring similar sewer collection systems in PA.

How much money is in the capital fund to pay for infrastructure projects? The Township does have a capital improvements fund which has approximately \$45,840.00 which is money from the indebtedness tax instituted a few years ago.

How long of a time frame does the \$3.5 to \$4.5 million of capital cover? The \$3.5 to \$4.5 million of capital necessary to improve our existing facilities or build new (not including land acquisition costs) is derived from the Alloy 5 building study completed back in 2018.

What is the planned capital expenditure this year and the next three? The 2020 General Fund budget includes \$126,000 for building maintenance and improvements. The Administrative is currently working on a four-year budget plan.

How did the Township come up with salary and benefits needing to increase by 4 to 5% per year? This projection is based upon historical data and future contractual obligations.

What is the actual cost to the Township for this increase in salary and benefits? The Township is currently working on a four-year budget plan so the actual costs for the increase in salary and benefits have not been calculated yet.

Budget shows the Township is in good standing. Taxes have not been increased very much over the last few years. Why do we need to do this? If you look at the Township's budget the last couple years, you will see that the Township is utilizing the reserve in the General

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Fund to cover the budget deficit. That being said, as costs continue to increase, the Township's reserve will continue to be depleted.

My understanding is about 65% of the Upper Pottsgrove Township residents are on the existing sewer system, with the rest utilizing Septic systems. With the potential sale to PA America Water, besides the new development areas to be provided sewer access, is there a plan to increase the number of homeowners (EDUs) under the existing sewer system, or is that expected to remain fairly constant? As was explained at a recent meeting, PA American Water will be assuming the projects outlined in the Act 537 Plan which will increase the number of EDUs being connected to the system. In addition, any new developments proposing public sewer could also potentially increase the number of sewer EDUs being added to the system.

It was reported in The Mercury that John Bealer stated approximately 35% of the quarterly sewer bill goes towards paying down the existing debt. If the sale goes through with PA America Water, it was clearly stated the debt would be paid off with the proceeds of the sale. If that is true, why wouldn't our quarterly sewer bill go down by at least that amount (35%) instead of the roughly 10-15% it is projected to go down, and only for a couple years? - When a new owner purchases a system, they will have their own debt/equity to finance which will replace the Township debt on the system. This is similar to a business selling to another business.

Why was PFM not paid their requested fee of \$7,500 for soliciting bidders and evaluating them for qualifications, instead receiving their payment as \$50,000 plus 1.5% of the sale fee, only if a sale goes through? That 1.5% fee would be on the order of \$200,000; significantly higher than the \$7,500 fee. It also raises the question of why the township would agree to such an astronomically larger fee. Any Conflict of Interest concerns the taxpayers should be aware of? – PFM has 2 agreements with the Township. The first is for a payment of \$7,500 for a limited-scope valuation. The second is for all of the work that occurred after the valuation and the work that will occur if the transaction goes to closing sometime in 2021. While PFM would typically charge the \$7,500 after the valuation, the Township asked if PFM could hold that invoice until closing. The Township made it clear from the beginning that it wanted the majority of fees to be paid out at closing.

What exactly would PA America Water be doing under the new contract? The wastewater treatment plant is still located in Pottstown; what action is there for PA America Water besides maintenance? – PA American Water would be undertaking all of the responsibilities that the Township currently has with the sewage collection system (stepping into the Township's shoes).

The Pottstown Borough Authority has argued that it will have some say in the sale to a private utility company. Has this issue been resolved, and what is the resolution? It is correct that, in accordance with the Agreement Upper Pottsgrove has with PBA, that PBA will have to approve the sale of the sewer system, and this will be an ongoing discussion between PA American Water and PBA.

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The Pottstown Borough Authority has also stated that it has some say in whether the agreement for the Pottstown plant to take in Upper Pottsgrove's sewage can be transferred to the private utility company. Where does this issue stand? Is it resolved? **The Agreement can be transferred to PA American Water or a new Agreement may be necessary, but again, this is an ongoing discussion between PA American Water and PBA.**

Where does the Pennsylvania Public Utilities Commission's approval come into this process? Have they been notified of this possibility, and what are their concerns? – **This transaction would have to be approved by the Pennsylvania Public Utilities Commission. This is a 9-12 month process that would begin only after the Board would approve the sale of the system.**

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It was mentioned that PAA would pay for piping to the curb, but home owners would be responsible for connecting to the house. In our case we'll need a grinder pump, and the township was going to pay for that. Will PA American pay for grinder pump installation, electrical, etc.? What is the scope for what they will pay for those of us requiring grinder pumps? **Please note the Regal Oaks Phase IIA, which includes your property, will be completed by the Township. Therefore, nothing has changed in regard to your sewer connection.**

Since PA American is assuming liability responsibility for the new sewer system, are their engineers planning to revisit the scope and details of the existing plans, and what impact will that have on overall project timelines? **I believe PA American Water answered this question in several of the meetings. It is their plan to revisit the scope and details of existing projects under the Township's Act 537 Plan, and the timeline could change for these future projects. However, as I stated above, your project will be completed by the Township this year.**

Lastly, and perhaps unrelated to this specific meeting, what impact might the coronavirus pandemic have on overall project time lines? Most of the work is outdoors, but electrical work for those of us requiring grinder pumps will require that someone enters our house. Will they be tested and shown to be coronavirus negative before entering our homes to do the work? How will that be managed? **The COVID-19 pandemic may certainly affect the timeline for completion of the Regal Oaks Phase IIA sewer project; however, the anticipated completion date is still July 31, 2020. I understand that someone may have to enter your house concerning the electrical for the grinder pump, and I am sure this will be managed appropriately. I cannot say that they would be required to be tested and shown to be coronavirus negative before entering your house. I would think that, instead, they would practice social distancing and other measures recommended by the CDC to ensure the safety of others.**

Will the contract agreement change as economic conditions are changing? **If you are referring to the contract to sell the sewer system to PA American Water, at this time, there cannot be any material changes to the document known as the Asset Purchase Agreement.**

If the open space debt is paid off, would the tax rate change? I would prefer that we hire a dedicated person to maintain the trails with that tax income. **The Board of Commissioners will need to have ongoing discussions about how to utilize the proceeds from the sale of the sewer system should they vote to sell it. This could include whether to pay off the open space debt and how that would affect the current EIT rate. Therefore, I am unable to provide an answer to your question at this time.**

Will the new owner be extending the sewer extension system to 155 Maple Leaf Lane? We are the original owners of this property, and we have the in ground system since 1987. **If the Township sells the sewer system to PA American Water, then they would complete the Regal Oaks Phase IIB sewer project which includes extending public sewer to your property. If the Township does not sell the sewer system, then the Township would complete this project.**

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Was this necessary fee increase based on the number of existing customers or did it include the addition of the recently connected Regal Oaks customers and the soon-to-be connected Ming and Moyer Rd users? **Yes**

Did it also include the tapping and user fees to be paid by the new customers that will be added per the rest of the ACT 537 Plan? (Horseshoe, Concord, Continental. Old Orchard)? **Yes**

Did it include the connection of the hundreds of more customers associated with the Kummerer Subdivision? **Yes, it includes the potential development of the Kummerer parcel as it has conditional preliminary/final approval.**

Who was the public pension adviser, familiar with PA pension funding requirements that recommended the TWP should borrow money to pay off the pension deficit in a lump sum, rather than incrementally per State protocol? **As Trace and Michelle explained during the meeting last evening, if the Board of Commissioners vote to sell the sewer system, they will be having ongoing discussions concerning how the proceeds of the sewer sale will be utilized. I do not believe that anyone stated that a public pension advisor recommended the Township borrow money to pay off the pension deficit in a lump sum nor did anyone state that the Township would be borrowing money to pay off the pension deficit.**

Township debt is currently being paid off at low municipal rates of about 3%. When this debt is transferred via the sewer sale, the annual increase in user fees is estimated to be 6%. Why does the BOC plan to exchange lower debt payment for higher ones? **I am not sure the information stated is correct. The information provided during the slide presentation last night, indicated that, if the Township were to keep the sewer system and needed to borrow money to pay for future projects, it would incur \$3,275,000 in additional debt, and the annual debt service payments plus interest would be about \$285,000 per year (this is a borrowing at a low interest rate of just over 3% for 20 years). Therefore, I do not believe your question below is relevant in that it was never said the Board of Commissioners plan to exchange lower debt payment for higher ones.**

During the presentation, it was stated that selling the sewer will eliminate Township debt payments and “free up funds for other Township projects.” However, the income tax funds currently being used to pay off the approximate 4.5 mill dollar Open Space debt can ONLY be used for Open Space purposed. Also, the approximate 4.5 million dollar sewer debit is being paid for with USER FEES and NOT TAX MONEY – so relief from paying these debt service payment cannot be considered to be freeing up any money for other Township projects. How then can the Commissioners justify the sewer sale on the basis that it will “free up funds for other Township projects? **As I stated in an earlier email, if the Board of Commissioners vote to sell the sewer system, there will be ongoing discussions concerning how the proceeds of the sewer sale will be utilized. I believe the Board of Commissioners are fully aware that the Open Space EIT can only be utilized for Open Space purposes only, and I do not believe that anyone indicated these taxes would be utilized for other projects other than open space projects. As a matter of fact, I believe that Trace stated the additional funds in Open Space could be utilized for other open space purposes or maintenance**

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purposes. However, if the Commissioners vote to sell the sewer system, there will certainly be other funds available, with the payoff of debt that could be utilized for other Township projects, such as roads, storm water, building infrastructure and many other projects which may need to be completed. In addition, the Township could have additional funds to be more proactive with their infrastructure (roads and storm water in particular) and to assist with mitigating future tax increases (which was mentioned during the meeting last evening).

Hello Michelle, this is Frank Snow from 92 to Maugers Mill Road. I received a letter from the township regarding the sale of the sewer system. I want to commend the township on this decision and feel it puts the township in a very secure financial position. I fully support voting yes on this. I do have one question. Although, it is very good that our sewer rate will go down, it is not going down very much. Would you be able to tell me why our sewer rate of \$215 is so much higher than surrounding townships and areas in Montgomery County? I have friends who live in other townships that pay \$80 for sewer and water quarterly. Many others pay \$150 for water and sewer quarterly. We pay \$215 for sewer only. We do not have public water. I've always been curious as to why our fee is so high? **One reason our sewer rates are so high is that there are few customers on our sewer system. There are other factors as well such as debt service, and the fact that we do not have our own treatment plant. Therefore, we have to pay Pottstown to treat our sewer which includes operation and maintenance, debt service and any capital project costs.**

If required to connect to either Township or Public Sewer, what is the approximate cost to do so? **If the Township maintains the sewer and completes the project, you would have to pay tapping and connection fees totaling \$5,447.52. You would also need to hire a plumber and pay the costs for connecting your property from the house to the street. However, if the Township sells the sewer system, and PA American Water completes project, you would not be required to pay a tapping fee, but you would still have to hire a plumber to make the connection from the house to the street.**

Will we the homeowner be required to remove our current septic system at a personal cost to us? **You would be required to remove your current septic system and pay the costs for such.**

What is the ordinance that gives the township the legal right to require this of homeowners? **I have attached a copy of Code of Ordinances relating to the requirement to connect to public sewer (please note our Code is listed on the website).**

Do we have any vote or voice to prevent the township from approving this and requiring this of Continental Drive? **Unfortunately, you would not have any vote or voice to prevent the township from approving this and requiring sewer connections on Continental Drive. This would be the discretion of the Board of Commissioners.**

Will the sewer rates be raised regardless of whether or not we sell the sewer system due to the requirements and obligations of the Township under the Act 537 Plan to complete future sewer projects? **Yes, the Act 537 Plan is not negotiable, and the projects under the Plan will be completed regardless of whether or not the Township sells the sewer system. The projects will require necessary funding which, along with other factors, some known and some**

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unknown, which will affect future sewer rates as demonstrated during the presentation at the April 14th meeting.

Will those who have a septic tank on Bruce Drive be forced to hook up to the sewer? **Yes, when that project is completed, the homes on Bruce Drive will be required to connect.**

What will be the cost of that? **If the Township completes the project, each homeowner would be required to pay the Township fees of \$5,447.52 in addition to a permit fee for the connection. Permit fees? There is a \$50 non-refundable application fee and a \$79.50 permit fee for the connection. Does the 5,447.52 need to be paid all at once? There is a payment program available where you can pay over a two-year period with 6% interest plus an administrative fee; however, this is only if the Township keeps the sewer system and completes the project. The property owner would also need to hire a plumber to make the connection from the house to the street, and I am unable to provide such an estimate as I am not a plumber. I realize every home would probably be different, but it would be good info for the township to provide as an estimate range. Unfortunately, the Township would not and cannot provide an estimated range; that information would have to come from a plumber. If the Board votes to sell the sewer system to PA American Water, and they complete the project, there would not be any tapping and connection fee as referenced above. However, the property owner would still need to hire a plumber to make the connection from the house to the street. In either case, the property owner would also be responsible for the cost to decommission their existing septic system. Again, this decommission needs some pricing information. Information for your people in the township is king when making decisions. Unfortunately, the Township would not and cannot provide an estimated range; that information would have to come from a plumber. Plus, since this project will not be completed until sometime in the future, it may even be hard to obtain an estimate from a plumber at this time.**

This is a big meeting and to have it now with the pandemic, is just awful and completely insensitive!

Having an on-line meeting does NOT give any real presence to the people. Can't the vote wait until the time we can gather? **The Board of Commissioners are following their timeline set several months ago, and a vote is scheduled to be considered at the meeting on April 20th. We had a vacation planned months ago for May, but couldn't go through with it!!!! Sorry, but just because it was planned doesn't mean squat right now. Again, the Commissioners will consider a vote on April 20th. You certainly could email them your concerns.**

What other solutions have been explored? **I not sure I understand your question. Do you mean what other options regarding selling the sewer system? Or what other options to fix the concerns with the Township's debt and finances? It was more on the sewer system, but other options for the finances too. Shouldn't we have a letter explaining those in details or is that available in minutes? There was information provided at last night's meeting via a slide presentation showing the impact of selling the system versus keeping the system and how it would impact the Township's finances. I could provide that information, but you would need to first provide a Right-to-Know request form which is available on our website.**

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Is Detweiler a part of this sewer project? **No, Detweiler Road is not part of the Horseshoe/Bruce Drives sewer project.**