

FRANKLIN PARK BOROUGH/MTSA

SANITARY SEWER MERGER STUDY

Funded Through a Grant From

3-Rivers Wet Weather Demonstration Program

and

U.S. Department of Environmental Protection Agency

Foreword

This study identifies the institutional hurdles: legal, financial, political and technical issues that a municipality or authority must overcome to transfer sanitary sewer line ownership and operational responsibility from one government entity to another. Franklin Park Borough Council is considering such a transfer, and McCandless Township Sanitary Authority (MTSA) is considering accepting the lines. The issues facing Franklin Park and MTSA closely mirrors what other jurisdictions will have to consider before merging their operations. Therefore, the study can serve as a model for other communities to follow.

The study examines issues contained in the agreement between Franklin Park and Allegheny County Sanitary Authority (ALCOSAN). These same issues would apply to other communities served by ALCOSAN. The study considers how to best safeguard bondholders' interest and yet facilitate the transfer of these assets. Municipal Bond documents usually contain the same safeguards and language regardless of the community or year of issue. Other communities who have bonded debt would face obstacles similar to MTSA and the Borough in structuring a merger. Lastly, what is a fair market value or selling price? Can the deal be structured to repay Franklin Park's General Fund the loans it has provided to the sanitary sewer funds? If not, can these lines be transferred anyhow and the debt legally forgiven? These and other important issues have been addressed as part of the scope of work under this study. While most issues discussed in this report will apply to the case at hand, not all are applicable. In a model study it is prudent to consider as many potential issues as possible.

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History/Background

In Franklin Park Borough the history of sanitary sewer and housing development paralleled each other. Beginning in 1963, sanitary sewers were first installed in Lowries Run.

Housing in the Lowries Run drainage area was mostly built from the mid 1960's to the late 1970's. Homes in Franklin Town, Field Club Estates and several other developments were constructed during the period. Beginning in the early 1980's, housing development shifted to the Pine Creek watershed. At this time homes were built in: Northmont Farms, Ramblewood, Berkshire, Hunters Point and Huntington Woods. The effluent from this area flowed to the MTSA Pine Creek treatment plant. Therefore ownership, operation and maintenance of these sanitary sewers was turned over to MTSA. In the early 1990's housing construction was concentrated in the Bear Run watershed. Sturbridge, Squire Ridge, Blackburn Heights and Oakleaf plans were all developed. In the late 1990's sanitary sewers were installed along Nicholson Road in the north central section of the Borough. This facilitated developments such as: Settlers Walk, LaPlace Pointe, Nicholson Woods and numerous commercial properties. The sanitary sewers along Nicholson Road will continue to facilitate development in this corridor for the next 5 to 10 years.

Ownership, operation and maintenance of Fish Run sanitary sewers were likewise turned over to MTSA. Attachment "A" outlines the sanitary sewer service areas within Franklin Park.

It is important to note that installation of sanitary sewers in the MTSA service areas mirrors that of Franklin Park. MTSA sanitary sewers were first installed in 1959 and continue to expand to this date. The notable difference between the two organizations is one of size. MTSA has slightly over 14,000 customers to Franklin Park's 1,484. The socio-economic characteristics of residents in both MTSA and Franklin Park service areas are very similar.

Another distinction between the two entities is that MTSA is a full-time sanitary authority while Franklin Park has been, and continues to be, a part-time sewer operator.

In summary, Franklin Park has four sanitary sewer service areas: Pine Creek, Fish Run, Bear Run and Lowries Run. Ownership, operation and maintenance responsibilities for Pine Creek and Fish Run were turned over to MTSA under two prior intergovernmental cooperation agreements. Effluent from both sewer systems flows to the MTSA treatment facility, located on Pine Creek. Borough personnel operate and maintain the collection lines for the Bear and Lowries Run systems. Sanitary lines in the Lowries Run area are approximately 40 years old. All Bear Run lines were installed within the past 15 years. There is a small (1/4 MGD) pump station that serves about 14 homes in Bear Run. All other sanitary sewers flow via gravity lines. The Borough does not operate a treatment plant. Treatment of all effluent emanating from within Franklin Park is provided by either ALCOSAN or MTSA.

Goals and Objectives

In order to successfully eliminate wet weather sanitary sewer overflow problems in the ALCOSAN service area, the state and federal governments must deal with 83 independent public entities. The objective of this study will be to demonstrate that it is both feasible and practical to reduce the number of public bodies in the sanitary sewer business. The remaining entities should be able to achieve economies of scale and implement solutions based on practical considerations rather than narrow parochial interests and/or political boundaries. If the lines are successfully transferred, Bear and Lowries Run customers will benefit. The fees they currently pay are significantly higher than those charged by most other sanitary sewer operators in Allegheny County. In the future, it may be possible

to reduce these fees. Franklin Park Borough will eliminate an operational and administrative burden. The state and federal mandates imposed by the Consent Agreement relative to sanitary sewers will be extremely burdensome and costly, especially to smaller entities. The requirements in the Consent Order Corrective Action Plan will increase future O & M costs considerably. A larger entity such as MTSA can realize certain economies of scale by taking on more customers. The state and federal government would also benefit since there would be fewer sewer entities to oversee.

Problem Statement

The Borough owns and maintains 36.5 miles of sanitary sewer lines in Bear and Lowries Run drainage service areas. Lowries Run is approximately 16.5 miles in length. Bear Run is 20 miles in length. There are 1,484 customers in both systems. Bear Run has operated at a loss from its inception to today, see Attachment "B". This sanitary system has amassed a \$1,013,532 debt. Of this amount, \$90,000 is owed to Lowries Run; the balance of \$923,532 is owed to the General Fund. Lowries Run owes the General Fund \$145,154. Attachment "C" summarizes the existing inter-fund debt.

Based on the number of reported problems, the Lowries Run lines appear to be in good operating condition, for a 40-year old system. Bear Run lines are in excellent condition since these lines were constructed to current standards and are less than 15 years old. Buchart-Horn and W.E.C. engineering firms provided a \$933,000 repair cost estimate after viewing televised tapes of both Bear and Lowries Run, see Attachment "D". MTSA personnel performed the televising work. Though both Bear and Lowries Run lines are in good condition, the Borough's sanitary sewer rate is high. The rate increase implemented

in June 2000 helped eliminate the deficit that existed for the prior 6 years. However, the estimated \$92,361 current annual surplus is inadequate to meet the projected Consent Order cost, estimated at approximately \$250,000, annually. The average water consumption by Bear and Lowries Run customers is approximately 20,000 gallons per quarter. Based on the current fee structure, the average Bear Run customer pays \$166.25 per quarter. The average Lowries Run customer pays \$130.25. Therefore, Bear and Lowries Run customers pay quarterly sewer bills, which are 66% and 30% higher than MTSA customers, respectively. These rates are among the highest in the greater metropolitan area, see Attachments "E" and "F".

Franklin Park's sanitary sewer financial problems are the result of:

- From 1963 to 2000, Lowries Run rates were kept artificially low by not recognizing depreciation cost. As a result Consent Order improvements must be financed from current operating revenue rather than reserve funds.
- In Bear Run, anticipated development did not materialize as quickly as expected. This resulted in lower tap fee revenue and less than projected operating income.
- Operating each sanitary sewer service area as an independent entity causes sizeable fees variations when capital improvements are necessary, i.e. costs are spread over a smaller and limited customer base.
- Designating Pine Creek and Fish Run as MTSA service areas further reduced the borough's customer base. Capital and overhead costs are higher when spread out over fewer customers.
- The current Consent Order mandates will increase repair, monitoring and reporting costs, especially for Lowries Run.

Private sector companies constantly merge or divest themselves of subsidiaries in response to market conditions. Government entities rarely change and are slow to adapt to new environments. It is a foregone conclusion that the sanitary sewer business in the Pittsburgh Metropolitan Region will change dramatically in the next few years. EPA's effort to reduce sewer overflows appears to be the driving force behind this change. Small entities most likely will not be able to meet all federal mandates and maintain a competitive rate structure for their customers.

Scope of Work and Methodology

Under this study, MTSA (a sanitary sewer authority with a contiguous border to Franklin Park) personnel televised and annotated the existing condition of Borough owned sanitary sewer lines in Bear and Lowries Run. Since the Lowries Run system is 40 years old, 100% of these lines were televised. Bear Run lines which are less than 15 years old were randomly televised. Approximately 15% of Bear Run lines were viewed to determine their condition. As part of this fieldwork, MTSA developed data sheets for each manhole and segment of line and specified what repairs needed to be made. The data was then turned over to MTSA's engineer, Buchart-Horn. Buchart-Horn provided a cost estimate to eliminate all deficiencies. Finally, Franklin Park's Engineer, W.E.C. evaluated the data to insure accuracy.

In addition to the technical evaluation of the sewer lines, this study examined the legal and financial obstacles that must be addressed to allow the transfer of the lines to MTSA. The Borough Solicitor and Borough Manager performed this work.

The Borough Solicitor reviewed all legal documents between Franklin Park, MTSA and

ALCOSAN. The Solicitor also reviewed all bond documents. As part of the review, the Solicitor proposed ways and means of eliminating or overcoming the obstacles that were identified. Lastly, the Solicitor proposed a model agreement for Borough Council and MTSA's Board to consider and adopt, should the two governing bodies wish to transfer ownership of the sanitary sewers.

The Borough Manager performed a financial analysis that:

- identified current assets and liabilities
- identified historical and current revenues/expenditures
- identified bond and other debt schedules
- incorporated the Engineer's repair estimate in the cost calculations to either retain or transfer the lines

The finished product includes several options by which the lines can be turned over to MTSA. The financial implication of each option is explored in detail. Borough Council and MTSA's Board will utilize the findings under this study as the basis to begin negotiations to transfer ownership of the sanitary sewers.

The Importance of a Long-term Perspective

If the sanitary lines are to be transferred, both Borough Council and MTSA's Board must maintain a long-term perspective. In the short-term (next 5 to 6 years) one can successfully argue that one side may gain more than the other. Much like Franklin Park

expects developers, in new subdivisions, to construct new streets before turning them over to the Borough, MTSA follows a similar policy regarding sanitary lines. West View and other water authorities follow similar guidelines relative to water lines. Such a model is the standard for accepting public improvements in the public sector. Obviously, reconstructing 36.5 miles of sanitary lines in Bear and Lowries Run is not financially feasible. As such, MTSA's Board must maintain flexibility in this matter. Borough Council also has to be flexible. It cannot expect to sell an asset that will require an immediate upgrade. A middle ground between these extremes must be reached to successfully transfer the lines. Finally, MTSA's Board must realize that accepting lines in similar condition as their own places no additional burden on existing MTSA customers.

Some cash-strapped communities have orchestrated the sale of enterprise function, such as sanitary sewers, water systems, stadiums, etc., as a way of solving immediate cash problems. The sale typically takes place within the same governmental entity, usually between the "city fathers" and a newly created authority. This approach could be used to pay off the existing sewer debt. However, such actions should be avoided since the customer of the system will eventually pay for the proceeds of the sale through higher user fees.

Maintaining a long-term perspective and avoiding quick-fix schemes are crucial to successfully transferring enterprise functions such as sanitary sewers.

Rate Structure

Franklin Park is one of a very few communities that imposes different sanitary sewer rates upon its citizens. Residents in Pine and Fish Run service areas enjoy the lowest rates. Through prior agreements sanitary sewers in these two areas are owned and maintained by MTSA. The average customer utilizing 20,000 gallons of public water pays \$100.10 per quarter. Lowries Run customers pay the next highest rate. The average public water customer in Lowries Run pays \$130.25. Bear Run customers pay the highest rate, \$166.25 per quarter. Bear and Lowries Run systems are owned and maintained by Franklin Park. Thus, customers in Bear and Lowries Run pay one of the highest sanitary sewer rates in the Pittsburgh Metropolitan area.

Why are rates in Franklin Park so high? One has to look no further than debt-load. The percentage of budget required to amortize the outstanding bonds is:

	<u>TOTAL BUDGET¹</u>	<u>ANNUAL BOND PAYMENT</u>	<u>% DEDICATED TO BOND PAYMENT</u>
Bear	\$ 510,191	\$349,650	68.5
Lowries	<u>\$ 561,074</u>	<u>\$ 8,840</u>	<u>1.6</u>
TOTAL/AVERAGE	\$1,071,265	\$358,490	33.5%

By comparison, MTSA's annual debt payment as a percentage of the overall budget is 6.7%. A large organization by its mere size provides consistency in its rate and debt load as it relates to the overall budget, assuming that it properly maintains and replaces its lines on a regular basis.

However, debt load is not the sole cause of the high rates. The Lowries Run debt load is only 1.6% of its operating budget, yet the fees in the service area are 30% higher than MTSA's rates. One of the causes behind this dilemma is that Franklin Park is playing catch-up in Lowries Run. From 1963 to 2000, rates in Lowries Run were not increased. Prior to the rate increase in June 2000, the average Lowries Run customer paid approximately \$54 per quarter. The low rates enjoyed prior to June 2000 are now offset by the current higher rates. In managing an enterprise activity such as sanitary sewers systems, local governments need to operate much like the private sector. Rates should reflect depreciation value as well as anticipated maintenance and contingencies. For example, a modest increase of 5% once every five years from 1968 to 2000 would have produced \$831,000 in additional fees, plus another \$120,000 in simple interest or \$951,000 total. Ironically, the engineer's estimate to correct all line deficiencies is \$933,000. The old adage "an ounce of prevention is worth a pound of cure" is apropos in this case.

To assist the reader in more fully understanding the Borough's finances Attachments "G" and "H" have been included. Attachment "G" summarizes the existing sanitary sewer bond debt. Attachment "H" identifies the overall Borough bond debt. It is important to note that between 2010 and 2014 all current Borough bond debt will be fully amortized.

How & Where to Spend Resources

To reduce or eliminate infiltration of surface and ground water into the sanitary lines a complete system analysis must be performed. The likely areas to be considered are:

- eliminating foundation sump-pumps, French-drain and other like connections from the sanitary sewer system
- repairing house laterals to reduce infiltration²
- repairing municipal main lines
- constructing central tanks/holding facilities
- upgrading sewage plant treatment capacity

The Consent Order mandates repairs to the municipal sewer system. Franklin Park, like other communities, must soon decide where and how to best spend its money. Ideally, dollars should be spent where they provide the biggest return. First, a community should attempt to perform as much work as possible within its borders. However, if a municipality can reduce compliance cost by working in conjunction with one or more communities, it should be encouraged to do so. Dollars spent outside the community's boundary can, at times, provide a better return. For example Girty's Run Sanitary Authority constructed a central holding tank to prevent periodic flooding and overflows.³ Would it be advantageous for the Lowries Run Joint Operating Committee to do likewise for the communities of Franklin Park, McCandless, Ross and West View? More often than not, savings can be realized by working in partnership with other communities, if that option is available. However, communities should only consider the construction of holding tanks as a last alternative. Through a cost benefit analysis, ongoing maintenance and operation costs associated with a holding facility must be considered. **It is much more preferable to eliminate infiltration rather than to detain it.**

Another, and perhaps more serious, concern with holding facilities is the ALCOSAN rate structure. Approximately one dozen communities i.e. South Fayette, North Fayette, Oakdale, McDonald, Penn Hills and others are being charged based on metered flows in the municipal mains rather than metered customer water consumption. Obviously this method of billing more accurately reflects the treatment costs associated with substandard municipal collection systems that have severe I/I problems. In spite of the above concerns, it may still be advantageous in limited situations to construct a regional holding facility. Local government decision makers need to think beyond traditional approaches in solving the enormous I/I problem and associated costs.

Board Representation

Franklin Park and the Town of McCandless have a history of cooperation. The two units of government created the McCandless-Franklin Park Ambulance Authority. Authority Board Members are appointed by both units of government. Both the Town of McCandless and Franklin Park are members of Northwest Regional Communications, which provides dispatch services for 16 communities. Board members in Northwest are likewise appointed by their respective unit of government. The North Hills Council of Governments is another example of a multi-jurisdictional entity to which both entities belong. Board appointments are made by each member community.

Board representation serves to allay fears of mistrust. Throughout history political representation in democracies has served to create a cohesive force. A revamped MTSA Board could serve as a catalyst to include not only Franklin Park but also other sanitary sewer operating entities in the North Hills. It is much easier for one unit of government to join with another when it has a voice at the table.

Should the Town of McCandless or the MTSA Board not wish to undertake the challenge of becoming a regional operating organization, other possibilities should be explored. Perhaps Franklin Park could merge its sanitary lines with Ohio Township Sanitary Authority which also has a contiguous border with Franklin Park.

Some municipal authorities have grown beyond their borders without conceding board representation. This model is particularly prevalent in the municipal water business. West View Water Authority is an example of this model. Since municipal authorities charge their customers the same rate, this model also works well. While less than ideal, this model should be given consideration by both Borough Council and MTSA's Board.

Although rare, Board representation without voting power is another model used by some governmental units when working cooperatively. Under this scenario, Franklin Park would appoint several board members. The representatives would be able to participate in the discussions and provide input. However, the Borough's appointees would not have a vote when decisions are made. The Moon Township Municipal Authority took over the Crescent Township sanitary sewers under this type of board representation.

The primary concern without Board representation is that Franklin Park would have little control over a key factor, development. As a growing community, it is extremely important that a tap-ban or a similar situation not impede new construction (i.e. new tax revenue). Without a voice on the governing board, sanitary sewer problems within Franklin Park may not be addressed as quickly as they are currently. Some mechanism to overcome this concern needs to be established, if Board representation is not granted to the Borough.

TAP BAN RESTRICTIONS

Under the Consent Order signed in January 2004, communities will self-regulate their tap-ins as long as they remain in compliance with the Consent Order and don't aggravate downstream back ups or sanitary sewer overflows. Assuming that local communities and authorities comply with the Consent Order mandates, a restriction on taps should not be an issue. However, MTSA and Franklin Park should plan for such a scenario in the event it ever arises.

Dealing with a tap-ban restriction is much easier than it appears at first. If the State or Federal government imposes a restriction, the available taps can be shared on a pro-rata basis. The formula can be based on the number of customers each community represents within a particular watershed system. For example, if the total number of Lowries Run customers within Franklin Park equals 20% of the total Lowries Run customer base, Franklin Park would receive 20% of all available taps for Lowries Run.

Under a total tap-ban scenario, no taps would be issued and both communities would suffer equally.

It is crucial that a fair method of distributing taps, during a period of restriction, be agreed upon as part of any merger agreement.

When one system is taken over by another, the entity being absorbed must receive some assurance of equitable treatment in the future. It is apparent that tap-bans will impact a growing community much greater than an older urban area where development is likely to be static.

Should Sanitary Sewer Debt Be Forgiven?

As indicated on Attachment "B", the total current sanitary sewer fund debt is \$1,610,481. Most of the funds owed to the General Fund by Lowries Run are for billable services

performed by Public Works. Approximately 25% (guesstimate) of the funds owned by Bear Run are for services performed by Public Works, the other 75% is for cash loans. The money owed by Fish Run (another service area not part of this study) is solely for cash advances made by the General Fund and Lowries Run.

Should the sanitary sewer debt be forgiven? The first factor to consider in reaching a decision on this matter is a legal one. Section 2001 of the Borough Code grants the right to construct and pay for sanitary sewers out of Borough general funds. As an option, the Borough can use the front-foot assessment rule to pay for all or part of any sanitary sewer improvement. The Borough Solicitor has reviewed this matter and has provided a legal opinion that the Borough has the right to forgive the debt.

In part, the debt was created by policy decisions of past councils. Past councils turned over both Pine and Fish Run to MTSA. Past councils chose to institute different rates for Bear and Lowries Run. Presumably, the idea behind differentiating rates is to have new residents pay for the sanitary infrastructure cost associated with new development. As a community approaches build-out, or after the bonds are paid off, differentiating rates become somewhat meaningless. Would the Borough use a variable real estate tax rate for road reconstruction in different sections of the Borough?

Sooner or later everyone's sewer line must be replaced. Having different rates leads to significant rate increases for a service area in which sewers must be improve. Spreading the same capital cost over a larger pool of customers will lead to more consistent rates and eliminate the need for huge rates hikes in a given service area. If the lines are not

turned over to MTSA, Council should consider establishing one rate for Lowries and Bear Run customers. Ideally, this goal should be considered as soon as the Bear Run bonds are paid in 2012. In the author's opinion, Council should forgive the Lowries and Bear Run sanitary sewer debt to facilitate the transfer of the lines. Also, forgiving the debt will accelerate the time by which all Franklin Park residents will pay the same sanitary sewer fee, especially if the lines are transferred.

Financial Impact on General Fund

Based on 2004 budget figures, the net financial impact of turning ownership responsibility to MTSA will be approximately \$25,000. This figure represents administrative time and expenses charged by central administrative personnel to support the operation of the sanitary sewers. In the recent past, this expense has been recorded as a receivable in the General Fund. However, cash payments have not been made annually. Therefore, turning these lines over to MTSA should not impact the Borough's actual cash position. Assuming the lines are turned over to MTSA, it is important to note that in the future the Borough will have a smaller base from which to charge administrative costs. In the author's opinion the potential for savings greatly outweighs this disadvantage.

Financial Safety Net

Year-end 2004 sanitary sewer fund reserves will provide a cushion against unforeseen events. The reserves are a direct result of refinancing savings realized in 2003. Assuming the study calculations are correct, the reserves could be utilized to cover the \$150,000 deficit projected for years 2004 through 2009, under Option #1 and #1A. The two sewer funds realized \$256,858 in accumulated year end fund balance as a result of the refinancing.

Future Operations and Maintenance Costs

In light of the Consent Order, it is safe to assume that future operation and maintenance costs will increase. The question is not whether they will increase, but by how much?

Based on repair estimates provided by Buchart-Horn and W.E.C. Engineering, we know the cost to upgrade the Franklin Park sanitary lines will be \$933,000.⁴ WEC, the Borough Engineer, has also provided a \$451,591 cost estimate to meet all monitoring, reporting and other consent order administrative requirements, for the next six years.

Hence, there will be increased operation and maintenance expenditures as well as internal costs associated with staff time to administer the consent order. As indicated on Attachment "J", the average annual cost to meet the requirements of the consent order is estimated at \$248,074, during each of the next twelve years. The cost projection is higher for the first six years during which time line deficiencies will have to be corrected.

Operation and maintenance cost should remain somewhat level given that monitoring and reporting requirements most likely will not change until the federal government determines that the Pittsburgh Region is in compliance with the Clean Water Act. While no one can accurately predict the future, it is safe to assume that the Region will not be in compliance with the federal clean water standards anytime soon, given the scope and magnitude of the problem today.

Based on the financial forecast on Attachment "B" there is a current annual surplus of \$92,361 to meet the costs associated with the Consent Order. To simplify the financial forecast this amount has been rounded to \$90,000 and the Consent Order cost likewise has been rounded to \$250,000. In order to finance the additional \$160,000 necessary to meet federal clean water standards, Franklin Park would have to increase user fees for all Bear and Lowries Run customers by an average amount of \$26.87 per quarter. If

Council follows the past practice of allocating capital expenditures to the specific service area in which they are made most of the cost would be allocated to Lowries Run.

Assuming an 80/20 split, Lowries run rates would increase by \$39.95 per quarter or 30.7% and Bear Run rates by \$11.66 per quarter or 7.1%. See attachments "I" and "J" for more financial forecast details.

As a result of this information it is safe to assume that future operation and maintenance cost for Bear and Lowries Run sanitary sewer systems will increase considerably and will remain at that level for an extended period of time.

BEYOND 2010

The Consent Order signed by Franklin Park and other communities in 2004 will expire in 2010. No one can be certain how much progress will be made in eliminating sanitary sewer overflows within the Pittsburgh Region during the next six years.

The current Consent Order requires repairs of major structural defects. It is also designed to improve each community's awareness of the SSO problem, and to improve operational and maintenance capabilities. Based on experience in other consent order cities, Boston, Baltimore, and Detroit, ALCOSAN along with many of the suburban communities will continue to be under some form of federal or state mandate beyond 2010. Communities will most likely be required to take additional compliance steps. According to Mr. John Schombert, Executive Director of the 3-Rivers Wet Weather Demonstration Program, "After 2010 noncompliance communities will be required to conduct a complete system analysis that will look at both private and public components and develop a (remedial) plan based on cost effectiveness. This approach most likely

will be the components of the next Consent Order that will direct ALCOSAN and other affected communities to take additional measures. The long-term fix with complete system rehabilitation to handle flow that cannot be removed or treated will probably take an additional 10 years to adequately address". **Franklin Park and the other communities served by ALCOSAN will likely remain under some form of consent order obligation at least until 2020.**

Discussion Regarding Option #1

Under this option permanent ownership, operation and maintenance of Bear and Lowries Run lines would be turned over to MTSA. Rates for Lowries and Bear Run customers would remain at the higher rate schedule until the year 2013. The Borough would retain the general obligation bonds and tap-in revenues. In order to facilitate the transfer Franklin Park would turn over the ownership of the lines at no cost. MTSA would accept the lines, though they are not new. The transfer should be acceptable since the lines in Franklin Park and MTSA were installed at approximately the same time. The repair costs in both communities should be essentially the same. In this regard, MTSA customers would not subsidize repairs in Franklin Park and vice-versa. Attachments "K-1" and "K-2" provide a detailed analysis of Option #1 for each fund. Bear and Lowries Run combined would experience a beginning annual shortfall of \$44,185, if the Borough and MTSA select this Option. The shortfall will decrease as new customers are added to the Bear Run lines. Attachment "L" provides financial forecasts from the present to 2013 for Option #1. Under this scenario Franklin Park would need to subsidize the debt payments for the next five years. Based on the available data, there appears to be adequate

resources in Bear and Lowries Run to meet this financial obligation. Additionally, tap money would come to the Borough and be applied toward debt repayment. Once the bonds have been fully amortized, the tap revenue will be retained by MTSA to help offset future capital improvements. Council would forgive all Bear and Lowries Run inter-fund debt. Also, Franklin Park customers would continue to pay their current rate. MTSA would refund the difference between the Borough's higher fee and MTSA's rate. Franklin Park would continue to pay the bond debt through the rebated funds. All ALCOSAN and MTSA increases between now and 2013 would be passed on to the customer.

In 2013 the rates of Bear and Lowries Run customers would be reduced to MTSA's level. As a condition of the sale/transfer agreement, Council could defer all or part of future rate hikes. Such a postponement would obviously push the final repayment and corresponding rate reduction beyond 2013.

Discussion Regarding Option #1A

Under Option #1A, Council would not forgive the debt owed to the General Fund. Rates would remain at the current higher level until the year 2016. Also under Option #1A, some rate increases could be deferred if the Borough would be willing to delay the repayment of debt beyond 2016. The decision to defer part or all future rate hikes need not be made now. It will be much easier to accurately calculate the financial impact of deferring a rate hike at the time it is instituted. Attachment "M" provides a financial summary, by year, for Option #1A.

Discussion Regarding Option #2

Under Option #2, Franklin Park would turn over ownership and bond debt to MTSA. MTSA would accept the lines and bond debt only (not inter-fund debt) given that current revenues exceed expenditure by \$92,361 per annum, see Attachment "N". The Authority would utilize the excess funds to defray the Consent Order mandate costs. This option assumes MTSA's future operating costs will be similar to the Borough's current costs.

The primary factor to consider under Option #2 is that the Borough is operating at a surplus because it has not begun the bulk of the work required by the Consent Order.

Also, why would MTSA accept the lines with a surplus of \$92,361 when the Consent Order repair work will cost significantly more. Option #2 is a good mental exercise to help all parties better understand the financial forces which bear on the decision to transfer the sanitary lines, but it is not a realistic outcome.

Discussion Regarding Option #3

Under Option #3, Franklin Park would retain ownership of Bear and Lowries Run. Borough forces would continue to maintain and operate the lines. The Borough would either subcontract the line repairs at an estimated cost of \$933,000 or would hire additional maintenance personnel to perform this work in-house. This option would also require considerable involvement by the administrative staff and Borough Engineer to meet all of the Consent Order requirements. Under this option the sewer funds would continue to run a deficit until 2012 . To exercise Option #3 the Borough General Fund will need to loan an additional \$950,000 to the sanitary sewer funds, between now and 2012. In the alternative, quarterly rates for Lowries and Bear Run customers would need to increase by \$39.95 and \$11.66, respectively. By funding the needed capital improvements through a new bond issue, the projected rate increase could be

lowered. Once the bonds are paid off, the inter-fund debt begins to decline. This debt would be completely repaid in the year 2020, see Attachment "O". If the existing debt is forgiven and all future rate increases are passed on to the users, the deficit could be eliminated by 2017.

If Council decides to retain the sanitary sewer lines it is essential that adequate staff be provided to properly operate and maintain the lines and to insure compliance with all reporting requirements of the Consent Order.

Conclusion & Recommendation

Franklin Park Borough did not increase rates in Lowries Run from 1963 to 2000, a 37 year time period. Once established in the late 1980's, rates in Bear Run likewise were not increased until 2000. Prior to the rate hike instituted on July 1, 2000, the Borough's sanitary sewer funds had an annual deficit since 1995. To meet the financial obligations of the sanitary sewers, the Borough provided loans from the General Fund. During the past nine years Bear and Lowries sewer funds amassed a \$1,158,686 debt (additional debt was incurred by Fish Run). After the 2000 rate hike, these two funds have had a combined annual surplus.

The fees Bear and Lowries Run customers pay are one of the highest in the Pittsburgh Region. In January 2004 the Borough signed a Consent Order with Allegheny County Health Department. The Consent Order was signed under duress from the State and Federal Governments. The requirements of the Consent Order will increase sanitary sewers operating cost by an estimated \$250,000 in each of the next twelve years. Bear

and Lowries Run sewer funds combined currently generate a \$92,361 annual surplus. Approximately two-thirds of the projected Consent Order costs are for capital improvements. As such, the annual cost can be lowered through a bond issue. However, even with a bond issue the Borough would continue to subsidize the sewer funds. The subsidy is projected at approximately \$160,000 annually, but can vary based on whether or not the Borough chooses to fund the necessary capital improvements through a bond issue.

In light of the above, Council must now decide if it wants to remain in the sanitary sewer business. If the decision is to retain the sanitary sewers, the Borough must either continue to subsidize them or increase user fees. Increasing rates will not be a palatable solution since Bear and Lowries Run customers already pay high rates. To continue to subsidize the sewer funds via the General Fund places a heavy burden on the Borough and diminishes the ability to meet other obligations.

Franklin Park Borough should attempt to negotiate a transfer of Bear and Lowries Run sanitary lines to MTSA. Option #1 identifies the standard by which public entities accept infrastructure improvements. Historically infrastructure improvements, such as streets, water lines and sewer lines are accepted by public entities when they are new. Under Option #1 the ownership, administration, operation and maintenance responsibility of Bear and Lowries Run would be turned over to MTSA. MTSA would charge customers in these two systems the current rate charged by Franklin Park. Excess funds beyond the MTSA rate would be returned to Franklin Park and applied to bond payments. Under Option #1 it is necessary for the Borough to subsidize the bond payments until 2009, perhaps longer.

All tap fees would be refunded to the Borough until the sewer bonds are fully amortized. Afterwards, MTSA will retain tap-fee revenue to defray the cost of future capital improvements.

When the sewer bonds have been fully paid, rates for Lowries and Bear Run customers will be lowered to MTSA's rate. ALCOSAN and MTSA rate increases between now and 2013 would be evaluated by the Borough to determine if they should be passed on to the users. If the Borough chooses to delay future rate increases, the user fee reduction would be postponed beyond 2013.

As owners of Bear and Lowries Run, MTSA would be responsible to meet all requirements under the Consent Order Agreement. Lastly, Franklin Park would be required to forgive the Bear and Lowries Run inter-fund debt of \$1,158,686. Should Council elect not to forgive the debt, Lowries and Bear Run customers would continue to pay the higher user fees until 2016. (At the time of the final draft of this study, Franklin Park Borough Council indicated that it would not forgive the debt; therefore, if the lines are transferred the financial forecast under Option # 1A would apply.)

In order to insure the success of this transfer, a fair and equitable means of allocating taps during periods of restriction must be developed. Ideally, during a period of restriction, taps can be shared on a pro-rata basis based on the number of customers in each community for a given sanitary sewer system.

Franklin Park Borough Council and MTSA Board of Directors have an opportunity to demonstrate that governmental entities can respond to a burgeoning problem through a creative solution. If the transfer is successful, as suggested under Option #1A, Franklin Park will eliminate a historical drain on its General Fund. The Bear Run and Lowries Run customers should see lower user fees sometime during 2016. MTSA will have a larger pool of customers to support its administrative and overhead costs, and MTSA will benefit by receiving future Bear and Lowries Run tap revenue.

Acknowledgments

Ambrose Rocca, Franklin Park Borough Manager, authored this study. Mr. William Youngblood, MTSA Executive Director, Mr. John Schombert, Executive Director of the 3-River Wet Weather Demonstration Program and their respective staffs provided valuable input without which this study could not have been completed. Questions, regarding any of the information contained in this study, can be addressed to any of the following:

**Mr. Ambrose Rocca,
Borough Manager,
Franklin Park Borough,
2344 West Ingomar, Road
Pittsburgh, PA 15237;
Phone: 412-364-4115 X 310,
email: arocca@nb.net**

**Mr. William Youngblood,
Executive Director,
MTSA
422 Arcadia Drive,
Pittsburgh, PA 15237
Phone: 412-366-2700,
email: williamyoungblood@mtsaonline.org**

**Mr. John Schombert,
Executive Director,
3-Rivers Wet Weather Program,
3901 Penn Avenue, Bldg #3,
Pittsburgh, PA 15224;
Phone: 412-578-8375,
email: jschombert@achd.net**

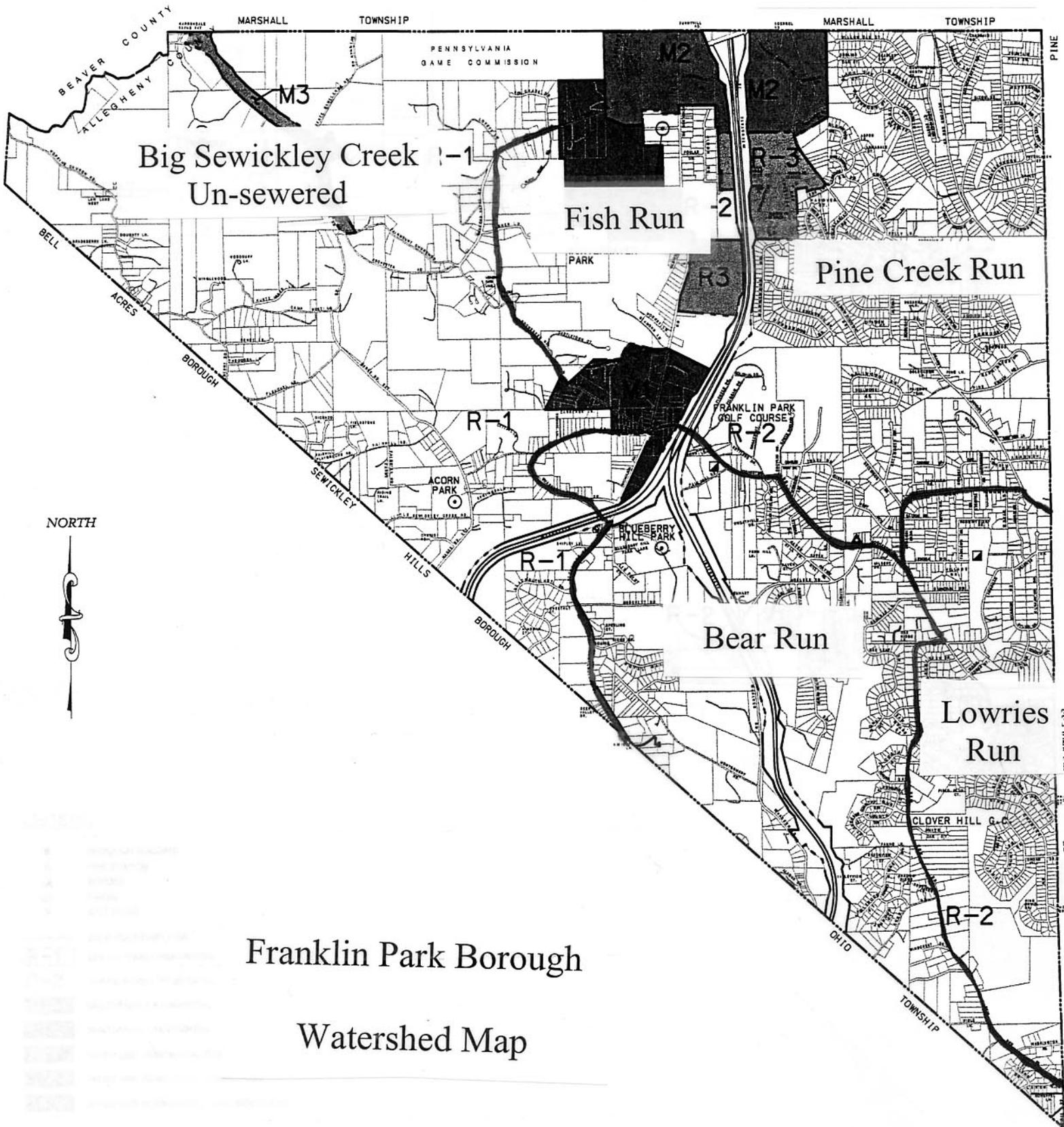
Footnotes

¹ To show the true operating costs, fund balances and inter-fund transfers have been eliminated from these figures.

² In many systems the length of house laterals equals that of the main line. For this reason lateral repairs may possibly be an integral part of the I/I solution. Repairing house laterals will take a significant amount of staff time and engineering oversight. The affected residents most likely will resent the cost and inconvenience of finding a contractor to perform the work. Local officials should anticipate numerous inquiries and complaints from their constituents when or if this work is undertaken. Mandating inspection and repairs of home laterals at the time the home is sold should minimize complaints. In spite of these concerns lateral repairs most likely will be an integral part of the I/I solution.

³ Girty's Run and Bethel Park Sanitary Authorities provided figures ranging from \$1.00 to \$1.33 per gallon to construct central holding facilities. Before deciding to construct such a facility, communities should conduct a complete cost-benefit analysis that considers the ongoing pumping, operation and maintenance cost of a central storage facility. Also, the location of such a facility will most likely be controversial, unless it is located a significant distance away from residential areas.

⁴ Baker Engineers, under the auspices of the 3-Rivers Wet Weather Demonstration Program, also provided cost estimates to meet the Consent Order mandates. Baker's estimate was based on a general model developed to generate cost figures for all of the consent order communities. The figure Baker provided for Franklin Park was much higher than that of Buchart-Horn. Given that Buchart-Horn and WEC cost figures were based on data specific to the conditions of the sanitary lines, these figures appear to be more valid than general estimates designed to be applicable to all communities.



Franklin Park Borough

Watershed Map

ZONING MAP
FRANKLIN PARK BOROUGH
PREPARED BY
THE ENGINEERING CENTER

SANITARY SEWER FUNDS FINANCIAL HISTORY

<u>YEAR & FUND</u>		<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>SURPLUS/</u> <u>DEFICIT</u>
BEAR RUN	1995	\$ 241,934	\$ 360,271	\$ (118,337)
	1996	\$ 277,631	\$ 385,599	\$ (107,968)
	1997	\$ 276,303	\$ 390,930	\$ (114,627)
	1998	\$ 294,738	\$ 415,865	\$ (121,127)
	1999	\$ 287,037	\$ 449,586	\$ (162,549)
	2000	\$ 364,945	\$ 483,687	\$ (118,742)
	2001	\$ 413,034	\$ 505,378	\$ (92,344)
	2002	\$ 460,461	\$ 509,735	\$ (49,274)
	2003	\$ 470,040	\$ 508,551	\$ (38,511)
	2004	\$ 445,218	\$ 504,901	\$ (59,683)
LOWRIES RUN	1995	\$ 140,450	\$ 136,007	\$ 4,443
	1996	\$ 152,062	\$ 197,720	\$ (45,658)
	1997	\$ 157,731	\$ 161,882	\$ (4,151)
	1998	\$ 179,484	\$ 192,775	\$ (13,291)
	1999	\$ 200,800	\$ 275,633	\$ (74,833)
	2000	\$ 188,306	\$ 190,008	\$ (1,702)
	2001	\$ 360,014	\$ 206,887	\$ 153,127
	2002	\$ 387,770	\$ 222,323	\$ 165,447
	2003	\$ 386,387	\$ 252,480	\$ 133,907
	2004	\$ 354,809	\$ 229,611	\$ 125,198
BEAR & LOWRIES	1995	\$ 382,384	\$ 496,278	\$ (113,894)
RUN COMBINED	1996	\$ 429,693	\$ 583,319	\$ (153,626)
	1997	\$ 434,034	\$ 552,812	\$ (118,778)
	1998	\$ 474,222	\$ 608,640	\$ (134,418)
	1999	\$ 487,837	\$ 725,219	\$ (237,382)
	2000	\$ 553,251	\$ 673,695	\$ (120,444)
	2001	\$ 773,048	\$ 712,265	\$ 60,783
	2002	\$ 848,231	\$ 732,058	\$ 116,173
	2003	\$ 856,427	\$ 761,031	\$ 95,396
	2004	\$ 800,027	\$ 734,512	\$ 65,515
AVERAGE ANNUAL SURPLUS				= \$92,361
NOTE:				
The above revenue figures do not include beginning cash or loans received from other funds.				
For the purpose of this study the surplus was calculated based on the last three year average,				
As a result, combined Bear and Lowries Run carry an annual surplus of \$92,361. The average				
adjusts for dry weather water consumption variances.				

SANITARY SEWER INTERFUND DEBT

		AMOUNT		AMOUNT	
		BORROWED		BORROWED	
		FROM G.F.		FROM	
<u>FUND</u>	<u>YEAR</u>	<u>FROM G.F.</u>	<u>G.F. LOANS</u>	<u>LOWRIES</u>	<u>LOWRIES RUN</u>
					<u>LOANS</u>
BEAR RUN	1995	\$ -	\$ -		
	1996	\$ 407,218.50	\$ 407,218.50		
	1997	\$ 93,009.92	\$ 500,228.42		
	1998	\$ 35,113.92	\$ 535,342.34	\$ 90,000.00	\$ 90,000.00
	1999	\$ 159,708.44	\$ 695,050.78		\$ 90,000.00
	2000	\$ 115,476.48	\$ 810,527.26		\$ 90,000.00
	2001	\$ 90,932.94	\$ 901,460.20		\$ 90,000.00
	2002	\$ 14,770.97	\$ 916,231.17		\$ 90,000.00
	2003	\$ 7,300.98	\$ 923,532.15		\$ 90,000.00
	2004	no change			
LOWRIES	1995	\$ 4,700.80	\$ 4,700.80		
	1996	\$ (4,700.80)	\$ -		
	1997	\$ 960.00	\$ 960.00		
	1998	\$ 63,729.34	\$ 64,689.34		
	1999	\$ 46,644.09	\$ 111,333.43		
	2000	\$ 20,472.64	\$ 131,806.07		
	2001	\$ 27,077.15	\$ 158,883.22		
	2002	\$ 23,789.02	\$ 182,672.24		
	2003	\$ (37,518.50)	\$ 145,153.74		
	2004	no change			
FISH RUN	1998	\$ -	\$ -		
	1999	\$ 117,216.50	\$ 117,216.50		
	2000	\$ 143,255.83	\$ 260,472.33		
	2001	\$ -	\$ 260,472.33		
	2002	\$ 100,000.00	\$ 360,472.33	\$ -	\$ -
	2003	\$ -	\$ 360,472.33	\$ 91,323.00	\$ 91,323.00
	2004	no change			
TOTAL GENERAL FUND LOANS			\$ 1,429,158.22		
TOTAL LOWRIES RUN LOANS					\$ 181,323.00
NOTE: INTERFUND DEBT IS IN ADDITION TO THE OUTSTANDING BOND DEBT.					

ATTACHMENT "D"

November 26, 2003

Mr. Robert A. Nedzesky, P.E.
Project Manager
WEC Consulting Engineers
1370 Washington Pike
Bridgeville, PA 15017

**Reference: MTSA- Franklin Park Borough
Sewer System Acquisition Feasibility Study
B-H Project 75860-00
Final Opinion Of Costs and Supporting Materials**

Dear Mr. Nedzesky:

In accordance with the project kick-off meeting, Buchart-Horn, Inc. is pleased to transmit our second planning level opinion of cost and supporting materials in accordance with our Agreement for Engineering Services. Based on inspection documentation provided by MTSA, Buchart-Horn, Inc. has developed and refined a final opinion of costs to repair or replace, as necessary, 17 miles of sewer line and approximately 650 manholes for sewer systems serving the Borough of Franklin Park under the Three Rivers Wet Weather Demonstration Project.

The initial engineering estimate relied on the documented CCTV inspection of the Borough owned sanitary sewer lines tributary to the MTSA Lowries Run system and the Bear Run Interceptors. MTSA performed the inspection and annotation of the condition of the entire Lowries Run system. The MTSA also completed inspection of a portion of the newer Bear Run system on a random basis. For all inspected lines, MTSA has provided data sheets for each segment of line that specifying the observed defects, the overall condition of the line and presented the type of repairs and/or replacement as appropriate. MTSA personnel also performed and documented inspections of manhole structures for Lowries Run and Bear Run systems.

The inspection information was tabulated and organized into spreadsheet format by MTSA reference numbering system and street name for the Lowries Run sewer lines, Lowries Run manholes, Bear Run lines, and Bear Run Manholes. From this available inspection information, Buchart-Horn, Inc. developed independent cost estimates to perform the repair or replacement work identified by MTSA.

Mr. Robert Nedzesky-WEC

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November 26, 2003

Buchart-Horn, Inc. presented its initial cost in its letter report dated July 16, 2003. Our assumption for the unit costs presented therein was that these costs would be incurred under a near-term system wide corrective program. Per the kickoff meeting, the unit costs were applied without any contingency. The letter report was accompanied by hardcopy and electronic files of the spreadsheets, system maps, and CCTV inspection files.

Following receipt of the report, WEC has directed questions to our attention via Email based their review of the initial cost report and supporting materials. We have provided clarification as needed pertaining to the unit costs presented in the July 16, 2003 letter. At the request of Franklin Park, the engineers met in the WEC offices on October 31, 2003 to review the unit costs on face-to-face basis. Subsequent to that meeting, WEC identified six repair items where the respective unit costs fell outside the ten percent range. Subsequent correspondence resolved five of the six unit cost discrepancies at issue.

The remaining repair at issue is Item No. 60: the removal of partial blockages on per blockage basis. In spite of discussions, the two engineers could not agree on final cost for this repair. It was, however, agreed to present a range to the Borough with a final cost to be determined by the interested parties. Two estimates, identified as Rev.1 and Rev. 1A, respectively, have been prepared. These estimates differ only in the use of \$385 per repair (Rev.1) versus \$225 (Rev. 1A) for Item No. 60. Otherwise, the estimates have the agreed upon revised costs inserted with the remaining costs remaining unchanged from the initial cost report.

Accompanying this letter report is the following documentation:

- Hard copy of B-H Spreadsheets for FP Lowries Run sewer lines, Lowries Run manholes, Bear Run sewer lines, and Bear Run manholes for Estimate Rev.1 and Estimate Rev. 1A.
- CD containing the Excel spreadsheet files and tables

Summary of Results

From discussion with WEC Engineers, Buchart-Horn has incorporated revised cost items into a menu of manhole and pipe repair options and reapplied the unit cost of repairs to the defects observed in the Franklin Park system.

Mr. Robert Nedzesky-WEC
Page 3
November 26, 2003

The following represents our revised opinion of cost based on the inspection reports, defect information and unit cost repair and replacement measures using a unit cost of \$385 per repair for removing blockages (Estimate Rev.1):

FP Bear Run Lines:	\$	14,551.00
FP Bear Run Manholes:	\$	11,847.50
FP Lowries Run Lines:	\$	694,118.36
FP Lowries Run Manholes:	\$	63,194.31
Total	\$	<u>783,711.17</u>

The above opinion of cost reflects the costs associated the correction of observed physical defects in the sewer system. Extrapolating the Bear Run costs observed for the 15% inspected portion over the entire Bear Run system results in the following calculation of overall repair/replacement costs needed for correction of structural problems for the Franklin Park sewer system:

FP Bear Run Lines:	\$	97,006.67
FP Bear Run Manholes:	\$	78,983.33
FP Lowries Run Lines:	\$	694,118.36
FP Lowries Run Manholes:	\$	63,194.31
Total	\$	<u>933,302.67</u>

The following represents our revised opinion of cost based on the inspection reports, defect information and unit cost repair and replacement measures using a unit cost of \$225 per repair for removing blockages (Estimate Rev.1A):

FP Bear Run Lines:	\$	14,551.00
FP Bear Run Manholes:	\$	11,847.50
FP Lowries Run Lines:	\$	688,073.36
FP Lowries Run Manholes:	\$	63,194.31
Total	\$	<u>777,666.17</u>

The above opinion of cost reflects the costs associated the correction of observed physical defects in the sewer system. Extrapolating the Bear Run costs observed for the 15% inspected portion over the entire Bear Run system results in the following calculation of overall costs needed for correction of structural problems for the Franklin Park sewer system:

FP Bear Run Lines:	\$	97,006.67
FP Bear Run Manholes:	\$	78,983.33
FP Lowries Run Lines:	\$	688,073.36
FP Lowries Run Manholes:	\$	63,194.31
Total	\$	<u>927,257.67</u>

The following table compares the initial opinion of costs based on the inspection reports with Estimate Rev.1 and Estimate Rev.1A:

Initial Report Estimate:	\$	817,578.40
Estimate Rev.1:	\$	783,711.17
Estimate Rev.1A:	\$	777,666.17
Difference:		0.78 %

Under either revision, there is a reduction of less than five (5) per cent from the initial July 16, 2003 opinion of costs. Comparing Estimate Rev. 1 with Estimate Rev. 1A reveals less than a one per cent (1%) difference results between the respective unit costs.

The following table compares the initial opinion of overall costs with Estimate Rev.1 and Estimate Rev.1A:

Initial Report Estimate:	\$	991,238.89
Estimate Rev.1:	\$	933,302.67
Estimate Rev.1A:	\$	927,257.67
Difference:		0.65 %

Depending on which revision is considered, there is a reduction of approximately 6-6.5 per cent from the initial July 16, 2003 opinion of costs. Comparing Estimate Rev. 1 with Estimate Rev. 1A again reveals less than a one per cent (1%) difference results between the respective unit costs.

Although there remains disagreement between the engineers on the cost associated with a single repair item, the above results indicate there is substantial agreement on the overall unit costs of repair and replacement items. Moreover, the impact of the unresolved item on either the overall repair/replacement costs for observed defects or extrapolated system wide costs is less than the ten per cent range stipulated for agreement.

Mr. Robert Nedzesky-WEC
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November 26, 2003

It needs to be reiterated that cost presented are limited to those needed to correct observed structural defects in sewers and manhole structures. The costs do not include those that may be associated with corrective action that may be required to reduce or remove extraneous water from inflow and infiltration sources not identifiable through CCTV and physical inspection.

Please feel free to contact me with any questions or clarifications required.

Very Truly Yours,

BUCHART-HORN, INC.

Donald H. Newman, P.E.
Manager Environmental/Senior Staff Engineer

Attachment & Enclosures

cc: Ambrose Rocca-Franklin Park Borough (cover letter only)
Bill Youngblood-MTSA (cover letter only)
Kevin Perkey-B-H
Bob Zulick- B-H

QUARTERLY FEE CALCULATION FOR AVERAGE CUSTOMER

	QUARTERLY	FEE PER	USAGE	FIX/ FLAT	
	WATER	1000 GAL.	COST	FEE	TOTAL
	USAGE				
BEAR RUN	20,000	\$ 4.75	\$ 95.00	\$ 71.25	\$ 166.25
LOWRIES	20,000	4.75	\$ 95.00	35.25	\$ 130.25
MTSA	20,000	4.38	\$ 87.60	12.5	\$ 100.10

BEAR RUN RATE IS 66% HIGHER THAN MTSA's RATE

LOWRIES RUN RATE IS 30% HIGHER THAN MTSA's RATE

QUARTERLY SANITARY RATES CHARGED BY FRANKLIN PARK INCLUDE:

ALCOSAN USAGE:	\$	2.50
ALCOSAN FIXED FEE	\$	5.25
FRANKLIN PARK USAGE FEE	\$	2.25
FRANKLIN PARK FIXED FEE FOR BEAR RUN	\$	66.00
FRANKLIN PARK FIXED FEE FOR LOWRIES	\$	30.00

NOTE:

WELL CUSTOMERS QUARTERLY INVOICES ARE GENERALLY LOWER THAN THOSE ABOVE



Sewer Rate Survey for
ALCOSAN Service Area

Summer 2004

3 Rivers Wet Weather Demonstration Program

Prepared by David Warner, Duquesne University Environmental Science Program

October 26, 2004

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Introduction

3 Rivers Wet Weather Demonstration Project has conducted a “Residential Sewer Rate Survey” in order to better understand the differing sewer rates within the Allegheny County Sanitary Authority (ALCOSAN) service area. ALCOSAN services almost 320,000 residential, commercial, and industrial accounts. A population of 896,500 in 83 communities, including the City of Pittsburgh, relies on ALCOSAN for treatment of wastewater.

The survey was requested by local municipal officials to better understand the varying rates within the area as a means to analyze their own sewer rates and determine if changes need to be made. Comparing sewer rates with neighboring municipalities allows each individual municipality to determine how and by how much they should raise their sewer rates, if at all, to comply with the consent orders. The rates of 79 of the 83 municipalities (95%) within the ALCOSAN service area were obtained.

This report is not intended as a judgment of rates but rather as an initial step towards better understanding varying rate structures throughout the ALCOSAN service area. With an improved understanding of the varying the rates of this region, municipal decision-makers can better assess their financial situation in order to comply with the consent orders.

Scope of the Survey

The survey covered many aspects of municipal information, including:

- Owner and operator of the sewer system
- The last change in rates, date and amount
- Current rate structure including ordinance or resolution
- Billing agent, cycle, and copy of bill
- Number of residential and commercial customers

See **Appendix 1** for the complete sewer rate survey.

Procedure of the Survey

To conduct the survey, the contact list of Basin Managers for the Southern, Northern, and Eastern basins was used. The first contact was usually by phone. After this initial contact, several different courses followed.

- The survey was performed right then.
- If the manager was busy or out of the office, a message was left and the call was returned at a better time.
- Transferred to another person in who knew more details about the information in the survey.

- Sometimes, the survey was faxed or emailed to the managers so they could complete it at their leisure.

A copy of the latest ordinance or resolution outlining the current sewer rate structures was also obtained, usually via fax, along with a copy or a sample of a sewer bill. Obtaining the ordinance or resolution and the bill was important to verify the information gathered in the survey and to determine how much information was easily accessible to the customers. The bills were looked at to determine how clear and concise they are for bill payers. Clear and concise bills contained meter readings showing the amount of water used per billing cycle, as well as the calculation of the rate times the usage. Some bills showed separate calculations for the municipality charge and for the ALCOSAN charge. When water charges and wastewater charges were listed on the same bill, it was helpful to see the two charges separated.

A **“Verification Form”** with all the information gathered was sent back to the municipality to allow the managers to verify and correct any information before the final report was distributed. Ensuring accuracy was a main goal of this survey and this method seemed to work the best when the “Verification Form” was sent out soon after completing the survey.

Complications of the Survey

Completing the survey was complicated by several factors including:

- Differing rate structures and billing periods.
- Finding the person with knowledge regarding all aspects of survey.
- Vacations and holiday weekends, which increased the time of the survey.
- General reluctance in response to survey.

Despite these complications, the survey was completed as thoroughly as possible and the information homogenized to compare differences in rate structure and billing cycle.

Results of the Survey

To compare the differing sewer rates, the cost to a residential customer who used 15,000 gallons of water in one quarterly billing cycle was used, which was chosen because 15,000 gallons per quarter is an approximation of the usage expected for an average family of four. Fifteen thousand gallons is also above all of the base rates that include some usage. A quarterly cycle was used since many municipalities and ALCOSAN use this value.

Using the “Quarterly Charge for 15,000 Gallons,” the average, median, high, and low values for each Basin Group and for the entire ALCOSAN service area were calculated.

See Appendix 2 for a complete list of rate structures along with graphs comparing the “Quarterly Charge for 15,000 Gallons” for each municipality.

Southern Basin

The municipality with the lowest “Quarterly Charge for 15,000 Gallons” is Bridgeville Borough at \$57.45.

The municipality with the highest “Quarterly Charge for 15,000 Gallons” is Oakdale at \$179.85.

The average “Quarterly Charge for 15,000 Gallons” in the Southern Basin is \$84.33. The median is lower at \$80.25.

Northern Basin

The municipalities with the lowest “Quarterly Charge for 15,000 Gallons,” are Avalon Borough, Ben Avon, and Ben Avon Heights at \$42.75. These municipalities do not add surcharges above the ALCOSAN rates.

The municipality with the highest “Quarterly Charge for 15,000 Gallons,” is Franklin Park - Bear Run at \$142.50.

Indiana Township is currently paying the loan service Pennvest Loan for recent sewer line installations in two areas. Area 1 has a quarterly debt service charge of \$112.00, but customers are exempt from the \$0.60 per thousand gallons charge from the Township. Area 1 has a “Quarterly Charge for 15,000 Gallons” of \$154.75. Area 2 has a quarterly debt service charge of \$77.00, but customers are charged the \$0.60 charge from the Township. Area 2 has a “Quarterly Charge for 15,000 Gallons” of \$128.75. Indiana Township is scheduled to pay off the loan by 2011.

The average “Quarterly Charge for 15,000 Gallons” in the Northern Basin is \$68.67. The median is lower at \$62.25.

Eastern Basin

The municipalities with the lowest “Quarterly Charge for 15,000 Gallons,” are Churchill, Turtle Creek, and Verona at \$42.75. These municipalities do not add fees above the ALCOSAN rates.

The municipality with the highest “Quarterly Charge for 15,000 Gallons,” is Penn Hills at \$97.50.

The average “Quarterly Charge for 15,000 Gallons” in the Eastern Basin is \$66.81. The median is lower at \$63.98.

Entire ALCOSAN Service Area

The municipality with the highest “Quarterly Charge for 15,000 Gallons” in the ALCOSAN service area is Oakdale. The municipalities with the lowest “Quarterly Charge for 15,000 Gallons” in the ALCOSAN service area are Avalon Borough, Ben Avon, Ben Avon Heights, Churchill, Pitcairn, Turtle Creek and Verona, which do not have a surcharge on top of the ALCOSAN rates. Only these 7 out of the 79 municipalities surveyed (9%) have no surcharge added on top of the ALCOSAN rates. The difference between the highest and lowest “Quarterly Charges for 15,000 Gallons” is \$137.10.

The average “Quarterly Charge for 15,000 Gallons” for the ALCOSAN service area is \$74.33. The median is lower at \$71.25.

Table 1

	Average	Median	High	Low
Southern	\$84.33	\$80.25	\$179.85	\$57.45
Northern	\$68.67	\$62.25	\$142.50	\$42.75
Eastern	\$67.04	\$64.62	\$97.50	\$42.75
Entire Area	\$74.33	\$71.25	\$179.85	\$42.75

Billing Agents

Table 2 compiles the number of municipalities using the different billing agents throughout the ALCOSAN service area.

Table 2

	Municipality /Authority ¹	Outsourced ²	WPJWA ³	PAWC ⁴	ALCOSAN	PA Municipal Services	TCV COG ⁵	Total
Southern	6	9	0	17	1	0	0	33
Northern	18	2	0	0	2	1	0	23
Eastern	8	1	7	0	4	2	2	24
Entire Area	32	11	6	17	9	3	2	80

¹ The municipality or municipal authority is the billing agent for the municipality.

² An entity separate from the municipality is used.

³ Wilkinsburg Penn Joint Water Authority

⁴ Pennsylvania American Water Company

⁵ Turtle Creek Valley Council of Governments

The outsource agents include Jordan Tax Services (5 municipalities), Central Tax Bureau (3), Berkheimer Outsourcing (2), and Legal Tax Services, Inc. (1).

Billing Cycles

Table 3 compiles the number of municipalities that utilize quarterly or monthly billing cycles.

Table 3

	Quarterly	Monthly
Southern	16	16
Northern	22	1
Eastern	23	1
Entire Area	61	18
Percentage	77%	23%

Water Usage Information

Table 4

	Municipality/Authority	WPJWA ¹	PAWC ²	WVWA ³	WMW ⁴	WACMA	Total
Southern	3	0	25	3	0	1	32
Northern	14	1	1	9	0	0	25
Eastern	3	11	0	0	2	0	16
Entire Area	20	12	26	12	2	1	73

¹ Wilkinsburg Penn Joint Water Authority

² Pennsylvania American Water Company

³ West View Water Authority

⁴ Westmoreland Water

⁵ West Allegheny County Municipal Authority

Several municipalities use multiple sources for water usage information, including the City Of Pittsburgh (Pittsburgh Water and Sewer Authority, WPJWA, PAWC, WVWA), Indiana (Fox Chapel and Hampton), O'Hara (Fox Chapel and Hampton), and North Versailles (WPJWA and WMA).

See **Appendix 3** for some examples of informative websites of local municipalities or authorities.

APPENDIX 1 - Residential Sewer Rate Survey

Administration

1. Municipality: _____ Authority: _____
2. Who owns the sewage collection system? _____ (The system owner will also be the permit holder.)
 - a. Who operates and maintains the sewage system? _____ (The owner may be a municipality with operation and maintenance by an authority.)
3. Are rate structures set by elected council or by an authority board?
_____ (Elected council may set rate structures by ordinance while authorities may set rates through resolutions.)
 - a. Effective date of current rate structure. _____
 - b. If possible, fax a copy of the most recent ordinance or resolution.
 - c. Percent or amount of last rate change (increase/decrease): _____%
(The change should be divided by the original rate.)
4. Does the municipality charge different rates within the municipality?
_____ Yes / No (Municipalities may have different rate structures for separate areas of the community.)
 - d. Is a map available showing these areas? If possible, obtain a copy.
 - e. Reason for differing rates, debt, condition of system, etc. _____

Residential (and Commercial) Sewage Rates and Billing Information

ALCOSAN rates for 2004 are \$5.25 per quarter plus \$2.50 per 1,000 gallons of metered water usage. Municipalities may charge an additional fee for their own collection system operations

Current residential sewer rate structure, including exact billing formula. (Differing rate formats exist. Most ALCOSAN municipalities add a fee on top of the ALCOSAN charges.)

5. What is the base fee or service charge for residential customers (above the ALCOSAN rate)?

\$_____per_____ (time period)

(Municipalities may charge a base rate that includes the first few thousand gallons of usage. After the base rate usage residents may be charged a user rate per 1,000 gallons.)

- a. Does the base bill or user fee include some usage? _____

- b. How many gallons? _____

- c. What is the rate over the initial usage or base fee?

\$_____ per _____ gallons (Above the ALCOSAN rate) (Rates may be expressed in different increments, for example 500 gallons.)

- d. Convert all rates to unit standard per 1,000 gallons usage:

\$_____ per 1,000 gallons

6. What charges do ratepayers see on the bill, for example debt service, local collection, etc.? In other words, are charges combined or itemized, (ALCOSAN, municipal rates, debt service, local collection, etc.)?

7. Who collects water usage information (meter readings)?

8. Please provide a sample residential sewer bill.

9. Current commercial sewer rate structure, include billing formula.

10. Please provide a sample commercial sewer bill.

11. Who is the billing agent? For example, ALCOSAN, local authority, municipality, water company, or outsourced. _____ (Municipalities may bill on their own, through ALCOSAN, or contract with a another municipal entity, authority or private billing company.)
12. What is the billing cycle: _____ (Municipalities may bill monthly or quarterly.)
- a. Is automatic payment (automatic deduction from credit card or other account) an option provided to customers? _____
- b. How long has this option been available? _____
- c. Comments regarding success / challenges with providing this option.

General Information

13. Person completing this form:

Name: _____

Title: _____

Phone No.: _____

Email: _____

14. Municipal Manager or Secretary: (Confirm during phone interview.)

Name: _____

Title: _____

Phone No.: _____

Email: _____

15. Total customer base by population: _____

16. Approximate number of households/residential customers: _____

17. Approximate number of commercial customers: _____

For questions about this survey, call 3 Rivers Wet Weather at 412-578-8039.

APPENDIX 2 –RATES

The current ALCOSAN sewer rates as of January 1, 2004 are as follows:

- \$5.25 quarterly customer service charge plus
- \$2.50 per 1,000 gallons of water used.

For a residential customer using 15,000 gallons of water in one quarter, the ALCOSAN charge equals \$42.75, which goes directly to ALCOSAN. For “Quarterly Charges for 15,000 Gallons” that are higher than \$42.75, the excess is retained by the municipality or authority, usually to fund improvements in the sewer infrastructure that they own, operate, and maintain.

While many of the municipalities just place a surcharge onto the usage rate set by ALCOSAN (and sometimes add an additional flat fee on top of the ALCOSAN customer service charge), other municipalities do not use the ALCOSAN rates as a component of their sewer rate formula. Municipalities use different methods to obtain funds that cover the payments to ALCOSAN. Two common methods are by setting a higher flat monthly or quarterly fee that may include some usage¹, or by using only a usage rate that is higher than the ALCOSAN usage rate of \$2.50 per thousand gallons². Three municipalities use a multiplier in their formula³ to obtain funds in excess of the ALCOSAN rates. Only one municipality has a flat fee with no charges for usage.⁴

The City of Pittsburgh lies in all three Basin Groups and is therefore listed in each.

The service area for Girty’s Run Joint Sewer Authority lies in portions of several of the Townships in the Northern Basin: Millvale, Reserve Township, Ross, and Shaler. The additional rate for Girty’s Run is \$2.10 per thousand gallons of water used on top of the ALCOSAN service charges. The Townships may add a service fee to cover billing costs.

¹ For example, Emsworth, Bethel Park, Neville, Ohio, and Plum Borough all have relatively high flat fees.

² For example, Kennedy, North Fayette, and Etna only charge usage rates higher than the \$2.50 per thousand gallons ALCOSAN usage rate.

³ Upper St. Clair, Rankin, and Wilmerding.

⁴ North Huntingdon Township.

SOUTHERN BASIN

Municipality	Sewer Rate Formula	ALCOSAN Charge	Municipality Charge	Total Quarterly Charge for 15,000 Gallons
Baldwin Borough	ALCOSAN rates plus \$2.75 per quarter plus \$1.80 per thousand gallons	\$42.75	\$29.75	\$72.50
Baldwin Township	ALCOSAN rates plus \$1.75 per quarter plus \$4.50 per thousand gallons	\$42.75	\$69.25	\$112.00
Bethel Park	\$30.00 quarterly charge plus \$2.30 per thousand gallons	\$42.75	\$21.75	\$64.50
Brentwood Borough	ALCOSAN rates plus \$3.77 per thousand gallons	\$42.75	\$56.55	\$99.30
Bridgeville Borough	ALCOSAN rates plus \$0.98 per thousand gallons	\$42.75	\$14.70	\$57.45
Carnegie	ALCOSAN rates plus \$1.50 per thousand gallons	\$42.75	\$22.50	\$65.25
Castle Shannon	ALCOSAN rates plus \$3.00 per thousand gallons	\$42.75	\$45.00	\$87.75
City of Pittsburgh	ALCOSAN rates plus \$1.25 per thousand gallons	\$42.75	\$18.75	\$61.50
Collier Township	ALCOSAN rates plus \$2.25 fee per quarter plus \$2.80 per thousand gallons	\$42.75	\$44.25	\$87.00
Crafton	ALCOSAN rates plus \$2.00 per month (\$6.00 per quarter) administrative fee plus \$2.00 per thousand gallons	\$42.75	\$36.00	\$78.75
Dormont	ALCOSAN rates plus \$2.00 per thousand gallons	\$42.75	\$30.00	\$72.75
Green Tree	ALCOSAN rates plus \$1.00 per thousand gallons	\$42.75	\$15.00	\$57.75
Heidelberg	ALCOSAN rates plus \$2.25 fee per quarter plus \$2.50 per thousand gallons	\$42.75	\$37.50	\$80.25
Homestead Borough	ALCOSAN charges plus \$1.65 per quarter plus Single family: \$3.40 per thousand; Multiple family: \$4.25 per thousand; Other (includes commercial): \$5.50 per thousand	\$42.75	\$52.65	\$95.40
Ingram	Not available.			
Kennedy	\$4.50 per thousand gallons	\$42.75	\$24.75	\$67.50
McDonald Borough	ALCOSAN rates plus \$46.50 per quarter plus \$2.35 per thousand gallons	\$42.75	\$81.75	\$124.50
McKees Rocks	ALCOSAN rates plus \$3.82 per thousand gallons	\$42.75	\$57.30	\$100.05
Mt. Lebanon	ALCOSAN rates plus \$1.40 per thousand gallons	\$42.75	\$21.00	\$63.75
Mt. Oliver	ALCOSAN rates plus \$3.00 per thousand gallons	\$42.75	\$45.00	\$87.75
Munhall Borough	ALCOSAN rates plus \$2.50 per thousand gallons	\$42.75	\$37.50	\$80.25
North Fayette	\$55.20 flat fee per quarter (includes 12,000 gallons) plus \$4.60 per thousand gallons above	\$42.75	\$26.25	\$69.00

	12,000			
Oakdale	\$17.95 flat rate per month (includes 1,000 gallons) plus \$10.50 per thousand gallons above 1,000 gallons	\$42.75	\$137.10	\$211.35
Peters Township	ALCOSAN rates plus \$24.00 per quarter plus \$1.10 per thousand gallons	\$42.75	\$40.50	\$83.25
Pleasant Hills	ALCOSAN rates plus \$14.75 per quarter plus \$2.80 per thousand gallons	\$42.75	\$56.75	\$99.50
Robinson Township	ALCOSAN rates plus \$13.59 per quarter plus \$2.25 per thousand gallons	\$42.75	\$47.34	\$90.09
Rosslyn Farms	ALCOSAN rates plus \$4.00 per thousand gallons	\$42.75	\$60.00	\$102.75
Scott Township	ALCOSAN rates plus \$1.50 per thousand gallons	\$42.75	\$22.50	\$65.25
South Fayette Township	ALCOSAN rates plus \$21.75 per quarter plus \$0.50 per thousand gallons	\$42.75	\$29.25	\$72.00
Stowe Township	ALCOSAN plus \$2.00 per thousand gallons	\$42.75	\$30.00	\$72.75
Thornburg Borough	Not available.			
Upper St. Clair	ALCOSAN rates times multiplier of 1.95	\$42.75	\$40.61	\$83.36
West Homestead	Not available.			
West Mifflin	\$13.00 cost of service fee monthly plus: 0-2,000 gallons \$2.50 per thousand; 2,001-15,000 gallons \$3.00 per thousand; 15,001-100,000 gallons \$9.00 per thousand; over 100,000 gallons \$11.50 per thousand	\$42.75	\$38.25	\$81.00
Whitaker	ALCOSAN rates plus \$1.65 per month service charge plus \$1.00 per thousand gallons	\$42.75	\$19.95	\$62.70
Whitehall Borough	ALCOSAN rates plus \$6.00 per quarter plus \$3.77 per thousand gallons	\$42.75	\$56.55	\$99.30

NORTHERN BASIN

Community	Sewer Rate Formula	ALCOSAN Charge	Municipality Charge	Quarterly Charge for 15,000 Gallons
Aspinwall	ALCOSAN rates plus \$1.00 per 1,000 gallons	\$42.75	\$15.00	\$57.75
Avalon Borough	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Bellevue	ALCOSAN rates plus \$7.95 service charge for first 30,000 gallons per quarter (\$0.38 per thousand gallons above that)	\$42.75	\$7.95	\$50.70
Ben Avon	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Ben Avon Heights	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Blawnox	ALCOSAN rates plus \$0.63 per thousand gallons	\$42.75	\$9.45	\$52.20
Emsworth	Flat \$50.00 fee per quarter (includes 12,000 gallons), \$4.50 per thousand gallons above 12,000	\$42.75	\$20.75	\$63.50
City of Pittsburgh	ALCOSAN rates plus \$1.25 per thousand gallons	\$42.75	\$18.75	\$61.50
Etna	\$4.75 per thousand gallons (minimum 6,000 gallons)	\$42.75	\$28.50	\$71.25
Fox Chapel	ALCOSAN plus: 0 - 100,000 gallons per quarter \$0.65 per thousand gallons; 100,000 - 1 million gallons \$0.55 per thousand gallons; 1 million - 3.5 million gal \$0.50 per thousand gallons; over 3.6 million gallons per quarter \$0.01 per thousand gallons	\$42.75	\$9.75	\$52.50
Franklin Park - Bear Run	ALCOSAN rates plus \$66.00 fee per quarter, plus \$2.25 per thousand gallons	\$42.75	\$99.75	\$142.50
Franklin Park-Lowries Run	ALCOSAN rates plus \$30.00 fee per quarter, plus \$2.25 per thousand gallons	\$42.75	\$63.75	\$106.50
Indiana	ALCOSAN rates plus \$0.60 per thousand gallons	\$42.75	\$9.00	\$51.75
Girty's Run Joint Sewer Authority	\$2.10 per thousand gallons (minimum of 5,000 gallons per quarter)	\$0.00	\$31.50	\$31.50
Kilbuck	ALCOSAN rates plus \$14.75 fee per quarter plus \$1.50 per thousand gallons	\$42.75	\$37.25	\$80.00
McCandless	\$12.50 quarterly service debt charge plus \$4.38 per thousand gallons	\$42.75	\$35.45	\$78.20
Millvale	ALCOSAN rates plus \$2.55 per thousand gallons	\$42.75	\$38.75	\$81.00

	(minimum 5,000 gallons per quarter)			
Neville	\$19.00 per quarter (includes 3,000 gallons), \$6.40 per thousand gallons above 3,000 gallons	\$42.75	\$53.05	\$95.80
O'Hara	ALCOSAN rates plus \$4.10 service charge per quarter plus \$0.95 per thousand gallons	\$42.75	\$17.79	\$60.54
Ohio	\$70.00 (includes 10,000 gallons), \$4.78 above 10,000 gallons	\$42.75	\$51.15	\$93.90
Reserve	ALCOSAN rates plus \$1.00 per thousand gallons (minimum 4,000 gallons per quarter)	\$42.75	\$15.00	\$57.75
Ross	ALCOSAN rates plus \$2.25 per thousand gallons (minimum of 5,000 gallons)	\$42.75	\$33.75	\$76.50
Shaler	ALCOSAN rates plus \$1.30 per thousand gallons (minimum 5,000 gallons per quarter)	\$42.75	\$19.50	\$62.25
Sharpsburg	ALCOSAN rates plus \$0.70 per thousand gallons	\$42.75	\$10.50	\$53.25
West View	ALCOSAN rates plus \$9.93 West View service charge per quarter plus \$0.81 per thousand gallons	\$42.75	\$22.08	\$64.83

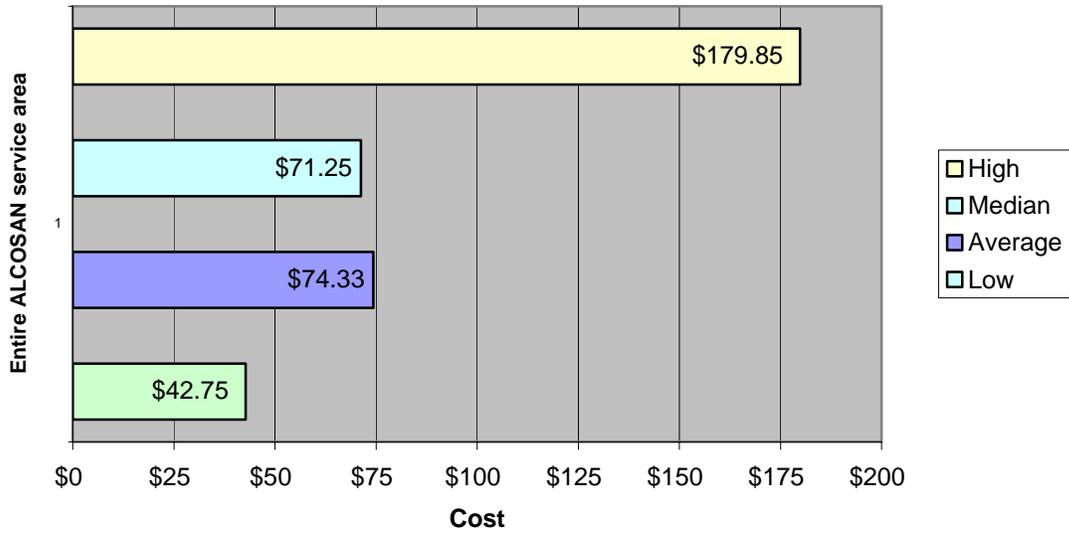
EASTERN BASIN

Community	Sewer Rate Formula	ALCOSAN Charge	Municipality Charge	Quarterly Charge for 15,000 Gallons
Braddock	ALCOSAN rates plus \$0.75 per thousand gallons	\$42.75	\$11.25	\$54.00
Braddock Hills	ALCOSAN rates plus \$1.50 per thousand gallons	\$42.75	\$22.50	\$65.25
Chalfant	ALCOSAN rates plus \$1.00 per thousand gallons	\$42.75	\$15.00	\$57.75
Churchill	ALCOSAN rates	\$42.75	\$0.00	\$42.75
City of Pittsburgh	ALCOSAN rates plus \$1.25 per thousand gallons	\$42.75	\$18.75	\$61.50
East McKeesport	\$4.75 per thousand gallons	\$42.75	\$28.50	\$71.25
East Pittsburgh	Not available			
Edgewood	ALCOSAN rates plus \$2.50 per thousand gallons	\$42.75	\$37.50	\$80.25
Forest Hills	ALCOSAN rates plus \$1.50 per thousand gallons	\$42.75	\$19.50	\$62.25
Monroeville Municipal Authority	ALCOSAN rates plus \$5.28 per thousand	\$42.75	\$21.94	\$64.69

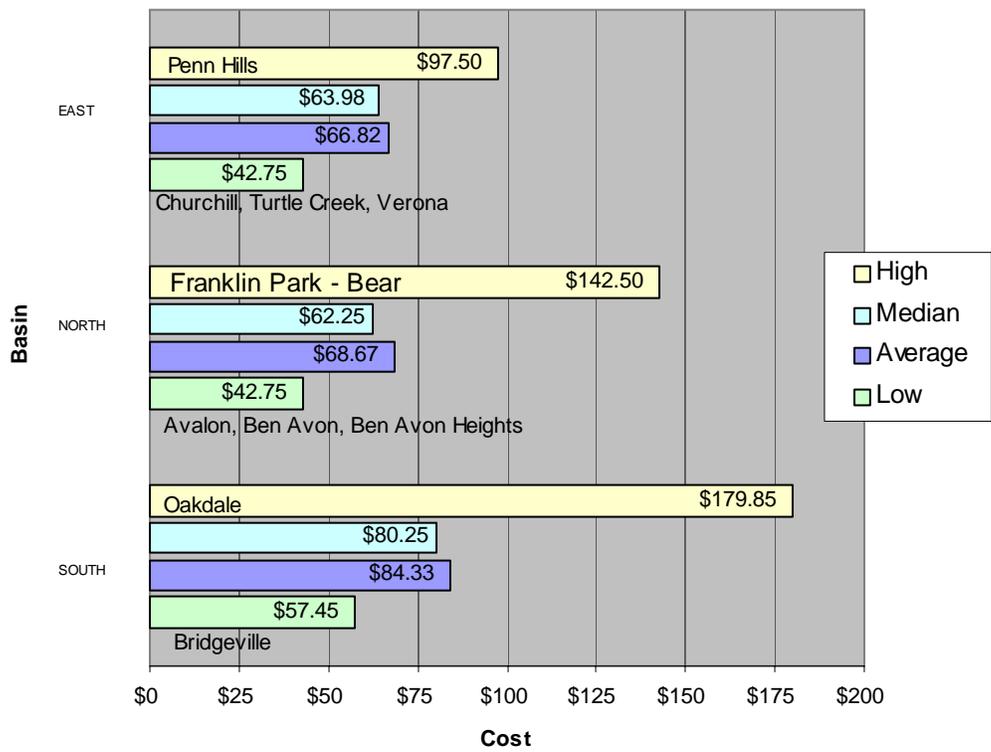
North Braddock	ALCOSAN rates plus \$1.00 per thousand gallons	\$42.75	\$15.00	\$57.75
North Huntingdon Township	Flat residential rate of \$31.55 per month	\$42.75	\$51.90	\$94.65
North Versailles	\$5.35 per thousand gallons (minimum 6,000 gallons)	\$42.75	\$37.50	\$80.25
Penn Hills	\$6.50 per thousand gallons	\$42.75	\$54.75	\$97.50
Penn Township	ALCOSAN rates plus \$22.09 fee per quarter plus \$1.57 per thousand gallons	\$42.75	\$33.43	\$76.18
Pitcairn	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Plum Borough	\$69.00 fee per quarter (includes 5,625 gallons) plus \$2.20 per 750 gallons above 5,625 gallons	\$42.75	\$53.72	\$96.47
Rankin	ALCOSAN RATES plus 25%	\$42.75	\$10.69	\$53.44
Swissvale	ALCOSAN rates plus \$1.50 per month service charge plus \$1.50 per thousand gallons	\$42.75	\$24.00	\$66.75
Trafford	ALCOSAN rates plus \$2.50 per thousand gallons	\$42.75	\$37.50	\$80.25
Turtle Creek	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Verona	ALCOSAN rates	\$42.75	\$0.00	\$42.75
Wall Borough	ALCOSAN rates plus \$1.13 fee per quarter plus \$1.34 per thousand gallons	\$42.75	\$21.23	\$63.98
Wilkins	ALCOSAN rates plus \$2.50 per thousand gallons (minimum 2,000 gallons)	\$42.75	\$37.50	\$80.25
Wilkinsburg	ALCOSAN rates plus \$1.00 per thousand gallons	\$42.75	\$14.75	\$57.50
Wilmerding	ALCOSAN rates plus 35% service charge	\$42.75	\$14.96	\$57.71

COMPARING QUARTERLY CHARGES FOR 15,000 GALLONS OF WATER USED

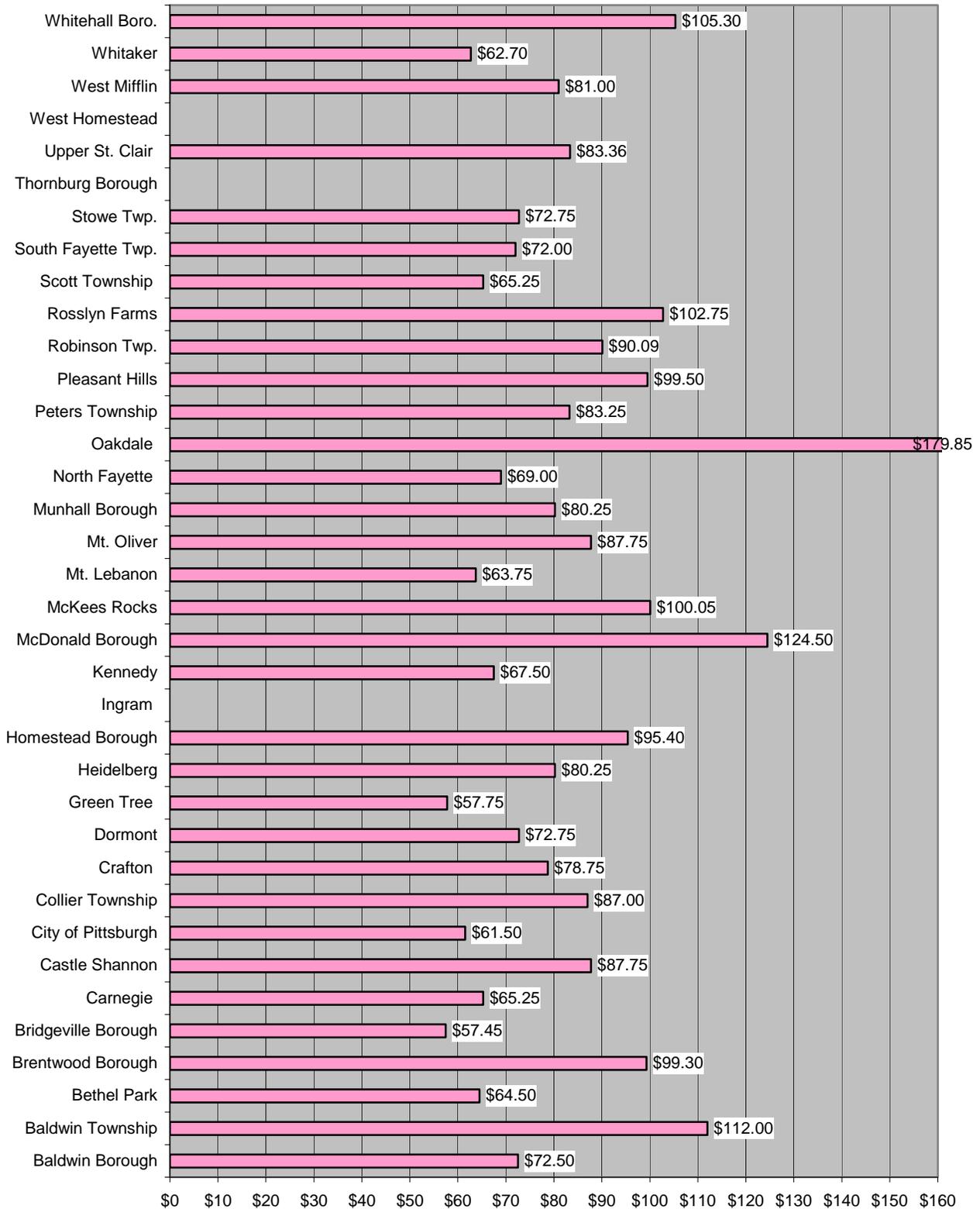
Comparing Quarterly Charges for 15,000 Gallons of Water Used



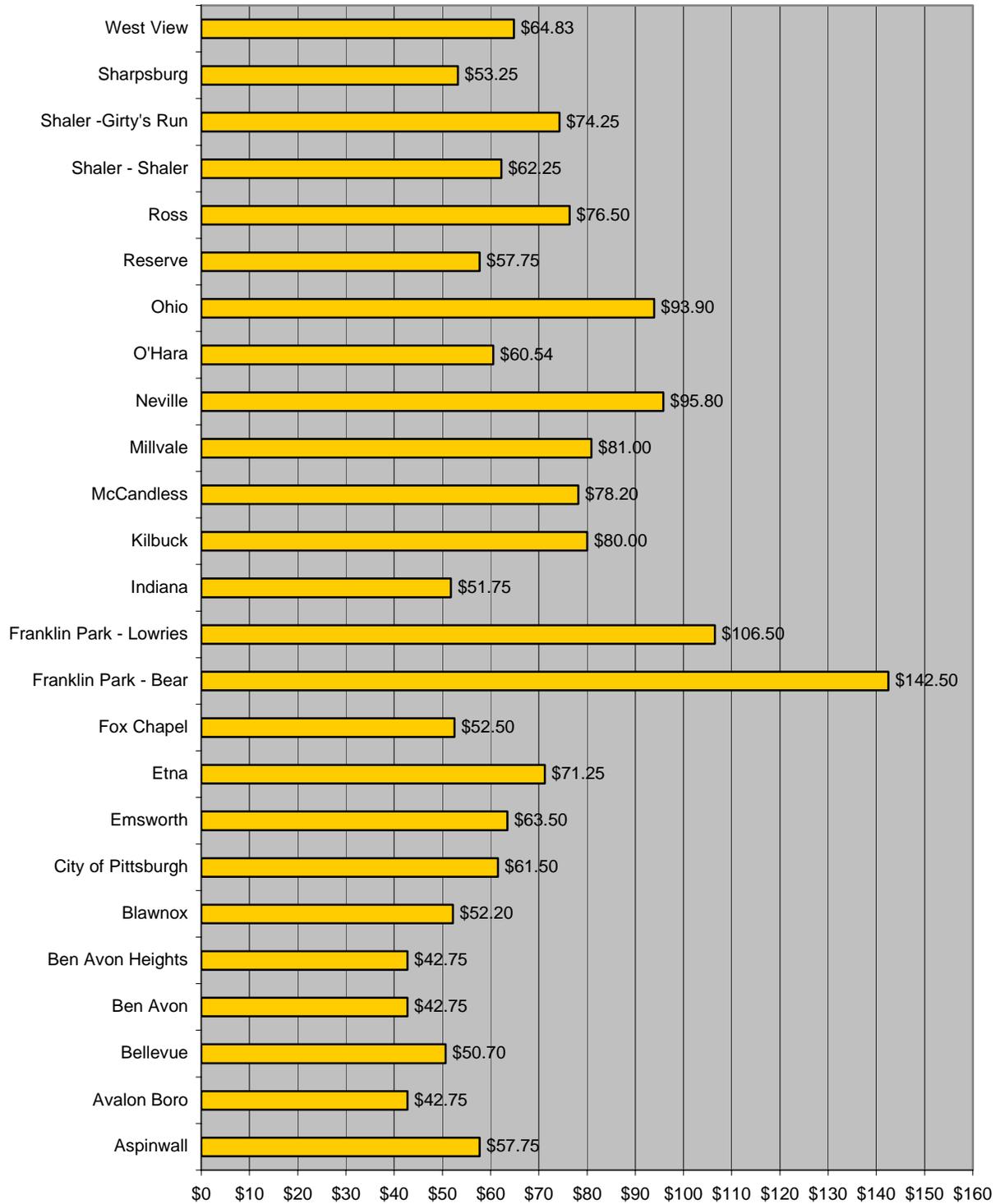
Range of Bills



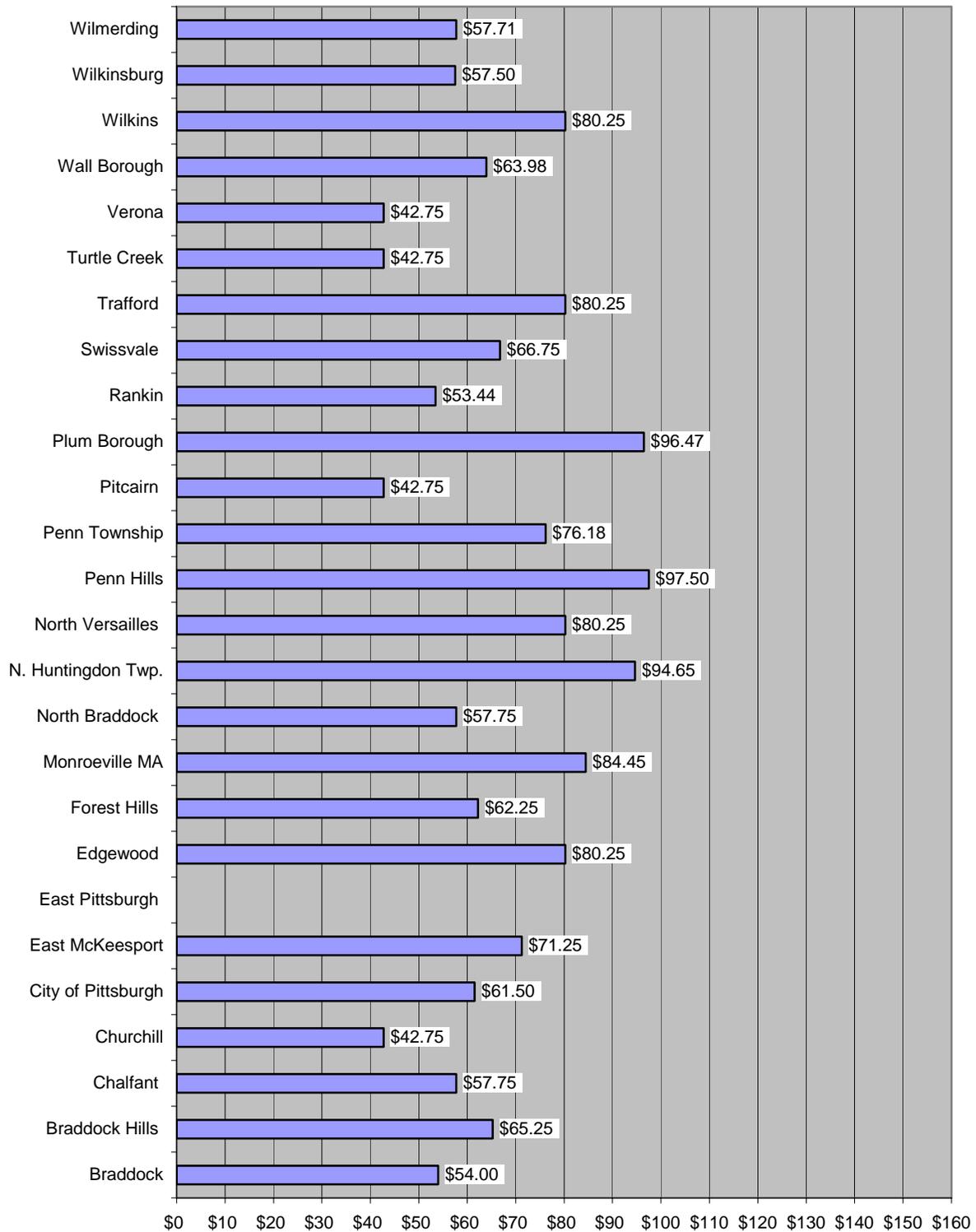
SOUTHERN BASIN



NORTHERN BASIN



EASTERN BASIN



APPENDIX 3 - WEBSITES

Below are a few examples of websites that are very informative on the issue of sewer rates. The sites may serve as a guide as you consider updates to your own websites.

North Fayette

<http://www.north-fayette.com/>

Ross Twp.

<http://www.ross.pa.us/pdf/files/18.pdf>

Shaler

<http://www.shaler.org/waterbilling.htm>

South Fayette

<http://www.authority.south-fayette.pa.us/>

Upper St. Clair

<http://www.twpusc.org/pwmain/pw.html>

West Mifflin

<http://www.wmssma.org/Main-03.htm>

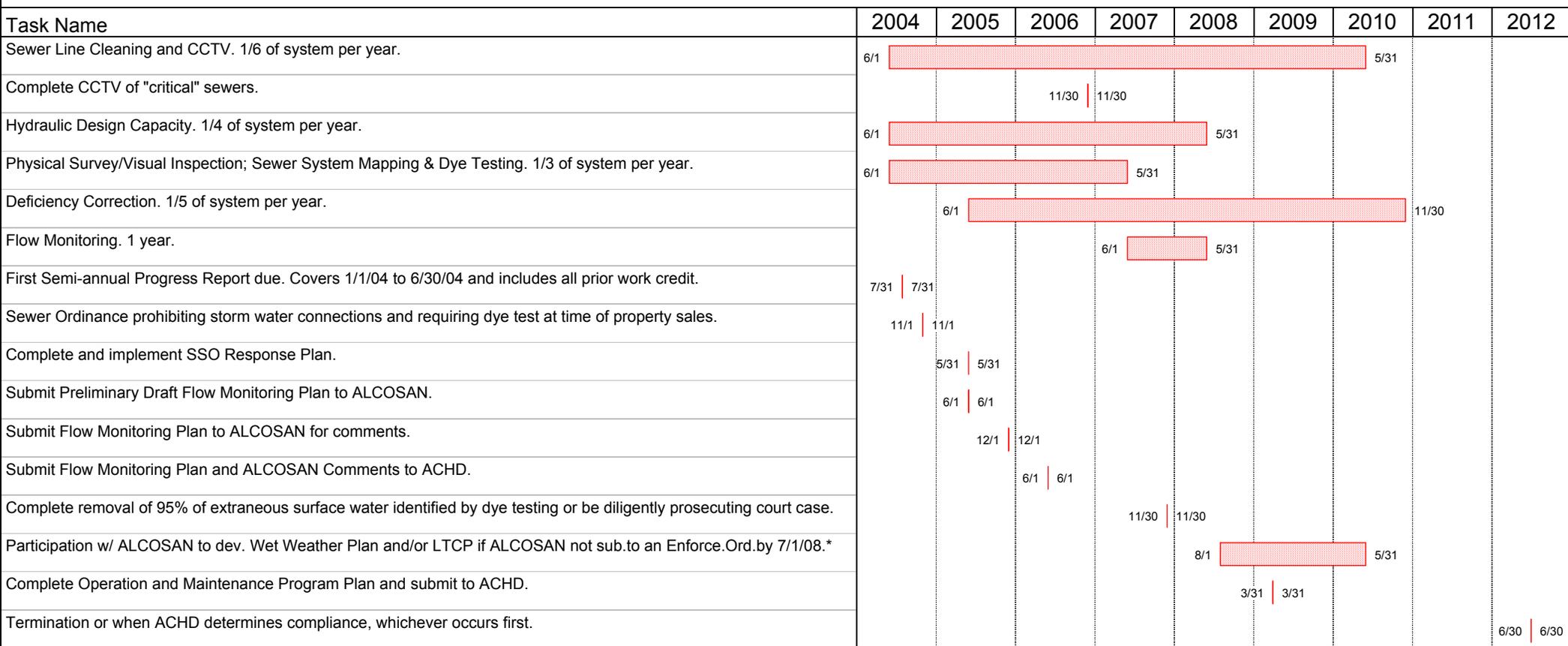
Whitehall

<http://www.whitehallboro.org/finance.html#sewer>

SANITARY SEWER ANNUAL DEBT AMORTIZATION SCHEDULE

<u>YEAR</u>	<u>BEAR RUN A & B SERIES ANNUAL REPAYMENT</u>	<u>LOWRIES RUN ANNUAL REPAYMENT</u>	<u>FISH RUN ANNUAL REPAYMENT</u>	<u>ANNUAL TOTAL</u>
2004	\$ 349,650.00	\$ 8,840.00	\$ 257,895.00	\$ 616,385.00
2005	\$ 349,658.00	\$ 8,732.00	\$ 259,940.00	\$ 618,330.00
2006	\$ 344,186.00	\$ 8,727.00	\$ 257,855.00	\$ 610,768.00
2007	\$ 346,116.00	\$ 8,790.00	\$ 255,730.00	\$ 610,636.00
2008	\$ 345,619.00	\$ 8,756.00	\$ 256,091.00	\$ 610,466.00
2009	\$ 342,838.00	\$ 8,716.00	\$ 257,855.00	\$ 609,409.00
2010	\$ 347,376.00	\$ 8,570.00	\$ 254,833.00	\$ 610,779.00
2011	\$ 485,970.00		\$ 255,114.00	\$ 741,084.00
2012	\$ 272,950.00		\$ 258,795.00	\$ 531,745.00
2013			\$ 259,718.00	\$ 259,718.00
2014			\$ 256,389.00	\$ 256,389.00
TOTALS	\$ 2,834,713.00	\$ 52,291.00	\$ 2,572,320.00	\$ 5,459,324.00
TOTAL FOR BEAR & LOWRIES (2005 THROUGH FULL AMORTIZATION) = \$2,887,004				

Timeline of ACHD's SSO ACO Final Form dated October 8, 2003



Project: ACHD's SSO ACO
Date: Thu 10/16/03

Task	[Red bar]	Rolled Up Task	[Blue bar]	External Tasks	[Grey bar]
Progress	[Black bar]	Rolled Up Milestone	[Diamond]	Project Summary	[Grey bar]
Milestone	[Diamond]	Rolled Up Progress	[Black bar]		
Summary	[Black bar]	Split	[Dotted bar]		

*Note: If ALCOSAN is subject to an Enforcement Order on or before 2006, then Municipality will cooperate with ALCOSAN in accordance with the schedule in the Enforcement Order in the development of a Wet Weather Plan and/or LTCP.

PROJECTION OF FUTURE COSTS

	<u>ESTIMATED ANNUAL COST NEXT 6 YEARS</u>	<u>ESTIMATED ANNUAL COST YEARS 7 THRU 12</u>
LINE REPAIR/DEFICIENCY CORRECTION (\$933,000 /6 YEARS)	\$ 155,500	\$ 77,750
ADMINISTRATIVE TIME: (ACCOUNTS RECEIVABLE, MANAGER, TREASURER & PW SUPERINTENDENT)	\$ 35,000	\$ 35,000
ENGINEERING AND REPORTING (ESTIMATED AT 20 HOURS PER WEEK FOR ALL TASKS)	\$ 75,265	\$ 37,632
HYDRAULIC DESIGN CAPACITY		
ANNUAL PROGRESS REPORT		
DEVELOP FLOW MONITORING PLAN		
DEVELOP OPERATION & MAINTENANCE PLAN		
SSO RESPONSE PLAN		
SUPERVISE O&M TASKS LISTED BELOW		
OPERATION AND MAINTENANCE		
DYE TESTING	\$ 15,000	\$ 15,000
FLOW MONITORING (to be performed by 3-Rivers)	\$ 10,000	\$ 10,000
CLEANING	\$ 5,000	\$ 5,000
CCTV (REMAINING BEAR RUN LINES)	\$ 5,000	\$ 5,000
RESIDENTIAL LATERAL REPAIRS	\$ 5,000	\$ 5,000
	N/A	N/A
TOTAL ANNUAL	\$ 305,765	\$ 190,382
# OF YEARS IN PERIOD	<u>X6</u>	<u>X 6</u>
PERIOD TOTAL	\$ 1,834,590	\$ 1,142,292
GRAND TOTAL YEARS 1 THRU 12	\$ 2,976,882	
ESTIMATED AVERAGE ANNUAL COST	\$ 248,074	

BEAR RUN INCOME COMPARISON : OPTION # 1

		AVERAGE		TOTAL
BEAR RUN	NO. OF	REVENUE	QUARTERLY	ANNUAL
	CUSTOMERS	PER CUST.	REVENUE	REVENUE
PUBLIC WATER	595	166.25	\$ 98,254	\$ 393,016
WELL CUSTOMERS	89	137.25	\$ 12,215	\$ 48,861
			SUBTOTAL	\$ 441,877
ANNUAL TAP-IN RECEIPT ESTIMATE				\$ 26,700
			TOTAL	\$ 468,577
MTSA				
PUBLIC WATER	595	100.10	\$ 59,560	\$ 238,238
WELL CUSTOMERS	89	74.18	\$ 6,602	\$ 26,408
			SUBTOTAL	\$ 264,646
ANNUAL TAP-IN RECEIPT ESTIMATE				\$ -
CREDIT FOR THAT PORTION OF MTSA'S BUDGET				\$ 17,731
ATTRIBUTABLE TO DEBT, ESTIMATED AT 6.7%				
ANNUAL PAYMENT TO MTSA FOR OPERATION & MAINTENANCE OF LINES				\$ 246,915
EXCESS FUNDS FOR BEAR RUN				\$ 221,662
ANNUAL DEBT				\$ 349,650
SHORTFALL/SURPLUS				\$ (127,988)
THIS SCENERIO TESTS WHETHER FRANKLIN PARK CAN TURN OVER OPERATION AND MAINTENANCE OF THIS LINE BY PAYING MTSA THE AUTHORITY'S CURRENT RATE, LESS DEBT. UNDER THIS SCENERIO THE BOROUGH WOULD USE THE DIFFERENCE BETWEEN THE MTSA AND BOROUGH RATE TO AMORTIZE THE REMAINING DEBT.				
THE PROJECTED SHORTFALL FOR OPTION # 1 FOR BOTH BEAR & LOWRIES RUN IS \$44,185, (\$127,988 BEAR RUN DEFICIT + THE LOWRIES RUN SURPLUS OF \$83,803)				

OPTION # 1 FUTURE FINANCIAL FORECAST

(ASSUMES EXISTING DEBT WILL BE FORGIVEN)
 (SEWER LINES WILL BE TURNED OVER TO MTSA &)
 (BOROUGH WILL RETAIN DEBT)

				EXCESS FUNDS	
			PROJECTED	AVAILABLE FOR	
	BEGINNING DEBT	DEFICIT/SURPLUS	LOAN REPAYMENT	YEAR-END	
YEAR	BEAR & LOWRIES	FOR OPTION # 1	TO GENERAL FUND	TOTAL DEBT	
2003					\$ -
2004	\$ -	\$ (45,000)	*		\$ (45,000)
2005	\$ (45,000)	\$ (37,000)	*		\$ (82,000)
2006	\$ (82,000)	\$ (29,000)	*		\$ (111,000)
2007	\$ (111,000)	\$ (21,000)	*		\$ (132,000)
2008	\$ (132,000)	\$ (13,000)	*		\$ (145,000)
2009	\$ (145,000)	\$ (5,000)	*		\$ (150,000)
2010	\$ (150,000)	\$ 3,000			\$ (147,000)
2011	\$ (147,000)	\$ 11,000			\$ (136,000)
2012	\$ (136,000)	\$ 19,000			\$ (117,000)
2013	\$ (117,000)	\$ 27,000		\$ 350,000	\$ 260,000

THIS PAGE PROVIDES A FINANCIAL FORECAST FOR OPTION # 1 FOR YEARS 2003 THROUGH 2016. IT ASSUMES THAT GROWTH WILL CONTINUE IN BEAR RUN AT 20 NEW TAPS EACH YEAR. WHILE BEAR RUN HAS AVERAGED MORE THAN THAT, AS BUILD-OUT OCCURS THE NUMBER OF NEW TAPS DECREASES. LOWRIES RUN HAS BEEN PROJECTED AT NO NEW TAPS. THE PROJECTION BEGINS WITH A DEFICIT OF \$45,000. IT ALSO ASSUMES THAT ALL FUTURE MTSA AND ALCOSAN INCREASES WOULD BE PASSED ON TO THE CUSTOMER. IF EITHER MTSA OR ALCOSAN RATES ARE NOT PASSED ON TO THE CUSTOMER, THE FINAL REPAYMENT OF DEBT WOULD BE DELAYED BEYOND 2013.

* BETWEEN THE YEARS 2004 THROUGH 2009 \$150,000 WILL BE NEEDED TO SUBSIDIZE THE PROJECTED CASH SHORTFALL IN THE SEWER FUNDS.

SOMETIME DURING 2013 FRANKLIN PARK CUSTOMERS' SEWER RATES WOULD BE ROLLED BACK TO EQUAL MTSA RATES.

OPTION # 2 FINANCIAL FORECAST

(BOTH SEWER LINES & BOND DEBT WILL
(BE TURNED OVER TO MTSA)

2003 REVENUES

BEAR RUN	\$ 470,040
LOWRIES RUN	\$ 386,387
TOTAL	\$ 856,427

2003 EXPENDITURES

BEAR RUN	\$ 508,551
LOWRIES RUN	\$ 252,480
TOTAL	\$ 761,031

SURPLUS/DEFICIT

\$ 95,396

UNDER OPTION # 2 FRANKLIN PARK WOULD TURN OVER OWNERSHIP & BOND DEBT TO MTSA. MTSA WOULD ACCEPT THE LINES GIVEN THAT OPERATING COSTS ARE LOWER THAN EXPENSES. THE EXCESS FUNDS OF \$95,396 WOULD BE UTILIZED BY THE AUTHORITY TO DEFRAY THE CONSENT ORDER MANDATES. THIS OPTION ASSUMES MTSA'S OPERATING COSTS WILL BE SIMILAR TO THAT OF THE BOROUGH. ONCE THE SEWER BONDS ARE FULLY PAID, RATES WOULD DECREASE TO THE MTSA LEVEL.

NOTE:

THE ABOVE COSTS INCLUDE TOTAL DOLLARS RECEIVED AND & SPENT FOR ALL OPERATIONAL AND BOND PAYMENTS DURING 2003.

OPTION # 3 FUTURE FINANCIAL FORECAST

(ASSUMES EXISTING DEBT WILL NOT BE FORGIVEN)
(AND THAT LINES WILL BE RETAINED BY BOROUGH)

YEAR	BEGINNING DEBT	PROJECTED	EXCESS FUNDS	YEAR-END
	<u>BEAR & LOWRIES</u>	<u>ANNUAL</u> DEFICIT/SURPLUS <u>FOR OPTION # 3</u>	<u>AVAILABLE FOR</u> LOAN REPAYMENT <u>TO GENERAL FUND</u>	
2003				\$ (1,158,686)
2004	\$ (1,158,686)	\$ 92,361		\$ (1,066,325)
2005	\$ (1,066,325)	\$ (158,854)		\$ (1,225,179)
2006	\$ (1,225,179)	\$ (150,854)		\$ (1,376,033)
2007	\$ (1,376,033)	\$ (142,854)		\$ (1,518,887)
2008	\$ (1,518,887)	\$ (134,854)		\$ (1,653,741)
2009	\$ (1,653,741)	\$ (126,854)		\$ (1,780,595)
2010	\$ (1,780,595)	\$ (118,854)		\$ (1,899,449)
2011	\$ (1,899,449)	\$ (110,854)		\$ (2,010,303)
2012	\$ (2,010,303)	\$ (102,854)		\$ (2,113,157)
2013	\$ (2,113,157)	\$ (94,854)	\$ 350,000	\$ (1,858,011)
2014	\$ (1,858,011)	\$ (86,854)	\$ 350,000	\$ (1,594,865)
2015	\$ (1,594,865)	\$ (78,854)	\$ 350,000	\$ (1,323,719)
2016	\$ (1,323,719)	\$ (70,854)	\$ 350,000	\$ (1,044,573)
2017	\$ (1,044,573)	\$ (62,854)	\$ 350,000	\$ (757,427)
2018	\$ (757,427)	\$ (54,854)	\$ 350,000	\$ (462,281)
2019	\$ (462,281)	\$ (46,854)	\$ 350,000	\$ (159,135)
2020	\$ (159,135)	\$ (38,854)	\$ 350,000	\$ 152,011

THIS PAGE PROVIDES A FINANCIAL FORECAST FOR OPTION # 3 FOR YEARS 2003 THROUGH 2020. IT ASSUMES THAT GROWTH WILL CONTINUE IN BEAR RUN AT 20 NEW TAPS EACH YEAR. WHILE BEAR RUN HAS AVERAGED MORE THAN THAT, AS BUILD-OUT OCCURS THE NUMBER OF NEW TAPS DECREASES. LOWRIES RUN HAS BEEN PROJECTED AT NO NEW TAPS. THE PROJECTION BEGINS WITH A 2005 DEFICIT OF \$158,854. IT ALSO ASSUMES THAT ALL FUTURE ALCOSAN INCREASES WOULD BE PASSED ON TO THE CUSTOMER. **IF ALCOSAN RATE INCREASES ARE NOT PASSED ON TO THE CUSTOMER, THE REPAYMENT OF FINAL DEBT WOULD BE DELAYED BEYOND 2020. LASTLY THE ABOVE PROJECTION ASSUMES REPAYMENT OF PRINCIPAL ONLY.**

GIVEN THE NUMBER OF YEARS NECESSARY TO REACH A BREAKEVEN POINT IT IS UNLIKELY THAT THE USERS WOULD EVER SEE A RATE REDUCTION UNDER OPTION # 3. LOWRIES RUN CUSTOMERS WOULD LIKELY SEE AN INCREASE IN THEIR FEES SOMETIME BETWEEN YEARS 2010 TO 2015. AT THAT POINT THE DUAL RATES COULD BE ELIMINATED IN FAVOR OF A SINGLE SEWER RATE, PRESUMABLY THE BEAR RUN RATE. ALL DOLLARS ARE IN CURRENT VALUE AND ARE NOT ADJUSTED FOR INFLATION.

**3-Rivers Wet Weather Study
Summary of Legal Consideration**

Prior to any transfer of the sanitary sewer system, the parties should consider the following factors in making the decision to transfer the sanitary sewer assets:

1. Any purchase must have a positive impact on the financial health and operation of the existing system;
2. Any system that is purchased should pay for itself with no additional subsidy from any current or future customers;
3. After any purchase, there must not be a reduction in the level of service to any current or future customers; and
4. Any purchase must provide for the overall good of both the service area and the region.

Legal Issues

The Municipal Authorities Act covers acquisitions by municipal authorities for purposes

The general authority is established in 53 P.S. §306(A)(a)(5), (6) and (10). Subsection A reads that the authority shall be for the purpose of acquiring, holding, constructing, financing, improving, maintaining, operating, owning, leasing, projects of the kind and character as described in the following sub-clauses, sewer, sewer systems or parts thereof, sewage treatment works, water works, water supply works or water distribution systems.

In 53 P.S. §306, the Authorities Act states in paragraphs (d), (e) and (j) that every authority is hereby granted and shall have and may exercise all powers necessary or convenient for carrying out the aforesaid purpose including

but without limiting the generality of the following rights and powers

(paragraphs "d" "e" & "j" are quoted verbatim):

- (d) To acquire, purchase, hold, lease as lessee as use of any franchise, property, real, personal or mixed, tangible or intangible any interest therein necessary or desirable for carrying out the purposes of the authority;
- (e) To acquire by purchase, lease or otherwise to construct improve, maintain and repair and operate projects;
- (j) To make contracts of every name, nature necessary or convenient for carrying on its business and to do all acts necessary or convenient for business and general welfare of the authority to carryout the purposes and powers granted to it by the act or other acts.

These rights, however, are not without limitations. The Authorities Act specifically prescribes under Section 306(A)(b)(2) that none of the powers granted by this Act shall duplicate or compete with existing enterprises servicing substantially the same purposes.

State Regulatory Agencies

State agencies can play a pivotal role in system acquisitions particularly when the system to be acquired is troubled and has been the subject of regulatory action. The parties must take time to assure that the transaction is structured correctly and all necessary documents are in hand before the responsibilities for service is assumed.

Under the state regulations, the parties to the transfer make appropriate inquiry into whether the existing system has any Pennsylvania infrastructure investment authority monies (known as Pennvest). There are other state regulations that may apply including those of the Department of Environmental Protection. If more than 51% of the assets of any seller is part of the transaction, there is a potential that the Department of Revenue bulk clearance

requirement may also apply under 69 P.S. §529; 72 P.S. §1403 and 72 P.S. §7240. Further, if there are consent degrees which the sellers has entered into with DEP, those issues must be addressed to ensure that there is compliance with the DEP Consent Order.

Lastly, any municipality is looking to transfer sanitary sewer assets must give careful consideration to several issues:

1. Its intention with respect to the handling of the preexisting debt incurred in the construction and maintenance of the sanitary sewer system. Will this debt be transferred in some manner to the purchasing authority or will the municipality retain the debt and transfer the assets to the authority or will there be some hybrid formulated.
2. The municipality must insure that all permits with DEP and other appropriate governmental agencies are transferred and all appropriate procedures are followed.
3. The agreement must address the risk sharing in terms of liabilities before and after the transfer of the assets. Lastly, the municipality and the authority must insure that there are no legal impediments such as preexisting agreements that would preclude a transfer of the sanitary sewer assets.

**Checklist for Items to Review in Acquisition of
Municipal Sewer System in Pennsylvania
Municipal Authority**

Corporate Organization (if transferor is authority)

- 1.01 Copy of Articles and Amendments
- 1.02 Copy of by-laws
- 1.03 Good standing certificate (State Department)

State and Local Government Regulations – Service and Rates

- 2.01 Current system map, showing location and size of mains and location of pumping and treatment facilities; consulting engineers' review of condition
- 2.02 (If transferor is authority) Area of operations authorized in incorporating ordinance or charter
- 2.03 Copy of applicable Sewage Facilities Plan under Act 537
- 2.04 Copy of current rate and tapping fee resolution or ordinance; dates bills rendered
- 2.05 Review of customer applications and connection permits
- 2.06 Copies of all present developer agreements and customer deposit agreements
- 2.07 Copy of mandatory connection ordinance of applicable municipality
- 2.08 Copies of NPDES permits and amendments
- 2.09 Department of DEP Stream Crossing and Encroachment permits
- 2.10 PennDOT Highway Permits for construction 36 P.S. §670-411
- 2.11 Applications for transfer of permits to acquiring Authority
- 2.12 Municipal ordinance of any outside municipality where service extends

Property Title and Transfer

- 3.01 List of real estate properties owned, size and location of mains, tools, inventory supplies, equipment, etc.
- 3.02 Prior deeds and easements
- 3.03 Prior title insurance policies, surveys and realty records, title opinions and abstracts of title
- 3.04 Copies of pleadings and other information as to status of any pending eminent domain proceedings
- 3.05 Public Official searches for UCC financing statement
- 3.06 List of accounts receivable, with age of delinquent accounts (if such accounts being transferred)
- 3.07 Title registration and transfers of motor vehicles
- 3.08 Possible State and Local real estate transfer taxes

Financial, Agreements, etc.

- 4.01 Audited financial statements of authority transferor (last three years)
- 4.02 Outstanding real estate sales agreements, leases, etc.
- 4.03 List of employees and salaries, copies of employment agreements, employee benefit plans, any union contracts, outstanding stock options, information on informal understandings with employees
- 4.04 Copies of agreements for treatment of sewage by or for other sewer agencies
- 4.05 Copies of agreements with developers, etc. and information as to current status of each
- 4.06 Outstanding agreements for purchase of supplies, materials, etc.
- 4.07 Agreements with, or unbilled services by engineers, accountants, lawyers and other consultants
- 4.08 Information as to litigation, tax, regulatory or administrative proceedings, pending or threatened

- 4.09 Outstanding indentures, loan agreements, grant agreements, security agreements, etc.
- 4.10 Copies of all other outstanding agreements
- 4.11 Summary of insurance policies

Seller's Corporate Authorization

- 5.01 Authority resolution, if applicable
- 5.02 Ordinance of municipality owning system or incorporating authority that owns it, approving transfer
- 5.03 Stockholders meeting notice and minutes certified by Secretary (no dissenters, rights, see 15 P.S. §2852-311(A)) 15 P.S. §2852-1102
- 5.04 Copy of Plan of Complete Liquidation and Dissolution (must be completed with 12 months)

TRANSFER OF ASSETS AGREEMENT

THIS TRANSFER OF ASSETS AGREEMENT is made this _____ day of _____, 20> by and between the > having its offices located at >, >, Pennsylvania > (hereinafter referred to as ">")

A
N
D

> having its offices located at >, >, Pennsylvania > (hereinafter referred to as "Authority").

NOW, THEREFORE, with the intent to be legally bound, the parties hereto agree as follows:

I. TRANSFER OF ALL ASSETS.

A. **Real Property.** This includes all sewage treatment plants, pump stations, force mains and all sewage transmission pipelines, and all fixtures and other appurtenances specifically related to such land and buildings and pipelines (the "Real Property"); however, any streets owned by the > which are used in the System are not to be transferred to the Authority in fee, but rather the > would grant an easement as necessary to the Authority sufficient for the Authority to carry on the System.

B. **Easements and Right of Ways.** All easements and right of ways or other interest in property owned or held by the > and used in the System will be transferred; however, easements and rights of way that have a joint governmental purpose with the > will be jointly owned with the > to the extent and for so long as necessary to carry out that governmental purpose.

C. **Personal Property.** All of the tangible personal property used specifically in the System as of the Closing Date, including but not limited to all of the machinery, equipment, furniture, fixtures, motor vehicles, tools, parts, supplies, office equipment and other items, identified on the Sewage Fund Inventory Listing attached to this Agreement and marked as Exhibit 1 hereto will be transferred.

D. **Inventory.** All of the inventory and spare parts, used specifically in the System as of the Closing Date, and supplies used in the System on the Closing Date will be transferred.

E. **Leases and Contracts.** All rights and interests in and to all contracts, leases, agreements, commitments, licenses, bonds, product warranty agreements, and service agreements relating to the System and in effect on the Closing Date will be transferred.

F. **Permits.** All rights, interests and liability of the > under all permits and approvals issued to the > by any federal, state, or local governmental entity or other jurisdiction or instrumentality (foreign or domestic) relating specifically to the conduct of the System, hereto (the "Permits"), will be transferred. These transfers are subject to the consent of the issuing Authority and to the terms of such permits and approvals.

G. **Documents and Records.** All documents and records of the > then existing on the Closing Date, used specifically in the System and relating to the ownership, use, maintenance or repair of the Transferred Assets such as specifications, blueprints, drawings, maps, acquisition deeds, instruments, real estate documents and records, all construction, repair and maintenance, management and asset history records and files, surveys, engineering information, manuals, written procedures, bills of material, production routings, cost records, inspection records, inventory records, lists of customers and suppliers, sales and purchase orders, correspondence, and files will be transferred.

H. **Accounts Receivable.** Accounts receivable relating to the System, consisting of receivables arising prior to the Closing Date will be transferred. Receivables arising after the Closing Date will not be transferred to Authority.

I. **Cash and Cash Equivalents.** All cash-on-hand, deposits in bank accounts, other cash equivalents and marketable securities on the Closing Date and relating to the System will not be transferred. Cash and cash equivalents after the Closing Date will be transferred to Authority.

J. **Litigation and Claims.** All rights under any claims, including, without limitation, insurance claims, and any legal proceedings, filed or initiated prior to the Closing Date and relating to the System shall not be transferred. Any litigation and claim after the Closing Date will be the responsibility of Authority.

K. **Other Assets.** Any other item of real property, tangible personal property, contracts or permits used exclusively in the System which may not otherwise be described above, but excluding the Excluded Assets will be transferred to Authority.

L. **Destruction of Assets.** In the event that any portion of the Transferred Assets is materially damaged or destroyed by fire or other cause prior to the Closing Date, either the Authority or the > may, at their option and in their sole discretion, (i) terminate the Agreement by giving the other party written notice of termination within 10 days of the receipt by the Authority of notice of the damage or destruction or (ii) complete the transaction contemplated by this Agreement.

II. **TRANSFER OF LIABILITIES.**

1. **Assumption of Liabilities.** On the Closing Date, the Authority shall assume all liabilities of the System including but not limited to:

A. **Leases and Contracts.** All liabilities and obligations under the Leases, Court Orders and Contracts relating in any way to the System.

B. **Permits.** All liabilities and obligations under all Permits.

C. **Litigation and Claims.** All claims, liabilities, losses, damages, or expenses relating to any litigation, proceeding, or investigation of any nature arising out of the operation of the System or through the use of the Transferred Assets, including, without limitation, any claims against or any liabilities for injury to or death of persons or damage to or destruction of property, any workers' compensation claims, and any warranty claims.

D. **Indebtedness.**

(i) The > will retain outstanding indebtedness.

(ii) **General Obligation Bonds.** General obligation bonds (GO bonds) are unsecured municipal bonds that finance municipal operations. They have maturities of 10 years or more. The creditworthiness of the issuing municipality is the only "guarantee" they provide. GO bonds finance projects that do not produce revenue.

The municipal issuer repays the bonds with funds raised by fees or general municipal revenues. If the issuer is unable to pay, it may turn to taxation to guarantee interest and principal payments. Generally, all the individual bonds in a GO bond issue have the same maturity date.

Therefore, parties acknowledge that the >'s General Obligation Bonds was for the purposes of funding the System. The Authority will agree to make quarterly payments to the > as set forth in the financial consideration portion of this Agreement.

III. REPRESENTATIONS OF THE >.

For the information of the Authority and as an inducement to the Authority to enter into this Agreement, the > makes the following representations:

(a) Organization and Authorization by the >. The > is a > of the Commonwealth of Pennsylvania duly organized and validly existing under the constitution and laws of the Commonwealth of Pennsylvania. The > has approved the execution, delivery, and performance of this Agreement. The > has full power, Authority, and legal right to execute and deliver this Agreement and to perform its obligations under this Agreement. Upon execution and delivery by the >, this Agreement will constitute a valid and binding obligation of the > enforceable in accordance with its terms, subject however to bankruptcy, insolvency or other similar laws affecting the rights of creditors generally, and general principles of equity.

(b) Personal and Real Property. Seller has good and marketable title to all of the Real Property, Easements and Rights of way and Personal Property, free and clear of all claims and encumbrances, other than such imperfections of title, easements, liens, pledges, charges and encumbrances, if any, as do not materially detract from the value or interfere with or otherwise materially impair the intended use of the property.

(c) Contracts. The Contracts previously provided to the Authority is a complete and accurate assemblage of all material contracts, agreements, and commitments related to the System to which the > is a party or by which it is bound.

The > has not received any written notice of default under any such contract, agreement, or commitment. To the best of the >'s knowledge, all of the contracts, agreements and commitments are valid and enforceable in accordance with their terms.

(d) No Pending or Threatened Litigation and Claims. With the exception of the Consent Order dated >, 20> between the > and the Allegheny Health Depart (a copy is attached), neither the > nor the Transferred Assets are subject to any orders or decrees of any court or governmental body, requiring any continued observance by it relating directly to the conduct of the System. There are no other pending suits, proceedings or claims involving the System or the Transferred Assets as of the date of this Agreement and no other claim of damages or liability has been asserted or threatened in writing against the > relating to the conduct of the System.

There are no unresolved notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings, administrative, civil, criminal, at law or in equity, pending against the > relating to the System or the Transferred Assets and, to the knowledge of the >, no investigation or review is pending or threatened against the > by any governmental entity or third party with respect to any alleged violation of any federal, state or local environmental law, regulation, ordinance, standard, permit or order in connection with the conduct of the System.

(e) Permits and Licenses; Compliance with Laws. To the best of the >'s knowledge, the > has all of the permits, licenses, and other governmental authorizations required to own the assets used in the System and to carry on the System as presently conducted, and, assuming proper action by the other party thereto or by the issuer thereof, all such permits, licenses and authorizations are currently valid and in effect and will be assigned to the Authority on the Closing Date.

(f) Property Used. All material items of the property that are used solely in the conduct of the System are included in the Real Property Description, Easements and Right of Ways and the Personal Property

IV. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY.

For the information of the > and as an inducement to the > to enter into this Agreement, the Authority makes the following representations and warranties to the >:

(a) Organization and Authorization of the Authority. The Authority is a body corporate and politic duly organized, validly existing, and in good standing under the law of the Commonwealth of Pennsylvania. The Authority has full corporate power and Authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement and to carry on the System. Upon execution and delivery by the Authority, this Agreement will constitute a valid and binding obligation of the Authority enforceable in accordance with its terms.

(b) Acknowledgements of the Authority. As-Is Sale. Except solely for those representations and warranties provided in this Agreement, the System and the Transferred Assets are being transferred by the > and the Authority agrees to accept the System and the Transferred Assets "As Is" and "Where Is" subject to all faults in their condition on the Closing Date.

(c) No Impediments to be Transferred. The attached opinion of counsel for the Authority (Exhibit 2) accurately sets forth the Authority's knowledge as to whether any legal impediment exists at the time of closing in the form of a trust indenture of a bond issue or other instrument that would preclude the > from transferring the sewer system to the >.

(d) ACHD Consent Order. The Authority will implement the Allegheny County Health Department Consent Order dated >, 20> as submitted to the > in >, 20>. A copy of the Plan is attached hereto and incorporated herein as Exhibit 3. The priorities in the Plan are subject to change based on changed circumstances. However, the parties acknowledge that the > is transferring the system in part based on its reliance on the Authority's commitment to the priorities in the Plan.

V. COVENANTS OF THE >.

(a) Affirmative Covenants. Between the date of the agreement and the Closing Date, the > shall:

(i) operate the System in the usual, regular and ordinary course and in accordance with past practices;

(ii) give to the Authority and to its counsel, accountants and other representatives reasonable access to the >'s premises, to the Transferred Assets and to the personnel of the > related thereto during normal System hours upon reasonable notice; and furnish to the Authority

and such representatives such additional documents, financial information and information with respect to the System and any of the Transferred Assets as the Authority may from time to time reasonably request;

(iii) obtain in writing, in form and substance reasonably satisfactory to the Authority, all approvals and consents with respect to permits, contracts, leases etc., which are necessary or desirable in order to effectuate the transactions contemplated hereby and deliver to the Authority copies of such approvals and consents; and

(iv) maintain in full force the insurance policies currently in effect with respect to the System and Transferred Assets or other policies containing substantially equivalent insurance coverage.

(b) Negative Covenants. Between the date of the Agreement and the Closing Date, the > shall not:

(i) sell or otherwise dispose of any part of the Transferred Assets, except inventories in the ordinary course of System;

(ii) create or suffer to exist any new encumbrance on any of the Transferred Assets except in the ordinary course of System; or

(iii) purchase or acquire any asset or property for the System, or incur any obligation (fixed or contingent) or enter into any contract with respect to the System or Transferred Assets, except, in each case, in the ordinary course of System.

(c) Further Assurances. At or after the Closing Date, the >, at the reasonable request of the Authority, will execute and deliver, or cause to be executed and delivered, to the Authority all such assignments, bills of sale, endorsements, powers of attorney and other documents, in addition to those otherwise required by this Agreement, in form and substance reasonably satisfactory to the Authority, as the Authority may reasonably request in order to (a) vest in the Authority title to and possession of the Transferred Assets, (b) perfect and record, if necessary, the sale, transfer, assignment, conveyance and delivery to the Authority of the Transferred Assets and (c) otherwise carry out or evidence the terms of this Agreement.

VI. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE AUTHORITY.

The obligations of the Authority under this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions:

(a) Performance of Agreement. The representations and warranties of the > contained in the Agreement shall be true on and as of the Closing Date with the same effect as if they were made on and as of the Closing Date except for changes occurring in the ordinary course of System. The > shall have materially performed its obligations and agreements stated herein and complied with all covenants contained in this Agreement with which it must comply on or before the Closing Date.

(b) Legal Proceedings. There shall be no law, and no order shall have been entered and not vacated by a court or administrative agency of competent jurisdiction in any litigation, which (a) enjoins, restrains, makes illegal or prohibits consummation of the transactions contemplated hereby; or (b) restricts or interferes with, in any material way, the Transferred Assets as of the Closing Date; and there shall be no litigation pending before a court or administrative agency of competent jurisdiction, seeking to do, or which, if successful, would have the effect of, any of the foregoing.

(c) Transfer Documents. The > shall have executed and delivered to the Authority such deeds, bills of sale, assignments, endorsements, and other instruments of conveyance and transfer, satisfactory in form and substance to the Authority and its counsel, as shall be effective to vest in the Authority on the Closing Date title to the Transferred Assets, free and clear of all liens, charges and encumbrances other than such encumbrances as may be specifically assumed or permitted hereunder.

(d) Permits and Approvals. All permits and approvals from any governmental or regulatory body, if any, and all approvals and consents to assignment necessary and desirable in order to effectuate the contemplated transactions shall have been obtained.

VII. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE >.

The obligations of the > under this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions:

(a) Performance of Agreements. The representations and warranties of the Authority contained in this Agreement shall be true on and as of the Closing Date with the same effect as if they were made on and as of the Closing Date. The Authority shall have performed all obligations and agreements and complied with all covenants contained in this Agreement to be performed by it and with which it must comply on or before the Closing Date.

(b) Legal Proceedings. There shall be no law, and no order shall have been entered and not vacated by a court or administrative agency of competent jurisdiction in any litigation, which (a) enjoins, restrains, makes illegal or prohibits consummation of the transactions contemplated hereby; or (b) restricts or interferes with, in any material way, the Transferred Assets as of the Closing Date; and there shall be no litigation pending before a court or administrative agency of competent jurisdiction, seeking to do, or which, if successful, would have the effect of, any of the foregoing.

VIII. THE CLOSING DATE.

(a) Date and Time. The closing of the transactions contemplated hereunder will take place as such place and time as the Authority and the > may mutually agree, but no, however, later than _____ or on such earlier or late date as the > and the Authority mutually may agree to. Such date is herein called the "Closing Date."

(b) Documents Required from the >. On the Closing Date, the > shall execute and deliver to the Authority this Agreement shall function as adequate evidence of the transfer of all other assets and liabilities of the System to the Authority.

IX. FURTHER ASSURANCES.

The > will agree that during the Authority's ownership of the System:

(a) the > will not establish a sanitary sewer system in competition with that owned and/or operated by the Authority;

(b) the > will keep in force all pertinent ordinances required by federal and state laws with such modifications and amendments as may be agreeable to both the Authority and the >; and

(c) to reasonably cooperate with the Authority to the end that reasonable and adequate sanitary sewage service shall be provided to customers of the system.

X. EXPENSES.

Whether or not the transactions contemplated hereby are consummated, each of the parties hereto will pay its respective expenses and costs (including, without limitation, the fees, disbursements, and expenses of its attorneys, accountants, and consultants) incurred by it in negotiating, preparing, closing, and carrying out this Agreement and the transactions contemplated by this Agreement.

XI. ADMINISTRATIVE CONSIDERATIONS AND ARRANGEMENTS.

Bear and Lowries Run revenue derived from invoices for any period prior to the Closing Date will be retained by the > to meet operating costs for the system, bond payments and repayment of cash advances from the >'s General Fund. Fees and revenues for the time period after the Closing Date will be invoiced and collected by AUTHORITY and distributed as follows:

(a) Authority will continue to invoice the current > rate and any subsequent AUTHORITY increases. Once collected, AUTHORITY will retain the amount equal to Authority's current or future rate which ever is higher. The amount in excess of Authority's rate will be returned to the > and be used to help defray outstanding bond costs. The > may, at its discretion, elect to absorb future rate like increases by accepting a lower quarterly payment from Authority. Once the conditions set forth in this Agreement have been met (bonds are fully amortized and General Fund loans repaid), Authority will lower the Bear and Lowries Run customer's rates under this Agreement to that paid by all other Authority customers.

(b) During the period when the Bear and Lowries Run Bonds are not yet fully amortized, currently scheduled for >, 20>, any tap-in revenue collected by Authority will be returned to the >. After >, 20>, tap-in revenue will be retained by Authority to help defray future capital improvement costs.

XII. TAP ALLOCATIONS.

Both parties agree that in the event a tap ban is imposed on the Bear or Lowries Run sanitary systems, taps will be allocated on a pro-rata basis, by municipality based on the number of customers in each sewer system. Should

taps not be needed in the >, Authority can utilize the available taps at its sole discretion.

IN WITNESS WHEREOF, the parties hereto have set their hand(s) and seal(s) the date first above.

ATTEST: >

Secretary

By: _____
President

ATTEST: >

Secretary

By: _____
President