

**North Wales Water Authority  
Board of Directors Work Session**

**Minutes of 07/24/2024**

**Call to order:**

A Special Work Session of the NWWA Board of Directors was held at the NWWA business office on July 24, 2024, beginning at 4:00 p.m., and was called to order by Board Chair Nagel.

The work session was publicly advertised as required by law.

<b><u>Attendee Name</u></b>	<b><u>Organization</u></b>	<b><u>Title</u></b>	<b><u>Status</u></b>
Joan H. Nagel	NWWA	Chair	Present
Albert S. Tenney	NWWA	Vice Chair	Present
Donna L. Mengel	NWWA	Secretary	Present
Neil J McDevitt	NWWA	Treasurer	Present
Sally Neiderhiser	NWWA	Asst./Sec Treasurer	Present
Robert C. Bender	NWWA	Executive Director	Present
Joseph E Murphy	NWWA	Director of Operations	Present by Video
Christine Lezoche	NWWA	Director of Finance	Present
Nicole Feight Esq.	Rudolph Clarke	Authority Solicitor	Present by Video
Michael P Clarke Esq.	Rudolph Clarke	Authority Solicitor	Absent
Lane Bodley P.E.	Carroll Engineering	Authority Engineer	Absent
Allen Mason P.E.	Carroll Engineering	Authority Engineer	Absent

Becca Suskin was present to provide ASL services for Mr. McDevitt.

**Public Comment:** No visitors were in attendance, and no public comment was offered.

Executive Director Bender opened the meeting by advising the Board that although the meeting was advertised, the meeting was for the sole purpose of providing the Board with information pertaining to the recent update to the long-term CAPITAL IMPROVEMENTS PLAN and to review the annual update of the NWWA LONG TERM FINANCIAL PLAN.

He reminded all in attendance that the distribution and review of information, followed by a question-and-answer session was appropriate but that the Board should not be requested to enter into formal deliberations or to take any official action.

Finance Director Lezoche then proceeded to hand out copies of a Power Point presentation entitles "LONG TERM PLAN UPDATE, dated 7/24/2024, with a copy retained in the Authority files.

The Plan and presentation covered the following topics:

- I. Objectives Established in the 2021 Plan.
- II. Historical average residential customer quarterly water bill
- III. Noting that the NWWA water rates were not increased for over 25 years, 1994 to 2023.
- IV. Reviewing the annual decrease in the Bond Redemption and Improvement Fund (BRIF) balance
- V. Referencing the BRIF balance as related to the need to maintain a 6-month operating balance
- VI. Reviewing chart showing NWWA water rates historically remaining at the lowest in the region.

- VII. Joe Murphy then led a discussion on the Capital Improvement Plan, noting upcoming major projects.
- VIII. Mr. Murphy then reported on the total water mains that are now in place, by material type.
- IX. He next reviewed our policy of replacing approx. 2 miles of aged main each year.
- X. The group next reviewed the upcoming inspection, repair, and repainting of several water storage tanks, including tanks at Shetland Drive, Water Tower Square, and North Wales tanks 1 and 2.
- XI. The Board was reminded that we were not able to place the above-referenced tanks out of service for rehabilitation until the completion of construction of the new water storage tank in Montgomery Township. This was due to the fact that the proper operation of the overall water distribution system was dependent upon the existing tanks. He explained that now that the new Montgomery 3 tank was in operation, other tanks needing rehabilitation could be temporarily taken out of service, in rotation, for inspection and rehabilitation.
- XII. The Board was then brought up to date on other pending Capital Improvement projects and grant applications, including Walnut Street Office improvements, required ADA handicapped access improvements, and roof repairs at the operations warehouse.

Ms. Lezoche next reviewed the costs of the above-referenced projects and their impacts on the NWWA budget and BRIF balance, specifically referencing:

- a. The impact upon the minimum 6-month operating balance as needed to maintain our Bond rating and lower interest rates.
- b. The Bond Indenture requirement to maintain a minimum debt service ratio of 1.10%
- c. The Bank/Bond Indenture requirement to show the ability to satisfy debt service with future rate increases, if needed.
- d. If the Authority did not approve future rate increases - due to annual increases in operating expenses and primarily due to increasing material costs, in a few years, the balance in our BRIF account would be exhausted. We would then violate our Bond Indenture, lose our excellent Bond Rating, and terminate any further Capital Improvements and significant repairs needed.

She then presented data showing what would be needed to increase revenues to reverse this trend and remain in compliance with our previously stated objectives, Bond Indenture, and Ratings.

Mr. Bender and Ms. Lezoche then presented a chart showing possible rate increases for both water and sewer systems, with increases to the average residential customer ranging from 14 cents per day to 39 cents per day (based upon a typical use of 170 GPD) and for sewer, 8 cents per day to 42 cents per day.

**After discussion and questions, Mr. Bender and Ms. Lezoche recommended the 30-cent range for water and the 17-cent range for sewer as the minimum needed to maintain compliance and balance the budget, at least in the short term.**

Ms. Lezoche opened an electronic spreadsheet in which she could show the long-term impact of each rate adjustment upon the Authority year-end balance and the ability to satisfy the Bond requirements. She noted that we would also include a 12 -18 million dollar borrowing so that some of the upcoming costs could be spread out over time, reducing the immediate impact on our current customers, and allowing a balanced budget for 2025.

Based upon the spreadsheet analysis, a mid-range rate increase resulting in the average residential customer bill increasing by about 30 cents per day for water and 17 cents for sewer for the typical customer would alleviate any breach of Bond Indentures and temporarily remedy the situation. A brief discussion ensued about possibly billing our non-commercial customers monthly to improve cash flow.

Mr. Murphy pointed out that most of our major nonresidential customers are now billed monthly, but we could review the impact of billing all nonresidential customers monthly.

Mr. Bender opined that had we known about the COVID event, followed by massive increases in materials and supplies, and the emerging multi-million dollar impacts of PFAS contamination from the nearby military base, we would not have frozen rates for so long, referencing the above as the “perfect storm.” A discussion ensued about the pros and cons of a higher rate increase early, as opposed to the possible benefits of implementing occasional smaller increases every year or so, hoping that costs will slowly stabilize and other sources of revenues could be explored.

While no formal action was taken, most Board members expressed a desire to increase rates only as needed to remedy the existing fiscal pressures and to maintain Bond compliance, with a desire to receive an annual update on the long-term financial Plan, capital plan, and rate projections, annually hereafter.

Mr. Bender said that he would contact both Chris Gibbons of Concord Financial Advisors and the Authority Solicitor about the proper process and mandates of approving future rate increases in support of future borrowings and report back to the Board.

He also said he would instruct the Finance Director to commence work on the 2025 budget, including the rate increases and other recommendations in the report, with a formal budget and rate presentation scheduled for consideration as soon as September.

Mr. Bender noted that although the next budget would not take effect until January 1, 2025, it was essential to have it approved as early as possible so that customer notifications could occur and revised billing software programming could be in place in time for January implementation.

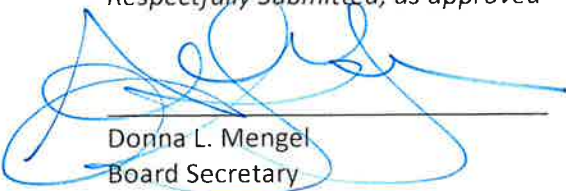
The Board thanked the Authority staff for the detailed information and requested that this matter be placed at a future business meeting for formal deliberations and consideration.

No other business matters were discussed, and the meeting was adjourned at 5:00 p.m.

Respectfully submitted for review and approval

*Robert C. Bender*  
Executive Director  
July 25, 2024

*Respectfully Submitted, as approved*



Donna L. Mengel  
Board Secretary