

Upper Pottsgrove Township

Board of Commissioners

Montgomery County, Pennsylvania

Upper Pottsgrove Township Residents,

If you have not heard, we would like to announce that on June 30th, 2022, the Township finally closed the sale of our wastewater system to Pennsylvania American Water after a three and a half year process. The Township received \$13,750,000 for the system.

As we have communicated to you through correspondences and through our board meetings, we have defined the use of the proceeds as to pay off all Township debt, to secure our pension funds, and to solve our infrastructure (buildings) issues. The other overriding reasons we had in selling the system were to exit from the extreme risk inherent in running a wastewater system related to system failure as well as transferring the management and maintenance of the system to a professional organization to best serve the residents.

In following our intent of the sale, we have to date: paid off all Township debt, namely, DeVal series 2005 bond, PennVest 2009 bond, Fulton series 2012 and 2013 bonds, and Fulton Bank loan 2014 for a total debt repayment of \$5,337,398; secured our pension funds by changing investment advisors, rebalancing the pension portfolio, reducing investment fees, and depositing funds as recommended by our investment advisors to bring us up to a 95% funded status; and, as we went through the sale process, we concurrently planned for a municipal building project that would solve our infrastructure issues for the next thirty years at a projected cost of \$5,500,000.

The two choices we considered for infrastructure were to build a new structure or repair the old buildings. The Township completed a building study of our two structures (the administration building as well as the police and public works building) at the end of 2018. The study concluded that it would cost \$4,136,475 to repair and operate the standing buildings over ten years whereas a new facility at the same square footage would be \$3,135,000 over the same operational period of ten years. The decision to construct new was based on the lower cost using the ten-year model as well as negating the threat of additional repair costs of the old buildings in the years beyond the ten-year model, and that the projected operational costs of the new facility would be less than half of the old ones.

During the infrastructure (buildings) planning process we worked during the sewer sale closing period, we determined that it would save the Township a considerable amount of money if we used our own property. The ground we chose is located at 370 Evans Road. If you drive West on Farmington Road and across Highway 100, you'll see West Moyer Road on your right. Drive down West Moyer Road about midway; the site of the municipal building is on your left. The architect we chose is Alloy5 who graciously designed the buildings for us at risk before the sale closed—meaning they would not get paid if the sale faltered. This is the same methodology we used with each of the professional services we employed during the sewer sale process to mitigate risk to the Township. We are now in the beginning phase of operationalizing the building plan based on costs and marrying it with the design concept.

After we closed the sale at the end of June, we passed Resolutions 747 that formalized the use of the sewer sale proceeds established in 2020 when we decided to sell the system as well as Resolution 749 that further operationalized our intent agreed to in 2020 that included the infrastructure concept. The proceeds we have targeted to pay for the new structure will be invested in the most risk-free assets (mostly US Treasuries) with a timing ladder that optimizes interest returns.

We are now in the strongest financial position we have been in many years. Even before we retired our debt, Moody's upgraded our credit rating to an A1 in November of 2021 citing that "Upper Pottsgrove Township's (A1) financial position will continue to strengthen in the near term, as the township continues to budget conservatively." The Moody's report continues "The township is currently finalizing the sale of its sewer system, with the intent to use proceeds to retire all related debt." Please keep in mind this rating was issued before the completion of our debt repayments.

In 2022, all five commissioners were hosted by state Senator Bob Mensch and state Representative Tracy Pennycuick at the state capitol in Harrisburg on April 12th, 2022. On the floor of the Senate, Senator Bob Mensch honored us with the following kind words: "Together they improve their budgeting process...reduce the risk of their sewer system, implemented solutions that would eliminate debt and rescue pension plans and laid plans for infrastructure solutions for the next thirty years."

Our primary goal for the Township is to provide a safe and secure township at the least cost and, at the same time, enhance the experience of living in Upper Pottsgrove Township. To maintain a safe and secure township, we employ a police department, a public works department and administrative staff; to provide for an enhanced living experience, we maintain an open space and recreation program.

With these goals in mind, please understand that the operating costs of the Township will continue to rise each year to the amount of 3% to 5% with most of the increased costs associated with personnel: salaries, health, dental, and pensions. And, to give you a more pointed example of the costs, over half our budget is for the police department. To maintain a 24/7 police force and the current level of Township services, revenues must meet expenses—using reserve funds to meet service-related expenses that annual revenues do not cover only hides the issue. We see expenses possibly exceeding revenues within the next three years so we believe it's best we start thinking about the services we want to have in the future.

Please let your commissioners know your views on the services you feel the Township should continue to provide. For example, if you believe a 24/7 police force is what you want to maintain, please let them know. All the Township commissioners' email addresses are located on the Township's website at: www.uptownship.org

Thank you for your time.

Upper Pottsgrove Township Commissioners