



**LEHIGH COUNTY AUTHORITY**

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27 September

Daniel DeLong, Township Manager  
Upper Milford Township  
PO Box 210  
Old Zionsville, PA 18068-0210

Subject: Upper Milford Township  
Act 537 Plan Revision  
Response to Haigh Comments

*Rec'd  
9-28-05  
C. BOS  
B. Milford  
K. Upper Mil  
B. Haigh*

Dear Dan:

As requested, we have reviewed your memo dated 2 September 2005 regarding the need to provide responses to certain questions or comments regarding the proposed Act 537 Plan Revision, dated July 2005 ("Plan") contained in correspondence received from Mr. Bruce Haigh of Whittemore and Haigh Engineering, Inc.

We wish to provide the following responses:

HAIGH, 26 AUGUST 2005 LETTER

Question No. 8

Previously answered by Township on page 4 of their 9/26/05 response to written questions.

Question No. 12

Reference our response in this document to Question No. 9 to Mr. Haigh's letter of 29 August 2005.

Question No. 13

The cost of the WTP is answered by SEA, Inc, in their letter dated 22 September answering Question No. 2 Mr. Haigh's, 29 August 2005 letter. After the DEP letter dated 29 October 2004 estimated project costs were refined, as such the most current cost estimates are represented in the ACT 537 Plan Revision document dated July 2005, therefore comparisons with previous estimates are invalid.

HAIGH, 26 AUGUST 2005 LETTER, CONTINUED

Question No. 14

Previously answered by the Township on page 9 of their 9/26/05 response to written questions.

In addition, the projected assessments are based upon the "Benefit" method, which are allowed under the Municipality Authorities Act [§5607(d)(21) & (22)]. We feel that the projected assessments are more than fair and disagree with conclusion that assessment costs will force large property owners to sell their properties to developers.

Question No. 17

Previously answered by the Township on page 1 of their 9/26/05 response to written questions.

In addition, there are plumbing/excavating contractors that specialize in house connections. The private plumbing cost estimates provided in the Plan reflect discussions with this type of contractor. Granted, because of the distance from the public facilities there are some homes that will exceed the upper limit (\$5,000) of our private plumbing cost estimate range.

The plumbing cost estimates received by two residents from Curtis Total Service that Mr. Haigh cites in his letter, as being from a "qualified contractor" are ridiculously high. It is our opinion that anyone with previous public sewer project experience would have realized this immediately.

If the project is authorized, names, addresses and phone numbers of reputable qualified plumbing/excavating contractors that specialize in house connections will be provided to the residents for their optional use.

Question Nos. 19 through 21

The financial analysis presented in the Plan is clearly explained in § 4.3.2.1 Grant(s) and Municipal Contributions and on Table 4-1. As stated in the Plan, we have assumed a conservative interest rate of 5%, as it is impossible to determine with any degree of accuracy what the interest rate will be when it is time to finance the project. To assume the current PennVest rate at this juncture would be misleading. However, it is our intention to seek the most cost effective financing available, whether it is conventional, PennVest or a bond issue. Numerous discussions have indicated there should be no problem obtaining financing through PennVest.

HAIGH, 26 AUGUST 2005 LETTER, CONTINUED

Question Nos. 19 through 21, continued

§4.6 Additional Funding and §4.6.1 Property Owner Surveys of the proposed Plan clearly indicates our determination to reduce the financial impact of the project on the property owners.

- The Plan does not assume low interest loans or grants of any kind based upon the Upper Milford Township median income level that would offset project costs.
- The Plan does not assume appropriations from Senator Santorum's office that would offset project costs.
- The Plan does assume that Community Development Block Grants (CDBG) will be available individually to families that meet the income guidelines to help pay for connection fees and private plumbing costs.
- The Plan does assume that certain USDA funds, either low interest loans or grants will be available individually to families that meet the financial guidelines to help pay for connection fees and private plumbing costs.

Question No. 22

The Need Analysis indicates that only 13% of the properties within the Project area, at the time surveyed had a functioning on-lot system. The financial analysis as presented in the Plan assumes that all properties within the Project Area will be required to connect. If a property were exempted from connection for any reason the lost revenue (through tapping fees and capitalized user revenues) of approximately \$16,850 per /edu would need to be recovered from those properties remaining in the project by increasing the tapping fees and/or the on going user charges. Increasing assessments would also need to be considered which would impact all properties within the project area even those that would exempted from connection.

Question No. 23.

As Mr. Haigh, states some properties that have a long house connection laterals will require grinder pumps, however some will not. Some specific examples would be Mr. Keller's property at 2946 Main Road East, approximately 275-feet away will require a grinder pump, where Mr. DeVault's property, at 3502 Main Road East, approximately 560-feet away will not need a pump because the first floor elevation of the building to be served appears to be considerably higher than the elevation of the road.

HAIGH, 26 AUGUST 2005 LETTER, CONTINUED

Question No. 23, continued

If the project is authorized, during the preliminary design phase the relationship between the elevations of the buildings to be served and the depth of the sewer main will be evaluated. The design goal will be to minimize the depth of the sewer, thereby minimizing construction costs.

*§4.5 On-Lot Grinder Pump Units and §4.5.1 Ownership, Owners Responsibilities and Associated Costs* of the Plan clearly states that the grinder pump units will be provided by the "Project" to property owners that require one, for installation by their plumber. We estimate that the installation of the unit itself will be approximately \$1,000.

Question No. 24.

We are aware that there is a high water table in the Vera Cruz Project Area, some of which is seasonal. We have anticipated that dewatering will be required in some areas during the construction of the infrastructure, however in other areas we believe that dewatering will not be necessary. Costs for dewatering have been factored into the estimated unit prices. Typically, dewatering is not a separate bid item in a project such as this. If the project is authorized, during the preliminary design phase, test borings will be taken along the proposed route of the facilities to determine the presence of rock and the depth of water table. The results of the test borings will be considered when finalizing the design.

HAIGH, 29 AUGUST 2005 LETTER

Question No. 5.

DEP has no jurisdiction regarding what type of financing is utilized. As previously mentioned, in the financial analysis of the Plan we have assumed a conservative interest rate of 5%, as it is impossible to determine with any degree of accuracy what the interest rate will be when it is time to finance the project. To assume the current Penn Vest rate this juncture would be misleading. However, it is our intention to seek the most cost effective financing available, whether it is conventional, Penn Vest or a bond issue.

HAIGH, 29 AUGUST 2005 LETTER, CONTINUED

Question No. 6

A financial analysis was performed by SEA, Inc. and is included in the Plan; reference Table 3-10 that provides a Present Worth Analysis, which is supported by Tables 3-2 through 3-9. Other financial aspects addressing project funding, assessments, tapping fees and user rates are found in Section 4 of the Plan.

Question No. 7

1. Previously answered by Township in 9/26/05 mailing to residents that provided written questions.
2. We believe the estimated cost as presented in the Plan for Alternative No. 4 is accurate for the level of the estimate. Unit costs were determined by reviewing similar projects, similar ACT 537 Plan cost estimates, discussing the project concepts with utility contractors, paving contractors, discussing material costs with suppliers for large cost items such as stone, manholes, ductile iron pipe, grinder pump units and the 2-main pump stations. Calculating PADOT restoration quantities in accordance with PennDOT Chapter 459, confirming restoration assumptions with PennDOT. Validating PHMC requirements and restrictions. It is our opinion that Mr. Haigh's comment "project costs are under estimated", are unfounded.

Question No. 9

1. The Alternative No. 4 cost estimate of \$7,245,060 as presented in Plan is the basis of the financing package in the Plan. The March 22, 2005 of \$7,738,725, was refined resulting in the estimate used in the Plan. The difference in cost is primarily attributed to 4 items;
  - Revising the service method from gravity sewer to low-pressure for approximately 15 properties on Marion Place, Salem Drive & Shimerville Road. This change was necessary because originally the wastewater from these homes was to flow by gravity in to the Emmaus system, however Emmaus has since informed us that there is no capacity available.
  - General cost estimate refinement.
  - The recalculation of non-project tapping fees mandated by PA ACT 57 of 2003.

Question No. 9, continued

- A change in the way one category of non-project tapping fees is presented in the cost analysis. In the March 22, 2005 estimate, standard UMIT Tapping fees, which are a component of the "Allocation Costs" and are subsequently included the total project cost (Reference Exhibit "B"), then are deducted as a credit (Reference Exhibit "C") because LCA is waiving the standard UMIT fees. In the estimate presented in the Plan, in order to avoid confusion these fees are not included the costs because they are being waived. The last sentence of §4.3.2.1 of the Plan addresses this.

In actuality, removing the allocation costs from the picture, the estimate presented in the Plan actually increased approximately \$230,000 from the March 22, 2005 estimate in the letter to PADEP.

2. Because of certain past experiences, we have always assumed that PennDOT would not require borings or flow-able fill and therefore these costs were not included in any of our estimates. The only comment in the PennDOT letter of 15 June 2005 that would result in a cost saving is the Departments willingness to overlay Main Road East; we estimate this cost savings at approximately \$120,000. We have not reflected this reduction in the cost estimate as it is time sensitive and because of anticipated delays in receiving Plan Approval" and delays during the process of Township "Project Approval" this savings may never be realized.
3. Because of the sensitivity of the Vera Cruz Area Project cost estimates are not at the conceptual level typically found in an Act 537 Plan, the cost estimates presented in the Plan are some where between conceptual and preliminary design estimates. Contingency standards typically range from 15% to 30% depending upon the level of the estimate.
4. As previously stated, we are aware that there is a high water table in the Vera Cruz Project Area, some of which is seasonal. We have anticipated that dewatering will be required in some areas during the construction of the infrastructure, however in other areas we believe that dewatering will not be necessary. Costs for dewatering has been factored into the estimated unit prices. Typically, dewatering is not a separate bid item in a project such as this. If the project is authorized, during the preliminary design phase, test borings will be taken along the proposed route of the facilities to determine the presence of rock and the depth of water table. The results of the test borings will be considered when finalizing the design.

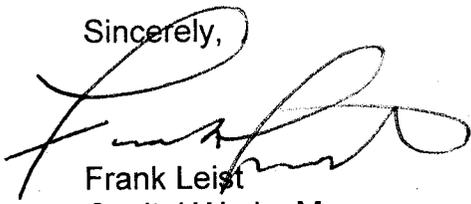
HAIGH, 29 AUGUST 2005 LETTER, CONTINUED

Question No. 9, continued

5. The differential in the number of grinder pumps was answered in number 1 of this question.
6. Typically, a construction contract of this type does not contain escalation clauses; therefore, when a construction contract is awarded the unit prices are locked in and will not change. As such, cost estimates are not adjusted for inflation at the mid-point of construction. Barring any further delays in the process, the contract award is expected in early 2007
7. As previously stated, in our response to Question No. 7, we believe the estimated cost as presented in the Plan for Alternative No. 4 is accurate for the level of the estimate. It is our opinion that Mr. Haigh's anticipated project costs of \$12,500,000 to \$13,000,000 are unfounded, and are no more accurate than the plumbing costs he cites in Question No. 17 of his 26 August 2005 letter.

If you have any questions or require additional information, please call me at (610) 398-2503.

Sincerely,



Frank Leist  
Capital Works Manager

cc: Karl Schreiter, SEA, Inc.  
R. Benner, Shoor DePalma  
J. Boldaz, Shoor DePalma