

Joint Press Release
West Earl Township, West Earl Sewer Authority, Lancaster Area Sewer Authority
For Immediate Release

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West Earl finalizes sale of sewer system to Lancaster Area Sewer Authority (LASA)

West Earl Township and West Earl Sewer Authority finalized a \$7.5 Million sale of the West Earl sewer system to the Lancaster Area Sewer Authority (LASA) on October 30, 2020, completing a process that started nearly a year ago. LASA is a regional municipal sewer authority that will now serve about 40,000 customers representing nearly 125,000 citizens and 1,400 businesses. LASA Executive Director Mike Kyle said, "A regional approach to sewer service makes it possible to keep rates reasonable and stable, while still complying with ever more stringent regulatory and permit requirements. We are happy to welcome our neighbor West Earl Township to LASA."

The transaction: The asset purchase agreement that underlies the sale provides for West Earl Township to receive \$7.5 Million in cash. The current rates in West Earl will remain in place for 20 years or until LASA's rates exceed those currently existing. The West Earl wastewater treatment plant will continue to operate as before, under an agreement with the same contractor used by West Earl.

The sale added 1,400 West Earl residential customers and 70 West Earl commercial customers to the LASA service area that previously included about 38,500 customers. As a result of the acquisition, LASA will own, operate, and maintain a collection and conveyance system that includes about 620 miles of pipe and 44 pump stations, two wastewater treatment plants – one designed to treat up to 15 million gallons per day of wastewater, which when treated is returned to the

Susquehanna River, and one in West Earl Township designed to treat 545,000 gallons per day. Because of the sale, West Earl becomes LASA's eighth largest municipality (by number of customers) of nine served by LASA. The largest is Manheim Township, followed by the Townships of East Hempfield, West Hempfield, and Manor.

Why regional service? LASA has interest in growing and expanding its service area when it benefits the customers being served, both the current and future LASA customers and the customers being acquired. The West Earl system was attractive to LASA primarily due to its close proximity to the LASA service area, and because economies of scale would allow for more efficient service to customers (including West Earl customers). LASA believes that future regulations and more stringent discharge limits will make operating a small wastewater system more costly per customer than a larger system like LASA's.

Benefits of regionalized sewer service with LASA include the following: Costs and rates will be lower over the long run and more stable over time. Economies of scale generally reduce operating and debt service costs per customer. Costs per customer are more stable and less likely to increase as operating and capital costs are spread out over a larger pool of customers. Sharing a pool of LASA personnel allows savings in personnel costs, while debt can be consolidated resulting in debt service savings. The size of regional ownership mitigates spikes in expenses.

The benefits to West Earl include the infusion of \$7.5 Million in cash. But probably the biggest relief is from future regulatory, legal, and financial liabilities associated with owning and operating a wastewater collection and treatment system. Owning and operating a sanitary sewer system has significant financial and legal risks, including permit and other DEP and EPA compliance (which can result in civil and criminal penalties), environmental and public health damage claims, and risks from large capital expenditures. It also allows West Earl to focus on its main obligations, and the infusion of cash provides opportunities to improve other services it provides to its residents and businesses.

There will be improved service because of a larger pool of customer service representatives dedicated to sanitary sewer service and a larger pool of collection operation and maintenance staff to provide rapid emergency response. In addition to dedicated customer service staff, LASA staffing also includes licensed collection system operators, information technology services professionals,

engineering services headed by a Professional Engineer, financial services headed by a Certified Public Accountant, and accredited laboratory services.

Why LASA? LASA recently participated in a nation-wide comparison of utilities, what they do and how well they do it. Compared to similar wastewater agencies nationwide, LASA ranked in the top 25% in the following categories: staff training, billing accuracy, and employee health and safety. LASA can point to its over 50-years of rate history to demonstrate how regional facilities can benefit from economies of scale to help control rate increases. Since the early 1970's when LASA was formed, it has averaged about 2% per year in rate increases, which is well below the average inflation rate over that time.

What happens from here? West Earl customers became LASA customers on October 30, 2020. The purchase agreement between West Earl and LASA requires the current rates in West Earl (\$175.50 per quarter) to remain in place for 20 years or until LASA's rates (currently at \$99.63 per quarter) exceed those currently existing in West Earl. It is likely that LASA rates will increase over time due to inflation and system maintenance requirements. There is no guarantee of any certain increase amount, but history shows that LASA has increased its rates on the average 2.0% per year over the last 50 years of its operation. If LASA rates were to increase 3.0% per year every year, the current rates in West Earl would remain fixed for nineteen years.

West Earl will send out one more bill, and thereafter all bills will be coming from LASA. Customers should call LASA with any sewer service questions problems or emergencies. LASA's office staff is available in person from 8:00 am to 4:30 pm weekdays. Customers can call weekdays Monday through Friday from 8:00 am through 4:30 pm at 717-299-4843, select Option 3 for sewer service problems. Customers can always reach LASA through its emergency call center number at 717-396-9619 on a 24/7, 365 days a year basis.

Conclusion: LASA now serves nine municipalities in the western part of Lancaster County, including the Boroughs of East Petersburg, Mountville, and Columbia, and the Townships of East Hempfield, West Hempfield, Lancaster, Manheim, Manor, and West Earl. The system includes two treatment facilities - the Susquehanna Water Pollution Control Facility in Manor Township that has a capacity to treat 15 million gallons of wastewater per day, and the West Earl treatment facility in West Earl Township that has a capacity to treat 545,000 gallons of wastewater per day, along with 44

pumping stations and approximately 620 miles of pipeline. The Mission of the Authority is to provide Quality Service at Reasonable Cost. Its Guiding Principle is to provide quality service and apply technology to process wastewater so as to protect and enhance the environment, health and well-being of the community at a reasonable cost.

If you would like more information about LASA, please visit LASA's website at www.lasa.org.