

**SPECIAL JOINT SESSION OF THE
STEELTON PENNSYLVANIA BOROUGH COUNCIL AND WATER AUTHORITY
June 25, 2018**

PRESENT:

Brian Proctor, Council President, and Authority Member
Michael Segina, Council Vice-President, and Authority Member
Keontay Hodge, Council Pro-Tem
Dennis Heefner, Council Member
Kathy Kratzer, Council Member
Natashia Woods, Council Member
Allan Ausman, Chairman of Steelton Borough Authority
Kathy Handley, Steelton Borough Authority
Douglas Brown, Borough Manager, and Authority Secretary
Jay Wenger, Susquehanna Group Advisors, Inc.
Ed Ellinger, HRG
Dan Kalas, HRG
Kathy Pape Special Legal Counsel

Absent With Cause: Ryan Maxwell, Vice Chair of Steelton Borough Authority, William Krovic, Council Member

The Meeting was called to order at 6:00 p.m. by Mr. Ausman.

Mr. Proctor led the body in the Pledge of Allegiance and a Moment of Reflection.

The Steelton Borough Water Authority and the Steelton Borough Council each approved the Minutes of the April 25, 2018 minutes by unanimous votes at their separate meetings held May 7, 2018.

Jay Wenger stated that the purpose of this meeting is to inform both Boards of bids received in connection with the RFP's sent out soliciting interest in the purchase of the Water and Sewer Assets of the Steelton Borough. The deadline for submission for proposals was June 4, 2018. At this period, there were three bids filed. The bidders were Aqua American Water Services, Pennsylvania American Water Company, and Suez Water. The RFP had two options; one was for the six-year stay out, which requested that rates do not increase for six years and the other was without a "stay out" allowing the company to supply the timetable for rate increases. The resulting bids were:

	Stay- out Sewer Six Years	Stay-out Water Six Years	Non-Stay-out Sewer	Non-Stay-out Water
Aqua American Water Services	0	0	\$ 10+ million	\$ 17 million
PA America Water Company	\$ 5.2 million	\$ 13 million	\$ 8.1 million	\$ 22.5 million
Suez Water	\$ 18.8 million	\$ 13.2 million	\$10.8 million	\$ 16.2 million

On the “non-stay” outside of the transaction, the prices bunched from \$ 27 million to about \$ 30.6 million. The RFP has a weighting of scoring, which will be presented at a later meeting. However, with consideration given to 70 % financial price and 30% non-financial price, is an effort to measure their consideration and compliance with the non-financial provisions of the proposal, primarily to weigh their financial ability issues regarding retention of employees, a capital improvement plan for both systems, customer assistance plans and monthly metering and whatever non-financial components they may have proposed.

Kathy Pape – the legal section reviewed all of the proposals to determine if they complied with the plans as outlined in the Request for Proposal. What they found was that of the sewer bids two proposals that were not in compliance, and on the water side, there was one bid that was not in accordance. Aqua American Water Services was not compliant on both water and sewer. Their non-compliance was the requirement that the bidder ensures their proposal would be in place through December 31, 2018. In their plan, Aqua changed the date to September 2018. PA American Water's proposal stated that their sewer bid was contingent upon whether or not the agreement complied with the Inter-Municipal Agreement made with Capital Region Water. Therefore, PA American Water's proposal was not in compliance with the RFP. By their compliance/non-compliance with the RFP, the only two plans that can be eligible for consideration are PA American Water water bid and the Suez Water sewer and water bid.

Questions:

Mr. Wenger stated that the next step is to (1) set-up meetings to share the information with the public, including selling water; selling water and sewer. (2) Keeping the systems and what it would mean to the Borough budget and what it would mean regarding water or sewer rate increases which will reflect the cost for meeting the current water and sewer systems in place, projected needs, capital investment and corresponding rate increases. The decision will be based on the comprehensive rate study conducted by HRG that covers the next ten years.

The Boards can decide to reject the bids because they do not meet the expected needs and maintain both systems, reject the bids and put out another RFP or sell just water or sell water and sewage to Suez, which is the only proposal that was in complete compliance with the RFP for both systems.

Questions:

Ms. Hodge – because one cancels itself out only have two bids left can we sit down with the two bidders. Ms. Pape explained that legally, the Borough could not call the bidders in to discuss aspects of their proposal at this point, because it could give an unfair advantage to them or another bidder that steps in. If one plan is accepted, an asset purchase agreement must be negotiated, once successfully negotiated, the persons awarded the contract can be called in to discuss the aspects of the various components of their proposal. There is no obligation for the Borough to execute the asset purchase agreement.

Mr. Ausman - **Inaudible question**. Mr. Brown responded that to give the residents adequate notice, the Borough will develop a schedule of a public meeting to give residents enough time to plan to attend.

Mr. Ausman - **Inaudible question**. Mr. Wenger provided a negative response. It will be pushed back a week, maybe two weeks. The public was not informed of the June 28th meeting because the legal review had not completed. Without that review, the plan is unclear.

Inaudible question. Dan Kaldas from HRG mentioned a June 1, 2018 memorandum, with information based on good solid practices which included a prediction of necessary capital improvements and projected what a rate increase would be if the Borough continued to maintain the system. The report was developed in consideration of regulatory requirements, and necessary capital revisions, based on the age of the water and sewage systems and the projects completed in the last year costs. The numbers were real world numbers, not inflated projections. The projections given in the memorandum represents a less than 1% increase in the cost of materials in the next ten years. The study concluded that sanitary needs improvements within the next two years. The improvements would require one 6% increase. Mr. Heefner indicated that there were surplus sewer funds available, those funds will offset some of the projected costs. For water, the projected increases are:

Year	2019	2020	2023	2028
Increase	20%	6%	12%	17%

The considerable increase in 2019 and 2028 are based on the necessary system upgrades and regulation compliance now and the ones projected in the future. The 2019 expansion includes outstanding debt. New regulations are in the works and general good practice and maintenance requirements that future need of the plants considered as the Borough makes the ten-year plan.

Mr. Heefner stated that the sewer fund account contains \$ 3million. The \$ 2.47 million debt is mostly the result of separating the East End Sewer Separation. He suggests that \$2 million be used to pay down the debt and \$700,000 refinanced. This action would allow the rates to be lowered almost to the pre-East End Sewer Separation rates. Mr. Heefner also stated that he keeps pushing for the Borough to seek grant money to offset the cost of infrastructure needs.

He expresses his concern about selling a system that could be used to bring in revenue to help support the general fund. He further stated that he had comments about the water system that he would discuss at this meeting.

Mr. Ed Ellinger noted that the numbers in the budget for projected rate increases for capital improvements do not include the potential of losing the mill as a majority customer of the water plant. Mr. Kaldas stated that he was correct, the projections are based on the current customer base.

Inaudible question – Mr. Wenger responded by first following up on Mr. Ellinger’s statement. HRG took a comprehensive look at the water and sewer systems with significant capital investment projected on the water side. The proposals from the three bidders were based on current water needs.

Inaudible question – Mr. Wenger remarked that several factors determine why the process is at this place. With the recent change in Pennsylvania law, the ability to transfer money from a utility system to the General Fund is significantly reduced, to the point where unless the expense is allocated to go to the General Fund, the transfer of funds is prohibited. The impact on the Borough budget if the water and sewage systems, is yet undetermined. Mainly as at this point, there is a sharing of funds among the water, sewer and general budget.

Inaudible question – Mr. Wenger again stated next step is to evaluate the "what if." The sale of the system will provide some excess money to do some things in the community, capital improvements that have not been affordable, paying down debt, making the mileage rate, are trying to figure out if there will be better financial outcomes for the community.

Inaudible question -

Public Comment:

Joyce Culpepper, 237 N. Harrisburg Street – What will happen in ten years if the decision is to sell the water and sewage systems? She expressed concern about the budget and how things like salt will be obtained. It is her understanding that such items come out of the water/sewage budgets. She also stated that she knew that employment is never guaranteed, but expressed her concern about persons being laid off. Her final interest was if there were plans to include the union in the discussions. There were answers to her questions; however they were inaudible. Ms. Culpepper asked the Board Members to please think about what the decision before it is made. She expressed concern about the increased cost for renters, whose water is not included in their rent. She stated that there is a high poverty rate in Steelton. **Inaudible response.** Her last question was if the Water Authority has considered monthly billing for the water? **Inaudible response.** Mr. Segina stated that he and Ms. Maxwell are members Billing Dispute Committee and Advisory Committee to the Water Authority. Consideration has been given to the problem of water cost, particularly when it pertains to water leaks, of which persons may not be aware. Providing additional services will incur more labor cost because it makes take three or four days to read the meter plus the cost of postage. Mr. Brown stated

that one of the non-financial things included in the RFP was that the buyer establishes a Low-Income Assistance Program, which is something that the Borough cannot afford to do at this time. Hopefully, the bidders will have better resources than the Borough.

Ms. Hodge stated that she has been hearing concerns about some renters are not paying attention. However, some renters do have to pay for water. Water is not free, so someone has to pay for it, whether the rent goes up or whatever, someone has to pay for the water. She further stated that when a person runs for public office, and you have to make a major decision like this, they must look at the whole and not just the minority. She stated that she would appreciate it if persons would take into consideration that the concerns are not about some residents but about all the residents and looking into the future. Ms. Hodge stated that she was “not in the business of playing fix it, she is in the business of preventing it” so hopefully it will be done correctly the first time so that efforts will not have to be spent trying to figure out what happened.

The meeting adjourned into Executive Session at 6:33 p.m. to discuss personnel matters.

Mr. Proctor moved, and Mr. Segina seconded the motion that the meeting adjourn at 6:48 p.m. The meeting adjourned by a unanimous vote of the Steelton Borough Water Authority and the Steelton Borough Council.

Respectfully submitted,



Douglas Brown