

Special Steelton Borough Water Authority Meeting Minutes
July 18, 2018

PRESENT:

Alan Ausman, Chair

Ryan Maxwell, Vice Chair

Katherine Handley, Secretary

Brian Proctor

Michael Segina

Michael Solomon, Solicitor

Edward Ellinger, HRG Engineer

Douglas Brown, Secretary & Borough Mgr.

Rose Paul, Borough Secretary/Treasurer

Kathy Pape, Special Counsel

Jay Wenger, Consultant

The meeting was called to order by Alan Ausman at 5:30 p.m. He also let the body in reciting the Pledge of Allegiance.

The Authority reviewed the minutes of the May 7, 2018 meeting. Mr. Segina moved and Ms. Handley seconded the motion that the minutes be accepted as provided. The motion passed by a unanimous vote of the Authority.

The Authority reviewed the June 2018 Treasure's Report. There was discussion regarding questions from Ms. Maxwell regarding the discrepancy between the reported ending and beginning numbers reported. Ms. Paul stated that the report brought to the May minutes did not come from her, but were picked up from old records, so they were not correct and were still a work in progress. She reported that the reason the balances will change is because the records they receive are a quick snapshot of the financial records. Ms. Paul stated until she reconciles the books adjustments will always be necessary. The reconciliation of the financial records will not be completed until the middle of the month. Her example was regarding a payment made to the water department, which was recorded as paid in the report. There was a check marked "non-sufficient funds. The person was given a month to pay the bill and they did not. The balance must be added back to their account and adjustments made in the report, which changes the earlier recorded figures. When such a situation occurs, the system removes the check from the date it was turned into the Borough. Mr. Ausman requested clarification on the final date the check is subtracted from the account. Ms. Paul acknowledged that the system takes the adjustment back to the original date that it was presented. Mr. Ausman remarked that under those circumstances the figures will always be off. Ms. Paul explained that everything would be balanced by the end of the year. Another example she gave was sometimes a clerk may assign a payment to the wrong account. When the error is found, a financial adjustment must be made. Mr. Ausman asked if they should be getting the reports a month later. Ms. Paul responded that they should not receive the reports as early as they have been receiving them because the Board meets at the beginning of the month, before she has had the opportunity to reconcile the report. Mr. Brown agreed that the reports be received quarterly. Mr. Segina stated that now that the Board understands that there may be some small changes, the changes should be noted on the next report. Ms. Handley agreed that the Board needed some information so that they have some idea of where things stand and suggested that changes be denoted by the placement of an asterisk with an explanation why the change occurred. Ms. Handley stated, according to the minutes, the Board was waiting for corrections on the December and March reports. Mr. Segina suggested that the March and December reports be updated and presented at the next regular meeting. Ms. Handley addressed the other question raised

by Ms. Maxwell who was concerned about the interest rate being higher than the principle. Ms. Paul explained that those instances occur when there is a balances on an account. Balances occur when a person only make a partial payment on their bill. The software system follows this pattern: interest on sewer, principle on sewer, interest on water, principle on water. On those accounts where only partial payments were made, the interest will appear to be higher than the revenue. Ms. Maxwell moved that the financial report be accepted as presented. Ms. Handley seconded the motion which passed by a unanimous vote of the Authority.

There were no public comments on the agenda items.

There were no communications addressed at this meeting.

UNFINISHED BUSINESS:

Mr. Brian Handley, stated that he was representing himself and Mr. Mark Handley, who was unable to attend the meeting. He said the last major upgrades to the water plant were completed in 2015-16. The list of things presented by the engineering company reflected the needs taken from the final report of the 2016 upgrade. In 2016, there were several things listed that needed to be changed, however, some of the deficiencies noted have already been resolved. Mr. Handley stated that he, nor Mark feel there are \$17 million worth of changes that need to be made. The Handleys request the opportunity to meet and review the recommendations and remove the items that need to be removed, thus reducing the cost of work needed. Mr. Handley stated that the 2016 study was completed when the disinfection by-products were problems at the plant. Since the construction and use of the new chlorine tank, those issues have been resolved. Additional filters, additional chlorine injection points, variation of reservoir, and Variable Speed Pump improvements are not necessary at this time. Mr. Handley noted that it is his opinion that a lot of people are thinking of selling the plant, however, adding an additional \$17 million debt is unnecessary.

Mr. Ellinger stated that Brian is partially correct. A lot of the information included in the recommended capital improvements came from the 2016 report. However, the need to upgrade the plant is the most, and a position that is realistic and responsible are the most important things. Mr. Ellinger stated that he cannot, in good conscious, not include a new plant in his seven to 10 year projections. The second largest expense is the miscellaneous distribution system which will be completed over a 10 year period. The cost for this item \$2.5 million. HRG did not go into the building to examine the treatment system. However, the plant was built in 1973-74 so it is 45 years old. In 10 years, it will be 55 years old. What the Water Authority must take a serious look is the design limitations of the plant. Staff has done an excellent job meeting the requirements, but right now the plant cannot be a long term option with its construction and outdated design. For example, right now the plant's back wash flow is too low, and the filtration technology itself is insufficient. The fact that this plant could not be built right now by today's standards cannot be ignored. It has been grandfathered in and things in the plant are working because the Borough has been paying attention to it. There are design issues with the plant. He stated that he could not say that he would be comfortable with the plant 10 years from now with the same design with just some minor tweaks here and there. He stated that he would agree with Brian on some minor items. The new regulations require two things; \$450,000 chlorine injection system with a sample plan that has to be met in October, and a residual requirements in the system that goes into effect next April. The need based on the study completed by DEP in 2015 and HRG in 2016 which showed that

there are a lot of points within the system that did not meet the new requirements. To Brian's point, they knew that Clearwell tank, which was not operational when the disinfection regulations were drafted, would help that issue. We weren't sure that it would completely address the issue but it does help with chlorine residuals in the water system. Brian confirmed that it has helped with chlorine residuals. Mr. Ellinger would like to review the data, and if it shows that the problem has been completely corrected then the \$ ½ million worth of work could be not necessary. There are a few other items that can be eliminated if the Clearwater tank continues to perform well with chlorine residuals. He stated that their numbers were based on the information they had and cost associated with other projects they have completed on plants of similar size. Mr. Ellinger reiterated that he is still uncomfortable if the major plant upgrade, and upgrade in water distribution improvements were not completed.

Mr. Handley responded that the Borough has completed three or four major upgrades which cost several million dollars. The upgrades they are doing do not require \$250,000 each year. He disagrees on spending the \$14 Million on a plant upgrade. Mr. Handley stated that DEP has stated that they are not required to do the filter to waste or back wash filters immediately if it requires a major capital improvement project. He stated that the membrane filters are very expensive to maintain and only guarantee a .1 NTU (nephelometric turbidity units) and the current filters produce .024 NTU, which is better than the amount guaranteed by the suggested membrane filter.

Mr. Ausman stated that when he and Doug went through the DEP filter plant performance evaluation, he left the experience thinking that it would be helpful to see what could be learned by seeing what other plants were doing. The filter to waste and backwash are the main pieces discussed and what DEP wants are still going to be wanted. He also noted that DEP has stated in its FPPE that the Authority must consider the outdated design of the plant and replacing it in the long term. Mr. Handley responded in the affirmative and stated that they are not requiring the Borough to replace the plant at this time as a matter of compliance. Mr. Ellinger stated that DEP wants compliance, however, they know they would not permit that plant to be constructed now. DEP is considering the plant as meeting requirements right now but the future is uncertain because it is outdated and there is only so much that can be done given its design. The agency will continue to include optimization requirements in the filter plant review, knowing that they cannot be met at this time. However, if new regulations are put in place in the future, things may not be accepted as they are currently. Mr. Brown stated that some prognostication has to occur, however the Board has to consider that the Borough has a plant that just recently moved into the satisfactory category from unsatisfactory in the last evaluation and that DEP continues to suggest that the Board needs to consider a plant upgrade. He raised the question if the Board wanted to be satisfied with just being in compliance or just meeting the DEP standards hoping that there are no new regulations in the future that we would not be able to meet. The other question is if the Board wants to be pro-active and try to make things better. Mr. Handley stated that DEP has said that the Borough is not expected to be in compliance at this time and he still disagrees with the \$14 million plan. Mr. Ausman stated that he would like to re-confirm with Stephanie Stoner at DEP. Mr. Handley stated that it has already been put in writing with the satisfactory evaluation of the filter requirement evaluation. There are design limitations that they are asking you to review. Until there are violations, and consent orders, and agreements the satisfactory evaluations is all that DEP will do at this time. Mr. Ellinger then stated that from an engineering point of view, it will be difficult to find many plants using the same technology as this one because the vast majority of plants in Pennsylvania have been upgraded. DEP is also looking at the point that other systems have been upgraded. Mr.

Handley reported that the Borough plant can handle a larger amount of water flowing from the river than the newer plants, such as Suez, which usually has to shut down their plant and pump water from the Steelton plant.

Mr. Ausman then asked Mr. Pape for her advice. Kathy Pape stated that she was present to provide legal advice. She did note that it is an older plant, and the discussion is about the health of the citizens. Mr. Ellinger was asked about the average life span of a treatment facility. The response was 25 to 50 years old. Mr. Ellinger noted that the concern is about the limited technology of the plant, not about how old the plant is. The other non-issue is the age of the equipment. The Borough continues to invest in new equipment so that is not an issue but is placing it in an aging plant. Mr. Ausman asked how the Board evaluate whether or not to sell the plant. The main personnel who operate the water system are saying that we need to continue working to incrementally improve the plant but finance staff and the engineer are stating that the system cannot continue to operate. Ms. Handley stated that the questions to consider are how badly do you want to keep the plant? Should it be kept in town? Are the residents getting good water? Do we determine that it is better to hand the problem over for someone else to solve? How bad do you want to sell it? She stated that ultimately it is about what side one falls on.

Mr. Handley then asked about approximately \$900,000 that is current sitting in the Borough's debt service account. He stated that claiming to eliminate the debt service tax if the plant is sold is not accurate because there is enough in the account to pay off the 2015 General Obligation Bond and cancel the debt service tax.

Mr. Brown replied that the 2 Mill debt service proceeds can be spent on any general debt of the Borough and that the current General Fund debt service far exceeds \$900,000. Therefore, they would most likely need to keep the debt service tax unless water sale proceeds are used to completely eliminate General Fund debt. Mr. Handley disputed this and stated that the tax can only be used for the 2015 bond. Mr. Brown stated that he would confirm his position with Bond Counsel and the Borough Solicitor.

Mr. Handley then brought up the additional expenses that would need to be absorbed by the General Fund that the Water Fund has been carrying for years. This includes vehicle and equipment purchases, maintenance, and some non-water salaries. Mr. Brown stated that they have run budget scenarios with water sold and expenses split between General Fund and Sewer and they show a surplus that exceeds these costs. Mr. Handley disputed this as well.

Mr. Brown said that Brian has identified about \$150,000.00 that should move to the General Fund. Estimates are that debt service for water will increase to about \$ 900,000.00 within the next five years. Ms. Handley assumes the rate increases depend on completing all of the improvements listed, which could possibly be reduced. Mr. Ellinger responded that HRG rate increases were taking all the projects with the schedule and coming up with funds. Ms. Handley asked for clarification on the possibility of reducing some of the expenses noted. The response was yes, particularly since Brian has identified a few based on the sampling that had been conducted. The project Brian identified were the ones that were listed first since the new regulations will not be enforced until next year. Mr. Segina stated the first thing that has to be done is to balance the budget. There was a discussion regarding the rates, whether they will be raised or lowered and the time period in which the changes occur. Ms. Handley

stated that this sounds like we're going to sell the water system to save the general fund? Mr. Brown replied that there are a number of looming issues that the Board must face and that it is not about "saving the General Fund." The issues include:

- Overreliance on a struggling steel mill
- A potential structural deficit
- A 45 year old plant with an obsolete design

Mr. Brown stated that it is about the board either sticking their head in the sand and hoping for the future to work out or proactively planning for the future.

The board then discussed whether or not a separate engineer should be brought in to give a "second opinion" on the capital needs of the plant. It was discussed that this would further push back the timeline and most likely lead to the same result. Therefore, the Board instructed Mr. Ellinger, Mr. Brown, and the Handley's to meet to try and come to a consensus on a capital cost figure.

The Authority then discussed pushing back the public input meetings previously scheduled due to the need to re-review the capital needs report. The Authority instructed Mr. Brown to cancel the public input meetings and send a notice to residents of newly scheduled dates.

An unidentified person discussed meeting August 1, 2018. If persons were unable to meet during that week, they could meet August 13, 2018 at regular Water Authority meeting at 5:00p.m.

An unidentified person asked if Council's decision not to sell the sewage system was that dependent of the Water Authority's decision to sell. Mr. Segina stated that the decision not to sell was based on the fact that the offers were well below the appraised value of the system and that the Sewer Fund can absorb projected capital costs without the need for a rate increase. Mr. Wenger elaborated on the issue.

NEW BUSINESS:

Ms. Handley brought up a staffing shortage in Water Department. Mr. Segina stated the Authority has already taken action to allow Doug and Mark to hire another person if necessary. Mr. Brown then noted that he would post the position internally.

PUBLIC COMMENT:

No Executive Session was held at this meeting.

Mr. Proctor moved and Mr. Segina seconded the meeting be adjourned at 7:09 p.m. The motion was passed unanimously. The Steelton Borough Water Authority Meeting was adjourned at 7:09 p.m.

Respectfully Submitted,



Douglas Brown, Secretary