

Public Comment Record

August 13th, 2018 Steelton Borough Authority Public Input
Meeting

IW ABEL HALL

The following log summarizes comments made to the Steelton Borough Authority by residents and customers of the Steelton Water System at its meeting soliciting input related to the potential sale of the water plant and system. The responses include summaries of responses provided directly at the meeting as well as responses articulated after the meeting.

NAME	ADDRESS	COMMENT
Paul Kuder	701 South Front Street	<p>Comment: Questioned why he receives the same billing every quarter. Mr. Kuder has received the same bill amount, to the penny, for the last three quarters.</p> <p>Response: Mr. Segina replied that the utility billing software rounds billings to the nearest thousand of usage, meaning if someone uses the same ballpark usage (ex. 7,000; 7,100; 7,400 gallons in a quarter) the bill will round to the thousand, giving that person the same billing. Mr. Brown also stated that bills are estimated when the meter cannot be read sometimes.</p>
Miles Belick	403 E. Ave, Apt. C	<p>Comment: Where are the funds for a customer assistance program as mentioned in the presentation?</p> <p>Response: Steelton Borough cannot currently afford to offer a customer assistance program due to its small size and budgetary constraints. Potential buyers of the water system, which have greater resources, can afford one and have committed to providing a customer assistance program for customers that meet income requirements in their proposals.</p> <p>Comment What guarantees the rate projections for water rates as shown in the presentations?</p> <p>Response: Mr. Wenger responded that there is no guarantee on what the rates will be 5 to 10 years from now for either system. He noted that the capital projections used to base rate assumptions on are very conservative and based on today's dollars, rather than future dollars impacted by inflation. A buyer of the water system typically goes before the Pennsylvania Public Utility Commission every three to four years. Rate projections for the selling scenario are based on this historical schedule and anticipated capital needs.</p>

Trish Abatello	55 N. Front Street	<p>Comment: Is a business owner at 55 N. Front Street with a mixed-use property. The first floor is commercial usage, the second and third floors are residential units. All water used at the property goes through one meter. Because there is commercial on the first floor, Ms. Abatello is charged “Commercial” sewer rates for ALL usage. This has led to astronomical bills as the commercial rate is far higher than the residential rate. Ms. Abatello asked when the Borough will move to a mixed rate for mixed-use properties like hers.</p> <p>Response: Mr. Brown responded that the commercial rates, which are around \$20 per thousand gallons, went into effect in 2012 when sewer rates were restructured. Under the current structure, Ms. Abatello is forced to either continue to pay full commercial rates despite having mostly residential use or pay to have her lines separated to run from separate meters. Mr. Brown noted that one benefit of a sale could be that sale proceeds be applied to pay off sewer debt, allowing sewer funds to be lowered and a mixed-use rate to be adopted due to the decreased costs pressures on the Sewer Fund.</p>
Susan Spangler	2047 S. Third Street	<p>Comment: Ms. Spangler asked why there are so many water accounts with high outstanding account balances, sometimes in the tens-of-thousands of dollars. Ms. Spangler stated that she notices that there are many accounts with long overdue balances that just accumulate into large balances owed. She asked why the Authority does not shut off the water for accounts whose balances are getting high.</p> <p>Response: Mr. Brown responded that each account has its own circumstances and that they typically handle billing issues on a case-by-case basis. Ms. Maxwell stated that the Authority has formed a Billing Review Committee which provides recommendations to the</p>

		<p>Authority Board about cases where large balances are owed and the owner disputes the costs. Mr. Brown added that the Water Fund has a very large amount of delinquent and aged receivables, much more than he is comfortable with. He also stated that the Authority does not have the staff power or software to provide instant notification of high bills or go after delinquent accounts in collections. The Authority does have the power to lien properties for the amount of an unpaid water bill balance.</p> <p>Comment: Ms. Spangler asked why some accounts are estimated and how estimated bill works.</p> <p>Reply: Bills are estimated in cases in which a meter cannot be read. Reasons include: meter is not working, battery in meter is dead, or the water staff cannot get access to a meter. The Water Authority keeps a log of accounts on which the meter cannot be read and the reason why each time the meter cannot be read. The estimate is based on historical usage for the given account.</p>
Roberta Cooper	424 Ridge Street	<p>Comment: Would like to know if there is any guarantee that a buyer would not take the Steelton water system and sell it to another company. Ms. Cooper wanted to know what safeguards there are so that the Steelton Water System does not end up in the wrong hands.</p> <p>Response: Mr. Ade Bakare replied that the sale of the Steelton Water System to a private entity is a highly regulated process overseen by the PA Public Utility Commission. Any sale of a municipal utility to private buyer would have to be regulated and approved by the PUC. The regulated conditions under which a private water company falls includes certain consumer protections and review and oversight of any further sale of the water system.</p>

Paul Zupan	2604 S. 4 th Street	<p>Comment: Is skeptical of a sale. Mr. Zupan asked if we consider the water system an asset or liability.</p> <p>Response: Mr. Brown responded that we have to determine if the system is becoming a liability based on its age, condition, and financial shape.</p> <p>Comment: Can we get grants to cover the projected capital costs over the next ten years? Why can't the Authority hire a quality grant writer to help defer future capital costs.</p> <p>Response: Mr. Brown responded that there are PENNVEST grants available to some water systems. However, Steelton's water rate is so low that PENNVEST will not give Steelton grants. Rather, Steelton must take out loans until the point that water rates are considered unaffordable by PENNVEST. Mr. Brown further stated that there are USDA grants available, but most grants require a match, many times of 50%.</p> <p>Grants are not a sustainable funding strategy as part of a long-term financial plan for any water system.</p> <p>Comment: Provide one success story you have heard about a water system being purchased. He has only heard bad stories related to water sales, i.e. Middletown, Allentown, etc.</p> <p>Response: The board did not provide immediate comment. However, a board member from a municipality that recently sold its sewer system subsequently spoke of its benefits.</p>
Maria Marcinko	2004 S. 2 nd Street	<p>Comment: Brought up an example of promises of great returns regarding a previous project on the "Lower End." Ms. Marcinko</p>

		<p>stated that if we sell our plant, we do not get it back. Asked that Council consider using any proceeds wisely if the Authority sells its system rather than on projects that provide one-time benefits. Ms. Marcinko would like a guarantee that General Fund Debt will be paid off, sewer debt will be paid off, and the Borough will be debt free and can remove the debt service tax and lower sewer rates.</p> <p>Response: Mr. Wenger replied that the value proposition before Council will be to use sale proceeds to pay off the entirety of General Fund Debt, remove the debt service tax which saves a typical homeowner over \$150 per year, lower sewer rates and put money in a rainy day fund. There is no guarantee Council will do this, but this is what has been presented as the net-savings strategy for using the proceeds.</p>
Kevin Hall	New Cumberland Borough Council Member	<p>Comment: Mr. Hall has been following the Steelton water sale issue for a few months having recently sold New Cumberland's sewer system as a New Cumberland Council member. Mr. Hall stated that the sale has been nothing but positive from his perspective. Using sale proceeds, New Cumberland was able to completely pay off their debt and place a substantial money away to mitigate any needs for future tax increases. New Cumberland sold their system to PA American who have acted more like a partner in the process, according to Mr. Hall. He further noted that PA American is PUC regulated and any rate increases have to go before the PUC. Mr. Hall noted that the sale has benefited New Cumberland Borough.</p>
Mary Pouncey	Swatara Township – Street Address not Given	<p>Comment: Would like to know who the proposers for purchasing the system are.</p> <p>Response: The Authority Board responded that PA American Water and SUEZ Water are the two respondents with qualifying bids.</p>

Marshall Hoyt	728 S. Second Street	<p>Comment: Mr. Hoyt moved to Steelton from Fairfax where there was a county-wide water/sewer system. Mr. Hoyt noted that he liked having a larger system and had affordable rates. When Mr. Hoyt moved to Steelton, every utility bill he had went down except for water/sewer rates, which jumped significantly.</p> <p>Response: Mr. Brown responded that water/sewer rates were most likely better in Fairfax because of the economies of scale a larger system can achieve, as well as a larger customer base to spread costs across. This is a similar economy of scale Steelton can achieve by selling its system to a larger company. For example, if the Steel Mill (which makes of 60%-65% of Steelton’s water revenue) were to close, Steelton would have to spread this revenue hit over only 2,400 customers which means very large rate increases. A larger company with hundreds of thousands of customers can spread the costs of capital projects and loss of large users over a much larger base, meaning smaller corresponding rate increases.</p> <p>Mr. Brown also discussed the fact that sale proceeds would be used to attempt to achieve a net-value for customers by eliminating the debt service tax and lowering sewer rates.</p>
Sam Varnicle	2630 S. 4 th Street	<p>Comment: Asked if a buyer would be purchasing just the water filtration plant or also the water distribution lines.</p> <p>Response: The buyer would purchase both the water filtration plant and all distribution system lines.</p> <p>Comment: The water system and plant is an asset. Once you sell it you cannot go back. He was always taught to never sell off an asset.</p>

		<p>Response: The Authority is determining if the water plant and system, given its age, condition, and ability to meet future regulations while minimizing costs for customers, is still a viable asset or if it is becoming a liability.</p> <p>Comment: What will keep Council from spending all of the proceed money and not going into debt again. Where are the state representatives on this? Mr. Varnicle recommended hiring a strong grant writer to procure the grants needed to fund future capital needs.</p> <p>Response: While there is no binding obligation the Authority can place on Council regarding spending proceeds, the conceptual use of proceeds has long been to pay off debt, lower taxes and sewer rates, and put money in a rainy day fund. Future Council's, accountable to voters, will ultimately decide as policy decisions if they continue this strategy.</p>
Christina Miller	529 N. Third Street	<p>Comment: There should be a guarantee that the current Council will use the proceeds to reduce costs and a guarantee that the rates will be as projected.</p>
Brian Handley	355 Locust Street	<p>Comment: He believes that the information the Authority Board is distributing to residents/customers is "incorrect."</p> <p>Response: The Steelton Borough Authority has worked exhaustively since the beginning of 2018 to review and analyze every piece of data related to the water system and its future. The data provided in the materials disseminated to the public has been closely and carefully analyzed and prepared by a team of professionals including a PUC certified Valuation Expert, a licensed professional engineer for capital cost needs and rate projections analysis, a licensed professional financial consulting firm for financial and debt data,</p>

statements prepared by a certified independent auditing firm for estimates regarding mill usage, and budgetary reports pulled directly from Steelton's accounting software by staff. All data has been carefully scrutinized for accuracy.

Comment: Mr. Handley stated that it is misleading to state that the elimination of the 2 Mill debt service tax is conditional upon a sale. He stated that the tax was passed by Council solely to pay off the 2015 General Obligation Bond and no other debt. He stated that the Borough currently has enough funds in the Debt Service Tax Account to pay off the GOB and eliminate the tax.

Response: Mr. Brown replied that the Borough has roughly \$890,000 in the Debt Service Tax Account because the account pays the debt service according to the drawn-out amortization schedule for the bond. Mr. Brown stated that this isn't enough to cover the roughly \$1.1 million defeasance cost, so they don't have enough yet. Mr. Handley disputed this.

Mr. Brown further stated that the General Fund still has \$4 million in additional debt aside from the 2015 Bond that is creating a roughly \$430,000 cost pressure on the General Fun every year. If Council took the balance in the debt service account and paid down all debt, then used water sale proceeds to pay off the remaining debt, the Borough General Fund will save \$430,000 annually that can be used for other goods and services. Otherwise, the General Fund will have to be cut in other areas to account for the continued payment of debt. Mr. Brown stated that this is a decision of Council and that having sale proceeds would be the most advantageous position related to debt, taxes, and the ability to provide goods and services.

		<p>Mr. Handley stated that the account should only pay for the 2015 GOB, we should eliminate the tax, and gradually pay off the remaining \$4 million of General Fund Debt according to schedule rather than sell the water system to bail the General Fund out.</p> <p>Comment: Mr. Handley asked Mr. Brown if he knew how much the Water Fund has paid for to cover General Fund equipment and costs since 2015. Mr. Handley stated that the amount was \$2 million. Mr. Handley further stated that PA American has consolidated rate zones into only 3 zones for rates now, indicating less local control/consideration of local conditions related to rates. He also stated the PA American has raised tariffed rates over 100% in the last 8 years.</p> <p>Response: If the Authority sells its system, the buyer must keep Steelton’s current rates. They do not automatically jump to the tariffed rate for our zone. Subsequent rate increases must go through the PUC review process and would be gradual and more predictable. For example, IF the mill were to close, we estimate rates increasing 200%-plus for customers that would need to be immediate without PUC approval needed.</p> <p>Comment: Mr. Handley reiterated that he is strongly against the sale of the water plant and system and that it would be a mistake.</p>
Trish Abatello	55 N. Front Street	<p>Comment: Wanted to know who prepared the General and Sewer Fund budgets.</p> <p>Response: The Steelton Borough administrative staff prepare a draft budget in consultation with the head of each department, including the water filtration plant, water distribution department, and sewer department for the General Fund and Sewer Fund Budget (adopted</p>

		<p>by Council) and the Water Fund Budget (adopted by the Steelton Borough Authority). Water Fund Budgets go straight to the Authority for review and amendments during the fall/winter of each year. They are passed by December 31 of each Fiscal year. The draft General Fund and Sewer Fund budgets are submitted to the Steelton Borough Council Finance Committee (Councilman Mike Segina, Councilwoman Kelly Kratzer, Councilwoman Natasha Woods). The Finance Committee reviews the budget, amends the draft budgets, and provides a balanced recommended budget to the full body of Council to review. Council adopts the budget by its second meeting gin December of each Fiscal Year.</p>
<p>Brian Handley</p>	<p>355 Locust Street</p>	<p>Comment: Asked why we cannot go for grants to fund the projected capital needs, including the new water plant? He stated that the USDA has said Steelton should receive grant for this.</p> <p>Response: PENNVEST will not give Steelton Authority grants due to the current customers rates being “too low” for their grant guidelines. PENNVEST will only offer loans which are added to the existing \$11.6 million of debt.</p> <p>The USDA Rural Development Office provides assistance, mostly in the form of loans, through the Water & Waste Disposal Grant Program. This program typically gives out loans as opposed to grants. According to the USDA the typical loan for water treatment/distribution projects has a 40-year term. Regarding grants, if funds are available, a grant may be combined with a loan if necessary to keep user costs reasonable.</p> <p>While grants are certainly one portion of potential project funding, they are not a sustainable strategy for operating and maintaining the system over the next 10 years.</p>

<p>Maria Marcinko</p>	<p>2004 South 2nd Street</p>	<p>Comment: Asked if it is possible to provide a report on aged receivable in the water system and if we can publish the costs/fees for engaging the professional firms associated with the sale.</p> <p>Response: The aged receivables report can be picked up at Steelton Borough Hall upon request. The fees associated with exploring a water sale are also available at Steelton Borough Hall.</p>
<p>Roberta Cooper</p>	<p>424 Ridge Street</p>	<p>Comment: Asked why the Borough did not place the rescheduled public meeting dates on the website. Stated that she had come to the original public input meeting in the rain only to find out through a news station that it was postponed.</p> <p>Response: Mr. Ausman apologized for the postponement of the first meeting stating that he had caused the postponement to ensure all information presented at the meeting was fully ready and vetted.</p> <p>A member of the crowd further stated that the meeting dates and postponement notices were on the website in July and August. Ms. Cooper also recognized that she had received a post-card mailer that was sent by the Authority to each household notifying them of the public input meetings.</p>
<p>Sharon Hippensteele</p>	<p>No Address Given</p>	<p>Comment: Asked why the Authority cannot use gaming grants from Grantville [Hollywood Casino].</p> <p>Response: Mr. Ausman stated that the Authority's water rates are only at 40% of the level required to qualify for grant funding.</p> <p>Comment: Asked if there is any way residents can be the ones who vote on the water system sale. Ms. Hippensteele stated that she</p>

		would like to see a referendum sent to the voters on selling the system to “let the customers decide.”
Randy Miller	No Address Given	<p>Comment: Mr. Miller stated that according to CNBC, ArcelorMittal is having its best year in recent years and is strong financially.</p> <p>Response: Mr. Ausman agreed that ArcelorMittal’s stock is high and globally they are doing well. However, locally the Steel Mill is struggling. Mr. Brown noted he asked the General Manager of the steel mill last week what their projected five to ten-year outlook is and if they anticipate still operating. The General Manager could not give an indication on the future of the mill, stating that there is no telling if they’ll be sustainable. Mr. Brown also stated that corporate executives flew in from Chicago and met with some members of the Authority about two years ago and requested a flat-out 50 percent reduction in their overall water bill due to financial conditions at the Steelton steel mill. He stated that this is a bellwether for their outlook.</p>
Bill Kelvington	Director of Operations, SUEZ Water	<p>Comment: Stated that the Authority Board is doing a very thorough job of soliciting input and reviewing all data in considering a water sale. Mr. Kelvington stated that SUEZ may be able to provide Steelton with water without having to upgrade the treatment plant because Suez already has an interconnection. He also stated that this would keep their rates lower. He further referred to Mr. Bakare’s earlier discussion of the difference between a Concession and sale of assets, noting the Mr. Bakare’s firm was involved in the Middletown Concession.</p>
Kathy Handley	104 P Street, Member of the Authority Board	<p>Comment: Ms. Handley stated that she is against selling Steelton’s water assets. Ms. Handley stated that there is no need to rush a decision and that we should let the recent improvements at the plant, regulatory factors, and the status of the mill play out a little longer before rushing a decision to sell. Ms. Handley noted that</p>

		<p>even with reductions in the debt service tax and sewer rates, rates costs will be higher eventually because water rates will exceed any net savings. Ms. Handley cautioned the rest of the Board reiterating that once we sell the water asset, we will not get it back and once the proceeds are gone, they are gone. She also noted that it seems like the Borough and Authority are pursuing a sale to bail out the General Fund.</p>
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