

**Steelton Pennsylvania Borough Water Authority Meeting Minutes**  
**August 27, 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.  
Jay Wenger, Consultant  
Kathy Pape, Special Counsel  
Ade Bakare, Special Counsel  
Thommie Leggett-Robinson, Exec. Assistant

The meeting was called to order by Mr. Ausman at 6:00 pm. Following the recitation of the Pledge of Allegiance, Mr. Ausman conducted a moment of silence to show respect to the passing of Senator John McCain.

After review the minutes from the August 13, 2018 regular meeting, Ms. Maxwell noted that the minutes were amended, upon her request, to reflect that Mr. Proctor did not arrive at the meeting of August 13<sup>th</sup> until 5:55 p.m. Mr. Segina informed the Authority that, prior to the meeting, he requested that the minutes of the August 13<sup>th</sup>, 2018 regular meeting be change to reflect Mr. Jose Hernandez's comments as Public Comment instead of New Business as a part of the Billing Review Committee's Report. Following those remarks, Mr. Segina moved and Mr. Proctor seconded the approval of the minutes of the regular meeting of August 13<sup>th</sup> with the noted revisions. The motion passed by a unanimous vote of the Authority.

After reviewing of the minutes from the August 13, 2018 Special Public Input Meeting regarding the sale of the water system, Mr. Proctor moved and Ms. Maxwell seconded the motion that the minutes be approved as presented. There was a question regarding the public comments and question raised in the meeting. The response was that the questions and comments have been posted on the Borough website. The motion passed by a unanimous vote of the Authority. Mr. Ausman noted the turnout at both public input meetings.

After reviewing the minutes from the August 16, 2018 Special Public Input Meeting regarding the sale of the water system, Mr. Segina moved and Ms. Maxwell seconded the motion that the minutes be approved as presented. The motion passed by a unanimous vote of the Authority. Mr. Ausman noted that around 40 people attended this meeting.

After approval of minutes, Mr. Ausman announced that the regular business of the Authority will be handled at the October 9<sup>th</sup>, 2018 meeting, and public comments will be available for review on the website. Mr. Ausman reminded the public that this meeting was specifically for the business of considering approval of the sale of the water system.

Chair Ausman then called for Public Comments of Agenda Items Only. This section of the meeting started with Mr. Ausman's reading of a letter from Mayor Marcinko. *See attached.*

After Mr. Ausman read the letter, Solicitor Solomon set the rules for public comment at this meeting. The rules were explained as follows:

- 3 minute time limit for each commenter.
- Please come to the podium and use the microphone when you are ready to speak.
- Before commenting, state your name and address for the record.
- Direct comments to the Authority Board and refrain from targeting individuals.
- Debate is welcome but personal abuse and heckling will not be tolerated.
- Comments must stick to the issue on the agenda.
- Refrain from personal insults and foul or threatening language.
- All comments will be recorded on the public record.
- Comments/questions will be recorded and answers provided in writing by the Board following the meeting.

The floor was then opened for public comments on the issue of Resolution 2018-AR-1 approving the sale of the Steelton water system to PA American Water and to enter into negotiations of an Asset Purchase Agreement and directing that the Authority's professionals, including legal counsel, take all steps necessary to proceed to negotiate and present an Asset Purchase Agreement for approval by the Authority.

Brian Handley, 355 Locust Street – Mr. Handley stated that on August 20, 2018 he sent an email to each member of the Authority asking why the checking account for the Water Fund was \$600,000 lower than it should. Mr. Handley stated that his review of revenue reports led him to the discovery of the discrepancy. He stated that he has not received an answer to his question. Therefore, he asked why there was a shortage. Mr. Brown stated that Mr. Handley was looking at two different sets of data and was using the incorrect methodology to reconcile the Water Fund account to the records he was looking at. Mr. Brown emphasized that the Water Fund account has been subjected to an independent auditors review every year and if such a discrepancy existed, there would surely be a finding by the Auditors and in the audit report. No such discrepancy exists or has been noted, according to Mr. Brown.

Mr. Handley asked if the \$2.1 million owed from the 2015 sewer fund had been transferred to the water account. Then he asked if the \$78,000.00 from the Mulberry Street Project had been transferred from the sewer account to the water account. There was no response. Mr. Handley asked why Mike Musser, Kathy Pape and Doug Brown met on November 1, 2017, which was prior to discussion about the possibility of selling the water system. Mr. Brown stated that in November the Borough and Authority are in budget preparation for the next year. In 2017, with a large deficit projected and financial trends for the Authority looking dire, all options had to be reviewed, including the feasibility of sustaining the water system under current and projected future conditions. This prompted a meeting to discuss the mechanics of exploring a sale. In February, 2018, the board unanimously engaged consultants to guide the board through a Request for Proposal Process, valuation of the water system, inventory of assets, and projections of capital needs versus rates. This was all prepared to inform the board about the decision it would make at this meeting.

Mr. Handley asked why Mr. Musser was involved with the possible sale of the water system since he is a Borough Consultant and still represents them on certain projects, while he also represents PA American Water as a client. He wondered if there was a conflict of interest. Mr. Musser recused himself from discussing any items related to the sale of water assets at a previous meeting and has strictly held to not being part of the process.

Mr. Handley then asked if people knew that Suez had filed a Right-to-Know Request and alluded to

them potentially exploring a lawsuit. Mr. Brown's response was "yes", they had filled out a Right-to-Know request but that was a normal practice by bidders on an asset purchase to see what information they can obtain through the RTKL. Mr. Brown said that he did not view this as a potential action related to a future lawsuit and he stated that the current conversation was not productive exercise. Mr. Handley asked why former Mayor Acri was no longer on the Water Authority Board and stated the Mr. Acri was forced off the board to allow Mr. Proctor to be appointed to sell the water system. Ms. Maxwell responded that Mr. Acri had actually been asked to *remain* on the Board and was never pressured to step down; it was fully Mr. Acri's choice and based on his own interest. Mrs. Acri wanted Mr. Acri to be fully retired which included not serving Steelton in any capacity. Therefore, Mr. Acri stepped down from serving on the Board, as well as Mayor of Steelton on his own accord.

Joyce Culpepper, 237 North Harrisburg Street: Ms. Culpepper questioned the presence of Mr. Proctor and Mr. Segina on the Water Authority Board since they are also members of Council. She stated that the handout presented at the August 13<sup>th</sup>, 2018 Public Meeting stated that members of the Water Authority were appointed and wondered why two Councilpersons were on the Board. She stated her understanding that Council could not make decisions for the Authority but having two members of Council involved in the decision could be seen as a conflict with that rule.

Ms. Culpepper requested Mr. Solomon's legal opinion. Mr. Solomon responded that as citizens of the Borough, both gentlemen are able and authorized to serve on both boards, noting that when they are at the Authority meeting they are wearing their Authority hat, not their Council hat. He further stated that if there was a conflict of interest they must recuse themselves from voting. She stated that it would seem fairer if neutral persons were on the Board and thinks positions on the Board should have been advertised. Ms. Maxwell stated that she submitted her resume for consideration for a position on the Water Authority after seeing it advertised twice in the Borough Newsletter. The position was also advertised on the website in 2016. Despite thorough publicizing of openings on the Authority, there has been little response from residents interested in serving.

Mr. Segina stated that he became a member of the Water Authority in 2015, prior to his being elected to Council. He also stated that his term on the Water Authority is up at the end of 2018. Mr. Proctor added that both he and Mr. Segina are members of Council, a body that recently determined that the sewer system should not be sold.

Ms. Culpepper requested that the water system not be sold. She also stated this would not be an issue if everything had been fixed in 1973 and the Authority had invested in capital needs while raising rates correspondingly. She stated that she thought the Borough was supposed to get three bids and asked why the bid from Capital Region Water removed. Mr. Wenger stated that Capital Region Water was approached during the RFP process but were not interested in purchasing either of the systems and therefore did not put in a bid. Ms. Maxwell stated that there were three bids, however, one bidder was rejected because they were not compliant with the requirements of the bid. That left two bids for consideration: PA American Water and Suez. Ms. Culpepper stated that she was concerned about the employees of the water system because they are a part of the labor union and she wants to ensure they have positions with a buyer. She stated that when the Harrisburg Incinerator was sold, the Labor Union was told that the union would be accepted, however it was not accepted because the Incinerator is Non-Union. She lamented that in 1973 no nest egg was left to take care of the future needs of the water system. Again she asked the Authority not to sell the water system because it brings revenue into the Borough. Mr. Wenger then replied that all employees, as a condition of the RFP and Asset Purchase Agreement, must be offered a position with PA American Water. He further noted that under law, if 50 percent or more of the water employees move over to PA American, the company must recognize the

union and bargain a successor agreement.

Susan Spangler, 247 South Third Street- Ms. Spangler wanted to know how the Resolution could be under Unfinished Business when it was not listed on previous agendas. There was discussion on the issue. Mr. Solomon agreed that editorially, it could be considered New Business. However, the Resolution is in effect the action item related to months of publicly advertised and held meetings on the issue of the water sale and could also be considered an item of Unfinished Business as the board has been considering the issue for months. Mr. Ausman stated that it had been announced that the Authority would be voting on the issue at this meeting. The discussion concluded with Ms. Spangler stating that technically it was New Business rather than Unfinished Business. Ms. Spangler asked why the agenda was not published prior to the meeting. Mr. Segina informed her that the agenda was not available for publication on the website. Then Ms. Spangler stated that she had not received an answer to the question she posed two weeks ago at the August 13<sup>th</sup>, 2018 Public Input Meeting regarding why she received an estimated water bill. Ms. Maxwell stated that the Authority was working to determine why there was an increase in estimated bills. However, during the last two weeks the investigation was delayed by a staff bereavement absence for Ms. Michele Powell and Ms. Maxwell's vacation. Ms. Maxwell did state that there were a larger numbers number of estimated bills than expected, the employees are investigating, and that persons on the Board were upset by the situation. She noted that the Authority does not have all the answers.

Ms. Spangler asked what the Board was doing about outstanding water bills, including what efforts have been made to recover the money owed the Borough. Ms. Maxwell stated that the Authority has moved aggressively to collect overdue payments. In fact, the Authority has disconnected water and placed liens on properties to receive monies owed. She also explained that the beauty of having a Board made up of neighbors is that the Board can empathize with persons who are having problems paying their water bills. In that vein, persons have been given the opportunity to make payment arrangements and on some occasions, penalties have been forgiven in order to assist with the property owner, however their decisions are made a case-by-case basis. Ms. Spangler asked for an explanation about the rush to sell the water system? Mr. Brian Handley stood to respond to Ms. Spangler's question regarding the estimated bill. Mr. Proctor asked him to not to respond since this was not a hearing on the vote. Then Ms. Spangler was notified that she would be asked to leave the room if she would not follow the rules.

Tom Acri, 573 Orchard Drive and 239 South Second Street – Mr. Acri first stated that he did indeed resign from the Authority Board on his own accord and out of his own interest to retire. He then stated that the people were upset because they received information about why the water system should be sold, but no information about why it should not be sold. He stated that in knowing persons on the Authority, that when the vote occurs there will be 2 yes, 1 no and 2 persons sitting on the fence. Mr. Acri stated that discussion regarding the sale of the water system started in the Winter of 2017 and the discussion was to be held in confidence for additional information prior to informing the public. He asked why the hurry. He requested that the system be kept because the stock market indicated that water is becoming a good investment.

Trish Abbatello, 55 North Front Street – Ms. Abbatello stated that it would be beneficial to let residents know the pros and cons of selling allowing asking how persons can make decision without all the information in front of them. She asked if there might be other ways to raise revenue. Ms. Segina stated that the \$2.1 million cost for the new Contact Take became \$2.6 million. He is concerned that the engineering company's estimate of \$14 million to rebuild the system will become \$18-\$22 million over the next ten years and that the Authority's debt is quickly accumulating and will surpass the value of the system. Ms. Abbatello asked if the Authority could borrow money from the sewer system. Mr. Segina

explained that since the Water Authority and the Steelton Borough Council are two separate entities, the Council would have to gift the Authority with money as opposed to loaning it money which it cannot pay back. Mr. Segina stated that it appears that the only thing is to sell the water system. The only other thing would be looking at the by-laws of the Authority to determine if it could generate its own electricity.

Monty Butts, 325 South Second Street – Mr. Butts informed the Authority that he attended the August 16, 2018 Public Meeting and understood the options were limited to selling or keeping the water system. He asked if the Authority had considered leasing the system. If the system is sold, there is nothing to make the bidders do all the things they say they will do. With a lease, the bidders could be held to the lease and can follow-up and ensure they do what they say they will do. With the lease, Steelton will still own the system and he felt that leasing would be a middle ground. Ms. Maxwell said she, personally, had not considered leasing because of Middletown and their issues with Suez under their current system lease. Mr. Butts asked what the issues in Middletown are. Ms. Maxwell suggested he research it independently because it would take too long to explain it to him.

Brian Handley stated that in a meeting, Mr. Ellinger said that the \$14 million for plant was not a 2018 dollar. Mr. Ellinger asked Mr. Handley to look at the footnotes and see that they had projected to 2020. Mr. Handley asked if anyone looked at the budget he submitted which showed that things could be paid off by 2026. Mr. Brown stated that he and Mr. Segina, the Finance Committee Chair had reviewed the budget. Mr. Segina stated that he did not have the footnotes, but needed more information to see how PennVEST could be paid off by next year. Mr. Handley said the debt could be paid off by 2022.

Mr. Ellinger replied regarding the capital study to state that if a plant is built in the future it will cost *more* due to inflation and increase in costs.

Robin Kissler, 308 Angle Avenue – Ms. Kissler expressed concern about whether or not the winning bidder will make it difficult for employees to stay on by doing such things as lowering salaries or making them earn certain certificates in order to stay employed. She stated that, internationally, water is becoming a large commodity and cited the El Paso, TX and Mexico Water Treaty as an example. She asked the Authority not to sell the water system saying that would be like owning a bar without a liquor license.

With Public Comment closed, Mr. Ausman moved to the action item on the agenda.

Mr. Ausman asked Mr. Brown to read Resolution 2018-AR-01. Following the reading of the Resolution, *Mr. Segina moved that the Authority approve Resolution 2018-AR-01, selecting Pennsylvania-American Water Company to enter into negotiations of an Asset Purchase Agreement and directing that the Authority's professionals, including legal counsel, take all necessary steps to proceed to negotiate and present an Asset Purchase Agreement for approval by the Authority. Mr. Proctor seconded the motion.*

Mr. Ausman entertained discussion on the motion by board members.

Mr. Segina said that one of the biggest factors into his decision was the current debt of the system, the capital needs of the system over the next 10 years, the lack of ability to increase revenues through rate increases in the future and the prospect of additional debt to fund capital needs. And this is without considering the future of the ArcelorMittal Steel Mill, a user of 60% of our water. According to Mr. Segina, if anything happens to the mill, which pays \$1.6 million in water bills annually, there would be a

223% increase in water rates to make up the revenue loss if we kept the system. According to Mr. Segina, under these circumstances, in 20 years the average water bill will be \$394.00. At that point, the Authority will have more debt than the water system is worth. In addition, there would not be proceeds from a sale to mitigate future tax increases.

At this point in the meeting, Mr. Brian Handley began to shouting from the audience and at 7:00 p.m. was ejected from the meeting.

Ms. Handley stated that she, like the residents, does not want to sell the water system at this time. She would like to see the Authority try and would like to honor the will of the people and keep the system. She stated that the people are like the stock holders of the Borough and they should have something to say about what is done. If the water system is sold and things do not work out as expected no one can say “oops” and take the sale back. It is a permanent decision and we will only have the \$22.5 million which will run out. Ms. Handley stated that she is not like Chicken Little, and thinks the Authority should not run scared but be like The Little Engine That Could and continue to try and fix the system’s issues. Ms. Handley stated that some of the projections may not hold true at the end of the day, or there may not be a need to borrow that much money at the same time. Instead of spreading doom and gloom the Authority should still try. She stated that some other company could come in if the mill closes and keep running and that she does not want to give up based on projected variables.

With no further discussion on the motion before the board, Chair Ausman called for a roll call vote.

Mr. Brown took the roll call vote to approval Resolution 2018-AR-01 as follows:

The votes were:

Mr. Brian Proctor –	Aye
Mr. Michael Segina –	Aye
Ms. Ryan Maxwell –	Nay
Ms. Kathy Handley –	Nay
Mr. Allan Ausman –	Aye

Mr. Brown announced that the motion to approve Resolution 2018-AR-01 was passed by a 3-2 vote.

**Public Comments:**

Mr. Ausman opened the floor for public comments on any issue.

Mr. Acri asked a question specifically to Mr. Ausman saying he thought the Authority had agreed to push heavy to collect past due accounts. Mr. Acri asked why that was not happening. Ms. Maxwell responded that the Authority is working to collect past due accounts because, as she sees it, it is money that is owed to the residents of Steelton. The Authority is digging into the aged receivables to determine the scope of the issue.

It was then asked what will happen next now that the Authority has voted to award accept the bid from PA American. Negotiation. The next item is the negotiation of an Asset Purchase Agreement (APA). This APA will be brought back to the Authority Board for final approval. After an APA is approved, the buyer and/or seller will apply to the Pennsylvania Public Utility Commission (PUC) for approval of the transaction. The PUC review process is a very thorough and exhaustive process that should take about

six months to complete. The process will involve hearing a case regarding the sale which includes gathering testimony, reviewing valuation numbers and methodology, and going through the transaction with a fine-tooth comb. Following the receipt of the PUC recommendation, the Authority will officially transfer its assets, defeat its debt, and dissolve itself.

A question was raised about the possibility of the citizens of Steelton over-riding the decision of the Authority via a referendum or petition. It was determined that it was a legal question that could be answered by an attorney. Mr. Solomon stated that the issue would be to get a sustainable petition of voters to request the issue be placed on the November ballot so that voters could determine whether or not the water system should be sold. However, given that this issue is between an Authority and a buyer, it may not be eligible for a ballot question. This issue was placed with the citizens for further discussion and action.

Someone asked how to reach the Billing Review Committee. They were told to contact Mr. Brown who would pass the information on to the Committee. It was explained that Mr. Segina and Ms. Maxwell were the Committee, which in conjunction with Mr. Brown and Water Accounts Personnel investigate the case and make a recommendation to the Water Authority regarding the water and pass the information and recommendation to Council for action on the sewer issue.

Susan Spangler asked when the next Authority meeting would be held. Mr. Brown stated that the next regular meeting is scheduled for October 8, 2018, however, he was corrected by Mr. Ausman who stated that due to the holiday, it will be held October 9<sup>th</sup>, 2018. This was confirmed and the next meeting of the Authority will be held on October 9<sup>th</sup>.

Mr. Segina stated that it is also probable that a meeting will be held in September to discuss financial issues related to development of the Water Fund Budget for 2019.

Ms. Spangler asked how the public would be notified other than through social media. Mr. Brown replied that the Borough Newsletter, mailers, Patriot News were other ways that notifications are listed. Ms. Spangler stated that the older residents do not use the internet, social media, or get the newspaper or public media and depend on other people to let them know about things happening in the Borough. Persons should get proper notice so the information can be shared and meeting can be attended so that all persons in the Borough can have input in the decision making.

At 7:29 p.m. Mr. Proctor moved that the Authority move in to an Executive Session. Mr. Segina seconded the motion which passed by a unanimous vote of the Authority.

The regular meeting resumed at 7:40 p.m.

When the meeting resumed, *Ms. Maxwell moved that the Authority confirm the settlement with M&T Bank regarding a delinquent account at 192 South Second Street for \$1,659.92. The motion was seconded by Mr. Segina and passed by a unanimous vote of the Authority.*

*Following a motion by Ms. Maxwell and a second by Mr. Segina, the Steelton Pennsylvania Water Authority Meeting was adjourned by acclamation of the Board at 7:50 p.m.*