

Steelton PA Water Authority Meeting Minutes  
October 9, 2018

**Present**

Alan Ausman, Chair	Michael Solomon, Solicitor
Ryan Maxwell, Vice Chair	Edward Ellinger, HRG Engineer
Katherine Handley, Secretary	Douglas Brown, Secretary & Borough Mgr.
Brian Proctor	Jay Wenger, Consultant
Michael Segina	Kathy Pape, Special Counsel
	Ade Bakare, Special Counsel

Absent with Cause: Thommie Leggett-Robinson, Exec. Assistant

The meeting was called to order by Mr. Ausman at 5:01 pm. Following the recitation of the Pledge of Allegiance.

**Approval of Minutes from Previous Meetings:**

On a motion by Ms. Maxwell, seconded by Mr. Proctor, the minutes of August 27<sup>th</sup> were tabled until the next Authority meeting. The motion passed unanimously. Ms. Maxwell requested that both sets of minutes be sent to the Board for approval at the next meeting.

**Approval of Treasurer's Report:**

On a motion by Ms. Maxwell, seconded by Ms. Handley, the August and September 2018 Financial Reports were tabled until the next Authority meeting. The motion passed unanimously. Ms. Maxwell requested that the August, September, and October meeting minutes be presented to the Board at the next meeting.

**Public Comment on Agenda Items Only:** Mr. Ausman opened the floor for public comments on agenda items. No public comments were offered.

**Special Presentation:**

Ms. Pape provided an update on the Asset Purchase Agreement negotiations between the Authority and PA American Water for purchase of the system assets. Ms. Pape noted that the Authority has held several intensive meetings and has thoroughly negotiated and vetted an APA that protects that board but is balanced. The team has been working on the APA language and the associated schedules for the APA at the same time. At the time of the meeting, there are only a handful of outstanding issues with major outstanding issues being:

- Material Adverse Effect definition and what it applies to in the APA. The material adverse effect language makes it more difficult for PAWC to file claims/damages in certain instances unless they can prove they have a material adverse effect.
- Capital Improvement Schedule – The Authority would like the capital improvement schedule and language to have more teeth and provide a more concrete commitment to spend the \$36 million in the Steelton System.

**Communication:**

Herbert, Rowland, and Grubic, Inc. UGIES Water Feasibility Study

Mr. Ellinger informed the Board that the UGIES Phase II Feasibility Study regards providing additional fire suppression water services to the UGIES LNG facility. Mr. Ellinger emphasized that the findings of the study do not impact the Steelton system or Water Authority in any way. Rather, they are focused on Capital Region Water and the requirements for it to provide adequate services to UGIES. Mr. Ellinger again emphasized that the findings do not impact Steelton nor its potential sale of the system.

**Unfinished Business:**

**Ed Ellinger, Herbert, Rowland, and Grubic, Inc.                      Presentation of Engineer's Report**

Mr. Ellinger provided the monthly engineers report noting that there was not much new to report due to capital projects being at a standstill because of the potential sale. The majority of engineering works completed in September was related to providing data and information for the schedules in the Asset Purchase Agreement with PAWC. Namely, HRG worked with Mr. Brown and Authority staff to fine tune the inventory included on the schedule of assets to be transferred to PAWC at closing. HRG will continue to work with Mr. Brown and the team to revise any information prior to a final APA coming before the board.

Mr. Segina asked Mr. Ellinger for an update on DBP sampling and how we should expect to test given the rain. Mr. Ellinger stated that we should still be in good shape. He noted that they may be a little higher due to rain but the LRAA should still be okay. Mr. Ellinger stated that the May and August samples are typically the highest of the year. Ms. Maxwell asked if the individual values for the August sampling were above, even though the LRAA was lower. Mr. Ellinger stated that he believed two of the four samples were above by a minimal amount. He noted that the other two sites were slightly below the MCL. Ms. Maxwell stated that she just wanted some clarification.

On a motion by Mr. Segina, seconded by Ms. Maxwell, the September 2018 engineers report was approved by unanimous vote.

**Mr. Brown****Update on Hiring of Water Operators**

Mr. Brown provided an update on the recent efforts to hire water operators. Mr. Brown stated that he and Mark Handley held interview for operators interviewing over 5 candidates. They narrowed the list based on expertise, experience, knowledge and interview to three candidates. Mr. Todd Meledin accepted the position and will be starting on October 22<sup>nd</sup>. Mr. Meledin has a background working with water equipment and had the best background for the job. The second candidate has not returned phone calls nor responded to the offer of employment. Mr. Brown emphasized that he and Mark thoroughly reviewed the fact that candidates would be subject to the sale to PAWC and all candidates accept the position knowing they may transition to a new employer.

Ms. Maxwell asked if the employees would transfer to PAWC after the sale. Mr. Brown stated that as part of the APA, if they fill any vacancies like in this case, PA American will offer employment to the employee. We notify PA American within three days of hiring any employees and they are included in the schedule of employees that would be transitioned over. Mr. Brown reiterated that this is something he discussed at length with all candidates.

Ms. Maxwell asked if there are plans to hire additional operators. Mr. Brown stated that if the second candidate accepts his position, then both operator positions will be filled. As of now, the water laborer position is not advertised or planned to be advertised.

#### Mr. Segina/Ms. Maxwell - Discussion Regarding Estimated Bills

Ms. Maxwell and Mr. Segina led a discussion on the issue of estimated bills and a follow up on a concern raised by a resident at the recent public input hearings about the number of estimated bills. A bill is estimated, rather than billed on actual usage, when Authority staff are unable to read a meter. Instances when staff are unable to read a meter include: meter is inaccessible due to being compacted in the ground, meter is malfunctioning or the wireless reader is malfunctioning, staff are unable to gain access to a meter.

Ms. Maxwell first asked to discuss the dollar amount associated with aged accounts receivables, noting that it came up during the public input meetings on the APA. As of September 6<sup>th</sup>, the aged accounts receivable is about \$108,451.35. Of that amount, they suspect that half, \$47,500 is actually collectable. Ms. Maxwell stated that the reason we state that that amount is “collectible” is because there are amounts associated with bankruptcies, liens, fires, etc. that will be very difficult to collect. Currently, 1% of accounts have water currently shut off. Ms. Maxwell and Mr. Segina do not want the \$108,000 number to be alarming considering that half of it is made up accounts where the Authority has taken the maximum amount of action allowable to collect on the aged accounts. Mr. Segina stated that some of the amount taken out of the calculation are accounts that owe under \$100. So, it is more like 65 percent of accounts that are collectible. Mr. Segina then went over items that were taken out of the “collectible list”. They include: 120 Lincoln Street Account, Suez Whole Sale Account which is usually paid, and a Front Street Property whose outstanding balance was relieved by the Authority and Council in the amount of about \$12,000.

Ms. Maxwell asked that Mr. Brown have the calculations available for anyone that asks to review it.

Mr. Segina added that out of the collectible amount, there is one landlord that makes up about \$21,000 of the balance. Mr. Segina stated that he and Ms. Maxwell will be working on a plan to collect this amount, and all other collectible amounts during the next billing/shut off cycle.

Mr. Solomon added that all that is collective should be cross-referenced to liens on the account as he can always file additional liens on the account. Mr. Solomon asked if we are in contact with the delinquent wholesale account. Mr. Brown replied that he would like to send a letter to them. Mr. Segina stated that the report is a snap shot of September 6<sup>th</sup> and it may need to be looked into.

Mr. Segina stated that he and Ms. Maxwell will pull the report again prior to October 1<sup>st</sup> and review again.

Mr. Segina and Ms. Maxwell then brought up the estimated accounts issue. Mr. Segina stated that they asked staff to pull the estimated accounts. Mr. Segina stated that there are about 2,400 separate accounts under the Authority. Of these, in the second Quarter of 2018, there were 47 estimated accounts or 2% of accounts. In the first quarter of 2018, there were 162 estimated accounts or 6.5% of accounts. In the fourth quarter of 2017, there was 55 estimated accounts or 2.29% of accounts. Mr. Segina stated that staff informed him of a batch of bad meters during the first quarter of 2018 which they had to replace. This would explain the jump in estimate bills to

162 for Q1 2018. Mr. Segina stated that meters will be read this week and they will pull a list of estimated bills to get customers to allow access to their meters. Ms. Maxwell asked that we pull a list of estimated bills and that the bills do not go out until okayed by Mr. Brown because there is too much money being left on the table. Specifically, when we charge a minimum charge as an estimated bill. Customers then catch a break, but pay later when their bill is re-read based on actual usage. Then the customer gets upset. Ms. Maxwell specifically stated that a lot of customers in the East End were complaining about estimated billings. Mr. Segina suggested going through the list of estimated usages account-by-account and have staff go in to read their meters. Ms. Maxwell reiterated that she did not want any bills to go out without having Mr. Brown clear any estimated bills. Ms. Maxwell stated that she was not personally satisfied with the answer she received from staff regarding the number of estimated bills last year.

Mr. Ausman then stated that the Authority will need a clean cutoff once they conduct final readings before switching over to PA American Water.

Ms. Maxwell - Discussion on Implementing Amnesty Program for Paying Off Aged Accounts

Ms. Maxwell then opened discussion on implementing an amnesty program to collect aged A/R instead of trying to sell them for pennies on the dollar. Ms. Maxwell asked the Board if they feel it is a good idea.

Mr. Ausman asked if there were any ideas on specific amnesty provisions.

Ms. Maxwell responded that at a minimum we would waive penalties and interest and a small reduction in bill (10%). She stated that she is trying to encourage customers to pay their outstanding bills before we sell because after we sell it will be hard to collect.

Mr. Segina raised a concern about having to put a date on the eligible balances, otherwise customers will rack up their bill and then pay it on the amnesty period. He recommended putting a date of all balances *before* a certain date.

Ms. Maxwell recommended structuring it around income tax season; possibly the second week of March.

#### **New Business:**

Mr. Brown - Approval of One Year Extension of Agreement between Steelton Borough Authority and Zelenkofske Axelrod

Mr. Brown noted that the engagement with ZA was a one year extension to compile the FY2018 Audit and DCED filing for the Authority. Mr. Brown noted that the pricing was held the same as in 2016 and 2017.

On a motion by Mr. Proctor, seconded by Ms. Handley, the Authority voted 4 to 1 to accept the engagement with ZA. Ms. Maxwell was the dissenting vote.

Ms. Pape then advised the Authority on timing of the amnesty program stating that it will want to be done before closing with PAWC.

Ms. Maxwell added that we will want to develop a promotional/education campaign telling residents why they should pay off their balance during the amnesty period.

Mr. Segina stated that they can generate a report at the end of the month and develop mailers to these delinquent accounts.

Mr. Ausman asked Ms. Pape if 10% to 15% is enough to motivate someone to pay their bill. Ms. Pape replied that it depends on the amount that they owe.

Mr. Segina stated that an issue with the amnesty plan is that sewer needs to be paid first. If they do not pay off their sewer balance they can't pay the water.

Mr. Proctor replied to the proposed plan by stating that the only way to truly collect delinquent bills is to shut customers off. He stated that while he will support an amnesty plan, he is in favor of shutting people off over amnesty.

Ms. Handley asked what happens to delinquencies once the water system is sold. Ms. Pape responded that PA American will remit anything they receive to us paid by customers on prior bills, but they will start fresh with PAWC and we will be responsible for collecting outstanding receivables.

Ms. Handley asked if the Borough will lose the right to shut-off after selling to PAWC. Ms. Pape confirmed this is the case. Ms. Maxwell responded that we can also lien the properties.

**Mr. Brown**

**Update on FY 2019 Water Fund**

Mr. Brown stated to the Board that he would present the FY2019 budget at a future meeting of the Board. Mr. Brown noted that the budget is essentially a flat-line from last year with no new capital spending due to the Authority most likely transitioning to PAWC midway through 2019.

**Public Comment:** Mr. Ausman opened the floor for public comment. No public comment was offered.

Mr. Brown informed the board that he will send out a draft budget for the board to review and discuss at a future meeting.

**Executive Session:** No Executive Session was held.

**Other Business:** There was no other business brought before the board.

**Adjournment:**

At 6:00 PM Mr. Proctor moved to adjourn, seconded by Ms. Maxwell and approved by unanimous vote of the Authority.