

JOHNSTOWN REDEVELOPMENT AUTHORITY
WORKSHOP MINUTES
Monday, April 11, 2022

The Johnstown Redevelopment Authority met in a stated session for the general transaction of business. The meeting was called to order at 9:29 a.m. The following members of the Authority were present:

Monsignor Balta, Mr. Haselrig, Mr. Pasquerilla, Mr. Truscello (4).
Absent: Laura Huchel (1).

William Barbin, Esquire, Solicitor; Melissa Komar, Executive Director; Cheryl Labosky, Finance Director; Michael Grandinetti, Maintenance and Operations Manager, were also present.

PRESENTATION

Russ F. McIntosh, Vice President Financial Services; David M. Bulzoni, Financial Services Project Manager and Adrienne M. Vicari, Financial Service Practice Area leader were present on behalf of Herbert, Rowland and Grubic (HRG) with regard to discussion of JRS Sewer Rate Study and to answer questions from Authority members.

Ms. Vicari provided a description of the company and noted it had been named ENR's 2021 MidAtlantic Design Firm of the Year. She noted the group appeared at this meeting representing the financial services division and discussed the types of projects the firm helps to develop.

Mr. McIntosh provided a history of his professional background as an accountant and stated he works with the legislature and lawmaking.

Mr. Bulzoni stated his background is in banking having spent 30 years in government finance and was the business administrator for the City of Scranton for six years.

Ms. Vicari noted that HRG responded to the RFP issued by the Authority and presented a copy of the proposal for review. She requested further discussion regarding what JRS would like to accomplish through the rate study.

Mr. Barbin explained the matter was prompted by the bond rating downgrade, and an immediate action was taken to raise the rates on industrial customers.

Mr. McIntosh discussed industrial pretreatment and industrial discharges, and stated the way DEP measures flow is the highest three months of the year. With organic, it is the highest month of the year. He stated HRG reviews the distribution of costs to the various contributors of the system. He further

stated the cost to actually treat water was small relative to the cost to treat the organic side or the waste side. There was discussion regarding a rate study, what it consists of, and what determines the rate.

Mr. McIntosh explained a rate study also involves the potential for increasing revenues by determining whether a community is growing, new businesses were being brought in, and people moving out of the area were being replaced by younger more fluent people. That capital reserves have to be put aside to be able to have monies if the rate base flattens, so that there is sufficient monies to go back to maintain and improve the system.

There was discussion regarding the capital reserve and long term impact on interceptors noted in the RFP.

Mr. Bulzoni commented on the Authority's bond rating and stated he'd like to review the S&P rating justification. Attorney Barbin noted the Authority has never had an advisor, that its representative from Boenning and Scattergood was an underwriter. He suggested that representatives from Wessel and Company be invited to attend a meeting regarding the matter.

Ms. Vicari had discussion regarding the time period noted in the RFP. She suggested working with the staff to collect the key documents necessary for the review, which would include historic documents, rate agency documents, current rates and current structure, and determine how different customers were being billed, and then complete a financial and operational review. Also, a fiscal responsibility audit would be completed as well as a review of policies and procedures relative to the Authority's decision making prior to recommendation.

In addition, a cost of service rate analysis study and review of other rate structure alternatives would be undertaken if the Authority was interested.

Mr. McIntosh suggested review of how to get revenue and expense back into alignment. Attorney Barbin explained a flat fee charge was an attempt to be free of a reduced flow/pay less formula. Monsignor Balta commented that JRA is fined for the various municipalities with consent orders that do not comply. Mr. Barbin discussed a third category set up for municipalities that refuse to take action to reduce their flows and would be charged at the rate of \$10 per thousand.

Mr. McIntosh noted that similar situations used a surcharge driven by flow, organics and a number of other parameters, depending upon the industry, which is a targeted charge and not burdened on other users.

Monsignor noted 19 municipalities are involved in the system and most have a corrective action agreement in place. He was not sure how DEP would enforce those agreements. There was further discussion regarding the challenges of flat fees.

Mrs. Komar noted that the majority of the sewer general fund had been exhausted on flow monitoring, and at a meeting with DEP in December, it was noted that this was useless data at a cost of over \$3 million. There was further discussion regarding the matter.

She further noted that the contract with Hach for flow monitoring ends at the end of this month. Monsignor explained that once this happens and DEP realizes flow is not being monitored, "someone will have to monitor and someone is going to have to pay for it." He stated that is an "unknown."

Attorney Barbin explained that in 1980 the City of Johnstown, which owned the treatment plant at the time, decided to go under PUC jurisdiction so that individual customers could be charged and municipal agreements were "done away with" at that point. He further explained that when each municipality that owns a collection system went to PennVEST to obtain money, that PennVEST requested a new agreement. He stated, currently, the agreement contains no details of how these municipalities are to operate, but there may be sufficient language in that agreement to require the municipalities to monitor flows or take other reasonable action. There was further discussion.

The billing and collection system contract expires this October. Mrs. Komar noted it would be advertised.

Mrs. Komar suggested discussion regarding the timeline and data that could shorten that time frame to eliminate some of the costs. The matter would be placed on the agenda for the next meeting in two weeks.

Ms. Vicari stated she feels confident working with the JRA, including meetings with staff, the Board and the public. Rate increases and other rate structure approaches would be reviewed.

Mr. Grandinetti would provide the 2021 Municipal Waste Load Management Report for review.

Mrs. Komar requested discussion over the next few days regarding the costs involved so it could be included in the resolution at the next Board meeting.

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There was discussion regarding fines imposed for overflows, which would be raised up to \$10,000 per month after 2026.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:29 a.m.

EXECUTIVE SESSION



TRANSCRIBED BY:
SARGENT'S COURT REPORTING
SERVICE, INC.



BRUCE HASELRIG,
SECRETARY