

JOHNSTOWN REDEVELOPMENT AUTHORITY
WORKSHOP MINUTES
SEWER RATE STUDY/FISCAL MANAGEMENT REVIEW
Tuesday, November 15, 2022

The Johnstown Redevelopment Authority met in a stated session for the general transaction of business. Monsignor Balta called workshop to order at 11:00 a.m.

SEWER RATE STUDY/FISCAL MANAGEMENT REVIEW

Adrienne Vicari, P.E., Herbert, Rowland and Grubic, Inc. (HRG) presented before the Authority for discussion regarding rate evaluations and recommendations as to the timing and magnitude of rate increases between 2022 and 2028. She stated HRG made sure that the rate recommended meets the requirements of the trust indenture and demonstrates fiscal responsibility.

Ms. Vicari discussed a rate covenant that was included as part of that trust indenture to cover the amount of revenue needed to operate and maintain the system including administrative expenses and establish 110 percent of coverage on the maximum annual debt service. The rate would also need to meet the Municipalities Authorities Act, which means it needed to be uniform based upon the level of services each customer receives and would also need to be reasonable. She explained what a reasonable rate would entail.

Ms. Vicari referred to a draft of the System Rate Analysis for further discussion and comparison of the Authority's actual expenditures and revenues for years 2019, 2020 and 2021 and the 2022 budget. She discussed the change in the bond coverage ratios.

She indicated that information from all costs reviewed was used to make recommendations in terms of rates each customer should pay that calls for a more significant increase to nonresidential customers. HRG suggested that some rate transitioning occur before the year 2028 and how to work towards that in the next five years to give the non-residential customer an opportunity to budget and plan ahead.

Ms. Vicari referred to Table A-5 in the report, which outlined three different rate options between now and 2028. She noted the different customer classes and current rates and proposed rates for 2023, the rate change in 2026 and the change in 2028. She had further discussion of the options listed. Ms. Vicari noted Option Two would be in line and reflective of the Authority's Proposed 2023 Budget and discussed the adjustments necessary now to avoid another rate increase in 2026 until 2027-2028 when another increase would be recommended. The Authority could consider smaller changes in rates between 2024 and 2027 to avoid a significant rate jump in year five.

Authority members had questions and comments.

Ms. Vicari also reviewed capital costs over the next five-year period. The two main projects HRG assumed the Authority would move forward with include automation for one of the systems and replacing a portion of the centrifuge. She talked about the Consent Order Agreement actions and referred to the engineering and legal fees of approximately \$50,000 that HRG assumed would continue. \$50,000 was also included relative to fines and penalties.

Ms. Vicari explained the study thoughtfully analyzed costs to ensure it met the requirements of the trust indenture and was in line with the Municipalities Authorities Act.

Mrs. Komar noted a recent telephone call from the Authority's bond insurer, John Brady, inquiring about this study and was pleased to hear the updates with regard to HRG and the Fiscal Management Study and Rate Study. Mr. Brady would be provided the draft copy of both reports.

There was discussion regarding the timeframe for the Authority to make a decision.

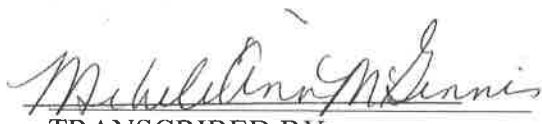
Mrs. Komar commented if a majority of the Authority members were in agreement with Option Two, it would be presented at the December meeting.


Monsignor noted there had been no rate increase since 2014.

There was further discussion regarding the hiring of a bond consultant. Ms. Vicari noted that hiring another financial advisor would provide another professional to work with JRA to get a bond rating re-established. She indicated being in the process of compiling policies utilized by other municipal authorities similar to Johnstown in terms of size, customer base, which would be helpful.

ADJOURNMENT

There being no further business, the workshop was adjourned at 11:41 a.m.


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BRUCE HASELRIG,
SECRETARY