



Workshop Meeting (5:00 PM)

A Workshop Meeting of Capital Region Water was conducted at 5:12 PM and was open to the public. Chairperson Kurowski noted that Mr. Majors was not present at the time the Workshop began, and that Ms. Skotedis and Mr. Waters would not be in attendance this evening.

In Attendance:

Board:

J. Marc Kurowski, Chairperson
William J. Cluck, Vice-Chairperson
Westburn Majors, Secretary (Arrived at 5:25 PM)

Staff:

Shannon G. Williams, Chief Executive Officer
Jack Lausch, Director of Administration
David Nowotarski, Chief Financial Office
Tammie Sheaffer, Office Manager
Lexie O. Grant, Grants & Funding Coordinator
Tanya Dierolf, Sustainability Manager
Jess Rosentel, Superintendent – Wastewater

Consultants:

Steven E. Grubb, Esq. (Goldberg Katzman, P.C.)

Others:

John Mastracchio (ARCADIS)
Phil Sapone (ARCADIS)

Presenters:

Phil Sapone (ARCADIS)
Matt Crow (Hazen & Sawyer))

I. Call to Order - Pledge of Allegiance:

The meeting was called to order by Mr. Kurowski at 5:12 PM.

II. Chairman's Announcements:

A. Tonight's Workshop was previously advertised in the Patriot News and was made available through CRW's website. The purpose of tonight's Workshop

is to discuss the proposed 2016 Rates and any other business that may come before the Board. A copy of the advertisement will be attached to the minutes of tonight's Workshop as Exhibit "A".

- B. A Workshop Meeting was previously held on October 28th prior to the Regular Monthly Meeting.
- C. The next Regular Meeting is scheduled for Wednesday, November 18, 2015 at 6:00 PM. It will be preceded by a Workshop Meeting at 5:00 PM. Both meetings are open to the public.

III. Presentation:

A. 2016 Rate Workshop - Presentation by Messrs. Mastracchio and Sapone (ARCADIS) (began at 5:15 PM)

Mr. Nowotarski referred to a handout and explained the adjustments that have been made to the Water and Sewer Budgets since the last version of the budget had been distributed and offered the following comment:

WATER:

- 1. Debt Service:
 - a. 2016 debt service was adjusted to reflect a conservative scenario that assumes we do not incur accelerated principal payments for the Amalgamated debt, but doesn't assume that we pick up the benefits of refunding a portion of the 2008 outstanding bonds;
 - b. Maximum Debt Service: We have decreased the 2022 debt service by \$112K as a result of the Anticipated refunding of the 2002 Series A and 2004 bonds. This results in a lower Maximum Annual Debt Service threshold; and
- 2. Capital: A \$570K capital project related to the Handrails was removed from the prior 2016 budget as that work will now be completed in-house in 2015.

Mr. Mastracchio began the presentation by providing the outline of the presentation. He described the Rate Setting Process Overview along with what issues drive CRW to increase water rates.

Mr. Cluck asked why the focus of the presentation was on the rates as opposed to the reasonableness of the expenses. Mr. Nowotarski explained that the purpose of tonight's meeting is to discuss how rates are set once the expenses are set.



Ms. Williams noted that the Board has control of the budget expenditures, and the rates must be set to offset the budget expenditures and other requirements. If the Board is uncomfortable with how high the rates must be set, expenditures, including capital improvements and increased preventive maintenance, would need to be adjusted accordingly.

Ms. Williams noted that the Workshop held October 14, 2015 was the Board's first opportunity to see the staff's draft expense budget and capital improvements being recommended for 2016. The draft expense budget was discussed again at the October 28th Workshop. Tonight's draft was prepared considering Board comments and additional staff revisions.

Upon inquiry by Mr. Cluck as to the reasonableness of certain expenses, Ms. Williams asked him to be specific and to outline which line expenditures he has questions on. Mr. Nowotarski explained that merely decreasing a specific line amount might not be the driving force required to offset the appropriate rate revenue needed.

Upon discussion, it was noted that CRW continues to have to increase the water rates based on prior management strategies. This means to the general public that even if CRW significantly decreases expenditures, water rates still cannot go down because of prior mandates for debt service in current and future years and much needed capital improvements that continue to plague CRW's water system.

WASTEWATER:

Sewer/Wastewater rates were then discussed. Historical and projected sewer rates for retail and suburban customers were discussed. Mr. Nowotarski also provided the following comment:

1. Debt Service: Debt service reflects a lower rate on the M&T Variable Rate bonds. This budgeted rate is more in line with 2015 rates with a rate cushion of approximately 1%; and
2. Post-Retirement Health Benefits: An estimate of \$200K was budgeted for 2016.

After the presentation, Mr. Kurowski opened the floor for questions. Mr. Cluck inquired about the retirement benefits for City retirees that are budgeted for within the 2016 Sewer Budget. This issue was explained by Ms. Williams and Mr. Nowotarski. Currently there are



48 retired City employees that fall into this category. While CRW has not been billed by the City yet, our Auditors have informed CRW that we are required to budget for this expense since the transition. Mr. Lausch noted that new hires since the transition are not subject to this benefit, and this issue will be a subject for discussion at the time the Collective Bargaining Agreement is up for renewal.

IV. Modifications or Deletions to the Agenda: None.

V. Old/New Business

FINANCE:

A motion was made by Mr. Cluck, seconded by Mr. Kurowski, that the following item be approved FINANCE – Item A:

A. Underwriter for Water Bonds:

Motion: The Board directs the CEO to engage Morgan Stanley as Senior Managing Underwriter and as co-senior managing underwriters, Bank of America Merrill Lynch and Janney Montgomery Scott to facilitate the refunding of all or a portion of CRW's outstanding water revenue bonds and repay the Amalgamated financing as the underwriter to sell the transaction. All Underwriter expenses and costs are paid via the bond issuance and CRW will not be responsible for any direct cost.

Mr. Nowotarski explained the selection procedure and commended PRAG representatives on the interview/selection process. The use of other entities was explained by Mr. Nowotarski with Morgan Stanley acting as Senior Managing Underwriter with no additional fees being charged to CRW.

The motion was unanimously approved.

VI. Public Comments Agenda and Non-Agenda Items: None.

VII. Board Member Comments: None.



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VIII. Adjournment:

A motion was made by Mr. Cluck, seconded by Mr. Majors, that the Board adjourn the meeting at 6:42 PM. The motion was unanimously approved.

CAPITAL REGION WATER



Westburn Majors, Secretary

The Patriot-News

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Order Source

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Customer Phone

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717-525-7677

Payor Phone

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Special Pricing

None

Ordered By

Karen M. McKillip

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Customer EMail

Karen McKillip <karen.mckillip@c

Tear Sheets

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Payment Amount

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Ad Preview

A Workshop Meeting of Capital Region Water is scheduled for Wednesday, November 4, 2015 at 5:00 PM in the 1st Floor Conference Center Board Room located within the Locust Court Building, 212 Locust Street, Harrisburg, Pennsylvania.
CAPITAL REGION WATER
Shannon G. Williams, P. E., CEO

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