MUHLENBERG TOWNSHIP AUTHORITY
MINUTES OF SPECIAL MEETING OF THE BOARD

A special meeting of the Board of Muhlenberg Township Authority, Water and Sewer Projects, was held on Thursday, July 30, 2026, beginning at 6:00 p.m., at 210 George Street, Reading, Muhlenberg Township, Berks County, Pennsylvania, pursuant to notice both advertised and posted according to law.

The following members of the Board were present:

Jim Kelly
Walt LaSota
Steve Wolfinger (attended virtually)
Mike Merkel

In attendance were Authority Director of Operations, Nathan Roush; Thomas A. Rothermel, Solicitor, of Bingaman, Hess, Coblentz & Bell, P.C.; Scott Boehret, Transcend Business Advisors, Authority controller consultant; and Nick Repko and Sydney Jernigan of Spotts, Stevens and McCoy (SSM), consulting engineer to the Authority.

The meeting was called to order at 6:00 p.m. by Chairman Kelly.

There was no public comment.

Under New Business, the Board engaged in discussion regarding preliminary findings of a comprehensive rate study prepared by SSM. The rate study examined the water and sewer divisions, detailing historical operating revenues and operational expenses dating to 2019, with financial projections through 2030. It was noted that the Authority last raised water rates in 2018, and last raised sewer rates in 2016. In reviewing the financial data, SSM reported that over the past several years, operating expenses have exceeded revenues in both the water and sewer divisions. Financial data reveals that interest income and reserves have consistently been utilized to fund operational costs, which is neither sound accounting practice nor sustainable long-term. It was further noted that the Authority is currently engaged in bond financing totaling $10 million, which will be utilized for capital improvements and system enhancements in both the water and sewer divisions (80% water; 20% sewer). Financial data and cost projections reveal that without factoring in debt service per the impending bond indenture (estimated to be in the range of $500,000 - $700,000 annually), the current rate structure does not result in positive cash flow in the absence of reliance on interest income and reserve funds. Overall, the current rate structure in both divisions does not sustain ongoing operating and administrative expenses without use of reserves or reliance on interest income, which is variable and speculative.

The goal of the rate study is to provide comprehensive data that shows the current financial picture in comparison to the current rate structure and billing practices. In formulating future projections, SSM utilized a factor of 2% for annual budgetary increases and 1% in annual revenue increases.

Based on needed capital improvements and system enhancements, the water division is more of a concern compared to the sewer division.

For discussion purposes, SSM indicated that modeling supported a 24% water rate increase beginning in 2027, which would result in a net positive in terms of revenue supporting operating expenses. A 3% water rate increase in subsequent years would further stabilize the water division. In the absence of a water rate increase, the percentage change in expenses through 2030 would increase to approximately $900,000. For illustrative purposes, SSM formulated a rate increase summary table, which provides corresponding dollar values to percentage increases. For example, with a 24% increase, an average residential customer, who is billed quarterly at a rate of $67.49, would pay $83.69 (an extra $16.20 per quarter) beginning in 2027.

With respect to the sewer division, water rates have not met operational expenses since 2023; use of interest income and reserves has largely maintained current operational expenditures. In the absence of a sewer rate increase, the account will continue to trend in the negative, with further depletion of reserves over time. For discussion purposes, SSM indicated that modeling supported a 8% sewer rate increase in 2027, which would result in a net positive in terms of revenue supporting operating expenses. A 5% sewer rate increase in subsequent years would further stabilize the sewer division. For illustrative purposes, SSM formulated a rate increase summary table, which provides corresponding dollar values to percentage increases. For example, with a 8% increase, an average residential customer, who is billed quarterly at a rate of $170.75, would pay $184.41 (an extra $13.66 per quarter) beginning in 2027.

In analyzing the data, Mr. LaSota questioned use of the historical data to project the Authority's future financial picture, considering the level of past capital improvements and preventative maintenance is well below the Authority's current plan. Mr. LaSota requested that Management further refine the capital improvement plan so that rate modeling would more accurately reflect the vision of the Authority going forward. Mr. Roush noted that the scheduled capital improvements should increase revenue over time, which would then result in a lesser need for sustained rate increases.

SSM compiled a comparison chart of Berks County municipal authorities and private systems. Currently, MTA's water rates are the lowest in Berks County based on average usage. Factoring in a hypothetical 24% water rate increase, the Authority would be the 4th lowest rate. With respect to sewer rates, the Authority is currently 11th highest out of 22 total municipal systems. Factoring in a hypothetical 8% sewer rate increase, the Authority would be the 7th highest.

The Board collectively agreed that further information was required before determining the scope of any water and/or sewer rate increase. The Board was also unanimous in expressing that any rate increase must be in an appropriate amount to sustain the

Authority while limiting, to the greatest extent possible, the impact on the ratepayer. Once the data is further revised and analyzed, Mr. Merkel suggested a town hall meeting be scheduled to further educate the ratepayer. Mr. Kelly further suggested that the Township Commissioners be apprised of any potential rate increase. The Board directed Management, in conjunction with Transcend and SSM, to further refine the data and modeling so that the Board may engage in ongoing discussion. Mr. Boehret indicated that he would revise the Reserve Policy to reflect these projections, together with bond requirements for debt service.

Further under New Business, Mr. LaSota made a Motion to Amend the Agenda to ratify approval of the S&P engagement agreement. That Motion was seconded by Mr. Merkel and unanimously approved. Mr. Merkel made a Motion to ratify approval of the S&P engagement letter, which Motion was seconded by Mr. LaSota and unanimously approved.

There being no further business of the Board, the meeting was adjourned at 6:45 p.m. on Motion of Mr. LaSota, seconded by Mr. Merkel, and unanimously approved.

The next regular meeting of the Board of the Muhlenberg Township Authority will be held at 7:00 p.m. on Thursday, August 13, 2026, in the main meeting room of the Muhlenberg Township Administration Building, 210 George Street, Reading, Muhlenberg Township, Berks County, Pennsylvania 19605.

Steven Wolfgang
Title:
Treasurer