

**Citizens Advisory Council of Prichard
Assembly Room, 205 Government Street, Mobile, Alabama
Summary of Activity
December 15, 2023**

FACILITATING: John Young, Jr., Court-Appointed Receiver
Prichard Water Works and Sewer

ATTENDING: Carletta Davis, President, We Matter
Katie Davis, District 2
Serveria Morris, United Concerned Citizens of Prichard
Dr. Beatrice Morse, District 97
Alison Walker, District 33
Stephanie Norwood, City of Prichard
Jessica James, City of Chickasaw
Chris Williams, Pastor, County Commission
Rusty Murdaugh, District 98

ABSENT: Mayor Jimmie Gardner, Prichard
Mayor Barry Broadhead, Chickasaw

Discussion

John Young welcomed everyone in attendance and invited each person attending to introduce themselves. Mr. Young introduced himself and provided background on his water industry credentials (33 years at American Water- retired from there in 2010). Mr. Young then became the court-appointed receiver for the wastewater utility in Jefferson County, AL, followed by assisting “troubled” utilities in Detroit, Puerto Rico, Flint, and Benton Harbor.

Mr. Young stated he had been on the job as a Receiver for about 5 weeks. He clarified he was here as a court-appointed Receiver and reported to Judge Youngpeter, not the bondholders or the Board.

Mr. Young stated his primary focus is on public health protection and providing a reliable water supply and wastewater system. He emphasized he was concerned about the customers, utility employees, and investors in the utility (bondholders). Mr. Young emphasized the need to ultimately pay back the bondholders because, at some point, this water system will need capital from the financial market to make all the necessary improvements. If Prichard Water doesn’t pay back its investors, it may be impossible to get future funding for improvements, or the borrowing would be very expensive. With respect to affordability and rates, Mr. Young stated a significant rate increase was implemented in November 2023. The Receiver is not prepared to recommend any revisions in rates until a proper rate analysis is conducted. The Receiver needs more information to know how much it costs to operate and maintain an efficient PWWSB. One also needs to know how much capital is necessary to improve the system infrastructure.

The Receiver stated that of all the utilities he has worked with to restore financial and operational integrity over his 50-year career, Prichard Water Works and Sewer is as bad a utility as he has ever seen.

The Receiver has only met one of the current PWWS board members. The Receiver emphasized that the problems in Prichard are the result of many decades of mismanagement and lack of investment and not solely the fault of the current Board. However, 95% of the Receiver's work will be looking forward to the solution rather than focusing on the past.

The Receiver stated that PWWSB faced significant financial challenges. Despite the November 2023 rate increase, the PWWSB has insufficient funds to pay for its ordinary operation and maintenance expenditures. The majority of funds received from the settlement of the hydrant litigation with the City of Prichard were used by the Board (prior to entry of the Order) to pay overdue bills and operating expenses, but not to pay their full bond obligation to the Bond Trustee. Examples of vendors/contractors' payments impacted by the inadequate revenue are:

- Mobile Area Water & Sewer System (MAWSS) bill for purchased water.
- Money owed to the City of Prichard for its municipal fee.
- PWWSB legal fees.
- Bond Trustee obligations.

Additionally, construction funds available for water system capital improvements are limited to funds held by the Bond Trustee, which are subject to restrictions dictated by the indenture. Very Limited grant funds (less than \$1M) are available for the wastewater system construction improvements.

The Receiver reviewed severe operational challenges within the utility, including:

- Sanitary sewer overflows.
- Significant leakage from its water distribution system.
- Failure to meet Alabama Department of Environmental Management (ADEM) Consent Order obligations and provide the required capital improvements to the sewer system.
- Failure to comply with ADEM and EPA Sanitary Surveys, which may result in the issuing of a new Consent Order by AEDM to address water system technical, management, and financial deficiencies.
- Staffing issues – additional staffing is needed to enforce collection efforts, make needed repairs, and otherwise operate the system.

The Receiver spent the last two weeks meeting with various agencies and organizations to determine the availability of additional grant funding. The Receiver has met with the USEPA, ADEM, and Mobile County to help fund projects immediately necessary to comply with Consent Orders and improve the reliability of the System.

To secure low-interest loans, the utility will need to complete financial audits to show lenders their financial condition. Until this year, there were no audits for 2019, 2020, and 2021. Over the last nine months, audits for these three years were completed, and we are currently working on the audit for 2022. When that 2022 audit is completed, hopefully, next month, the Receiver will share it with the Advisory Council. It will probably show that the utility continues to operate at a deficit every year and has no money to pay for any type of construction.

The Receiver said he is grateful for the dedicated employees of PWWS, stating these professionals know how to accomplish much with limited resources. The Receiver stated the need to give the employees the resources, training, and standard operating procedures necessary for an efficiently run utility.

The Receiver discussed the Receiver Order from the court and outlined the role and responsibilities of the Advisory Council.

The Receiver then provided a report on the *progress* that has been made toward a solution in the last five weeks:

- Continue to meet PWWSB supervisors and staff to evaluate system needs and take steps to improve operational efficiency to the extent possible.
- Met with MAWSS to discuss billing issues and water supply.
- Reviewed 2019, 2020, and 2021 financial audits and discussed the completion of the 2022 audit with representatives of ADEM, which funded the audits.
- Met with the Mayors of Prichard and Chickasaw.
- Solicited and received a proposal for an affordability analysis and low-income program development.
- Solicited and received a proposal for developing a water and wastewater Asset Management Plan.
- Solicited and received a proposal to evaluate the feasibility and cost of alternative groundwater and surface water sources of supply.
- Met with the Mobile County Commission member to review construction projects that impact PWWSB water and sewer distribution and collection systems and discuss grant funding.
- Applied for EPA technical assistance and have had multiple follow-up phone conferences with EPA and the technical assistance team EPA assembled.
- Multiple meetings with AEDM to review water/wastewater issues and funding opportunities.
- Met with the concession team to review their proposal.
- Planned for and held a Citizen Advisory Council meeting on December 15, 2023.
- Took control of PWWSB bank accounts with the authority to sign checks.
- Instituted financial controls with the personnel of the System.
- Toured the water and wastewater systems to observe the condition of assets (treatment plants, water storage facilities, pumping stations, buried infrastructure, etc.) and their operational issues.
- Signed contract to complete automated meter reading project.
- Signed contract for a leak survey study.
- Secured website domain (FixPrichardWater.com) for the System.
- Launched a website to enable the Receiver to provide public access to updates, information, and monthly progress reports. The website is expected to be active by early January 2023.
- Conducted discussions with non-profit funding sources.

Next steps:

Schedule the next Citizens Advisory Council of Prichard meeting.

Meeting adjourned.