



Why is the City of Johnstown Considering the Sale of its Sanitary Sewer System?

The Problem

- *The City has been struggling with the crushing liabilities of an underfunded pension system and a required sewer upgrade that together total over \$150 million.*
- *As a result, the City continues to languish as a state-designated financially distressed municipality, a title it has held since 1993.*

The Options

- *The City's Act 47 Financial Recovery and Exit Plan required a review of City assets, determination of their value and potential actions (sale, lease, etc.) that could increase the City's revenue stream.*
- *The subsequent 2019 valuation report identified the City's sanitary sewer system as the asset with the most value and the highest potential for sale.*

The Solution

- *The City worked with a team of professional consultants to value the sewer system and to negotiate a purchase agreement and price with the following provided:*
 - *Funds are sufficient to pay the pension liability and reduce the City's annual pension contribution by \$2 + million.*
 - *A reasonable cap is placed on sewer rates for several years.*
 - *The buyer assumes compliance of the state Department of Environmental Protection sewer system consent order and the outstanding \$100 million of PENNVEST debt.*

The Impact

- *The City can fund the core services that residents need and deserve including public safety, public works, code enforcement, parks, blight elimination, neighborhood stabilization and more.*