

WORKSHOP MEETING MINUTES

November 14, 2011

The Workshop Meeting of the Lehigh County Authority was called to order at 12:23 p.m., on Monday, November 14, 2011, Chairman Asa Hughes presiding. Other Members present at the commencement of the meeting were: Thomas Muller, Brian Nagle, Emrich Stellar, Norma Cusick, and Richard Bohner. Authority Staff present were: Aurel Arndt, Doug Young, Bradford Landon, Frank Leist, Patricia Mandes, Liesel Adam, Joseph McMahon, and Cristin Garger.

Also in attendance were Michael Gaul from King, Spry, Herman, Freund & Faul LLC; Christopher Gibbons from Concord Public Financial Advisors, Inc. (Concord); and Gary Birks from Senator Pat Browne's office.

Agenda Review

Mr. Arndt stated there were four additional items for discussion following the regular agenda, one of which will be discussed in Executive Session.

Water/Wastewater Financing (Approval)

Mr. Arndt referred to the attached presentation regarding refinancing of some of the existing PennVEST loans and obtaining new funds for the Vera Cruz Sewer Project. He explained that the Authority worked with Concord and took bids for three separate loans from banks, rather than a traditional bond issue because the lower issuance costs and low interest rates are more favorable at the current time. Mr. Arndt explained that the loans are separated because the collateral backing the respective loans are from different Authority revenue streams and systems. He also stated that the final amounts of the loans are suspected to be lower than the requested amounts. Mr. Arndt noted that Pennsylvania Infrastructure Investment Authority (PennVEST) approval is needed before the Authority can officially refinance existing loans from them; however, that process has already started and approvals are expected shortly; also both PennVEST and PennWorks need to approve allowing the new debt to have a priority or parity lien on the respective Authority revenues.

Mr. Gibbons distributed the bank loan bid report for all three loans and explained that the Authority's AA bond rating made for a favorable reception of proposals, stating that the Authority had many more bids than usual. He referred to the presentation, explaining the bids received for refinancing an outstanding water loan and refinancing/new funding via the Sewer A Bonds and Sewer B Bonds.

Atty. Gaul stated that Resolutions 11-2011-1, 2, and 3 are in line with other Authority and industry financing resolutions and do not allow for major changes to occur without Board approval. Extensive discussion followed.

On a motion from Mr. Stellar, seconded by Mr. Bohner, the Board unanimously approved Resolutions 11-2011-1, 11-2011-2, and 11-2011-3, authorizing the award and issuance of the recommended loans and authorizing the appropriate officers and staff to execute the necessary documents affiliated with each loan (6-0).

Personnel Study (Approval)

Mr. Young stated the Authority received three proposals for the Personnel Study and referred to the previously distributed memorandum for details regarding each firm's submission. He explained that although Pinnacle Consulting has a lower cost proposal, the Authority recommends contracting with Fox Lawson based on their greater experience, significant salary database, positive references, and

ability to respond to all items under the scope of work. Mr. Young recommended selecting the \$28,500 option in their proposal which eliminates a salary survey but builds the classification plan from using their database resource and other surveys such as AWWA, and adjusting that data to our region.

Mr. Nagle asked how current does Fox Lawson keep their database of salary surveys.

Mr. Young stated that it is updated on a yearly basis.

Ms. Cusick inquired about the last time the survey was done and if other local entities are involved.

Mr. Young explained that the last study was performed in 2006 and usually recurs every five years. He noted that other municipalities, counties, authorities, and some private engineering firms are called for information as well. Mr. Young stated the study results will be presented in March 2012 to guide salary and benefit changes that would normally take effect in April.

On a motion from Mr. Muller, seconded by Ms. Cusick, the Board unanimously approved contracting with Fox Lawson and Associates for the Authority's Personnel Study in the amount of \$28,500 and authorizing the appropriate staff members to execute and attest on necessary documents (6-0).

Third Quarter Unaudited Financial Statements (Statements) (Acceptance)

Mr. Young distributed updated copies of the Statements, noting there was a significant error regarding depreciation. He noted that water revenues are still relatively flat because of the significant reduction in Capital Recovery Fees due to lack of growth because of the economy. Mr. Young also stated the wastewater amounts are estimated because the Authority has still not been billed for the services provided by the City of Allentown Wastewater Treatment Plant. Some discussion followed.

On a motion from Ms. Cusick, seconded by Mr. Stellar, the Board unanimously accepted the 2011 Third Quarter Unaudited Financial Statements (6-0).

Operations Update – Response to October 29, 2011 Inclement Weather

Mr. McMahon stated that one foreman was called in during the snowstorm both Saturday and Sunday. He noted that the Authority Operations Center lost power until late Monday afternoon; therefore, restoring power in portions of the Operations Center, such as the Computer Room, took priority in order to maintain communication with all systems. Mr. McMahon also noted that some smaller systems lost power temporarily as well and proper notifications were issued by Customer Care; most of the larger systems have generators at their respective well stations. He added that research is being done on obtaining a generator large enough to power the entire Operations Center.

Madison Park System

Ms. Adam explained that the Authority acquired the Madison Park system in Lynn Township in 2010. She noted that this system did not have meters; therefore, bills were estimated from previous usage until meter installation. Ms. Adam stated that meters have now been installed and the data shows that customers were overcharged slightly and the Authority will be issuing refunds to about 50 customers totaling ~\$1,900. The Authority will not be going back and charging additional fees to customers who used more water than that for which they were billed.

Strategic Planning

Mr. Arndt referred to a previously distributed memorandum regarding the Authority Strategic Plan update. He noted the last update occurred in 2007, and he has been gathering comments and ideas from employees and management staff for the past few months regarding possible changes. Mr. Arndt explained that feedback from the Authority Board is an integral part of the update and any ideas/issues stemming from the current Plan are greatly appreciated. Extensive discussion followed.

Executive Session

The Chairman called for an Executive Session at 2:28 p.m. to discuss personnel.

The session ended at 3:12 p.m.

There being no further business, the Chairman adjourned the meeting at 3:13 p.m.

Richard H. Bohner
Secretary