

LEHIGH COUNTY AUTHORITY
WORKSHOP AGENDA
Monday, October 8, 2012 – 12:00 PM

INITIAL ITEMS *(Collectively 5 Minutes)*

1. **Identify items for October Board Meeting**

- Review Board Discussion items, October 2012 – December 2012
- Minutes Approval – September 10, 2012 Workshop Meeting / September 24, 2012 Regular Meeting

ACTION/DISCUSSION ITEMS

1. **Industrial Wastewater Rules & Regulations** *(Approval)*

In the late 1980's, the U.S. Environmental Protection Agency (EPA) promulgated new requirements for rules and regulations controlling discharges from industrial wastewater users. Initially, the Authority passed its own *Industrial Waste Rules and Regulations*, dated September 1987, but with consistent regular changes and updates, decided to change its approach and instead reference the then-current version of the City of Allentown ("City") industrial wastewater ordinance in the Authority's *Rules & Regulations for Sewerage Service* so that there would be an automatic application to Authority customers when the City changes its ordinance rather than requiring action by the Authority each time. The City changed its industrial wastewater ordinance and EPA recently requested documentation of this approach; during this process it became apparent that the 1987 Authority *Industrial Waste Rules and Regulations* were still in force and there were some inaccuracies in the language of the Authority's *Rules & Regulations for Sewerage Service* in this regard that need correction.

The Staff recommends the Board take action rescinding the September 1987 *Industrial Waste Rules and Regulations* and further that the Board take action approving a revised *Rules & Regulations for Sewerage Service* as follows (wording with strikethrough is deleted language in the revision):

§4.d.: "...The above list of unacceptable discharges shall apply to all residential, commercial and industrial discharges to the System and is supplemented by requirements listed in the current City of Allentown sewage and industrial wastes ordinance, when the sewage is ultimately treated at the City's treatment plant at Kline's Island, and Authority sewage ~~and industrial waste~~ rules and regulations..."

§6.a.: "...In addition, owners of premises requiring a main extension from the System to serve the premises must also comply with the terms established in the Authority's *Sewer Main Extension Policy*, and owners of premises that will discharge industrial and/or commercial waste shall be subject to the requirements of the City of Allentown, where applicable, and Authority sewage ~~and industrial waste~~ rules and regulations..."

§8.f.: "...Furthermore, in addition to any and all other penalties and damages, the enforcement provisions of the City of Allentown, where applicable, and Authority sewage ~~and industrial waste~~ rules and regulations shall pertain when appropriate..."

If any Board member would like a copy of the entire *Rules & Regulations for Sewerage Service*, please contact Cristin, although it can also be viewed online at <http://www.lehighcountyauthority.org/files/LCA-SewerRulesRegs.pdf>.

2. **Capital Plan Approval** *(Approval)*

The 2013-2022 Capital Plan was reviewed at the September 24, 2012 Regular Meeting. LVPC reviewed and commented on the Plan at their September 27th meeting, which address only new water projects (**blue**). The Lehigh County Commissioners are not going to approve the Authority Capital Plan this year, owing to insufficient time to review the Plan during October. Anticipating no additional comments, we request Board action to approve the Plan.

3. **2013 Budget Assumptions** *(Discussion)*

Attached 2013 Budget Assumptions will be discussed at the Workshop (**green**).

INFORMATION ITEMS

1. **Education and Training**

Pat Mandes	WEFTEC Annual Conference – New Orleans, LA	10/1-3; \$2,100
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OTHER ITEMS

1. **None.**

2013 Budget Assumption

1. Salary Adjustments

The staff will be providing data for salary adjustments later into the budget process.

2. Staffing

Anticipated staffing changes include the following:

Because of the lower levels of development and other construction activity, the Capital Works (CW) Specialist position for construction inspection that is currently vacant will not be filled. Construction inspection needs will be covered by current CW or Operations staff or outsourced as dictated by workload.

A replacement for the retiring Chief Engineer will be budgeted for $\frac{3}{4}$ of the year, however that role may be addressed via part time, season or contractual personnel.

Temporary and Part-time employment budgets will increase to address legal needs, to facilitate the transition between retiring and replacement employees and to hire a seasonal employee in operations. Also, to assist in CW related tasks such as plan and document organization, electronic imaging of numerous development and facility plans, funds will be budgeted for temporary help with such costs changed to the appropriate project.

Two operations positions will be budgeted as replacements for retiring employees. In keeping with our succession and knowledge management planning effort, it is planned to hire 3 months in advance of the scheduled retirements.

3. Water and Wastewater Rates

We do not expect a rate increase for the Water fund in 2013. Rate changes for the Western Lehigh Interceptor and the Little Lehigh Relief Interceptor Systems will be determined by October 31. No increases are planned for the common rate collector systems, and the Lynn Township systems. A rate review and a likely increase will be needed for the Western Weisenberg Collector System once the new plant is completed in late 2013. A review of the Washington Township Sewer rates will be conducted and discussed with Washington Township, which sets the rates. The budget will assume a 5% increase effective for three quarters of the year.

4. Financing

There are enough available monies in the borrowed fund construction accounts and reserves to adequately cover 2013 projects in the water fund.

Depending upon the progression of certain wastewater projects, including the SCARP work, Park Pump Station Improvements, and the WTP Biogas Energy project, new financing may be required.

5. Public Relations

Public relations activities will continue to focus on community outreach and stakeholder involvement programs. Sponsorship of community programs such as the household hazardous waste collection events, stream monitoring collaboration efforts, source water protection efforts, and the rain barrel program will continue in 2013 due to ongoing community interest. Total costs for public relations activities are expected to increase somewhat to accommodate required upgrades to the Authority's website and continue community dialogue on upcoming projects and initiatives, with decreased emphasis on printed publications.

6. Customer Care

Specific expenses for the customer care program will not change significantly in 2013. However, additional attention will continue to be placed on enhancing LCA's payment plan program and collections efforts, which may include a modest level of penalty forgiveness for certain qualified customers for positive payment plan performance. In addition, the Authority will continue to promote the use of the AutoPay and online payment options as ways to reduce payment entry workload and enhance accuracy. A paperless billing option is currently under consideration, which may reduce paper, printing and postage costs, depending on customer participation levels. Finally, with the second phase of the meter replacement program completed in 2012, payroll costs related to meter reading is expected to decrease as most areas are converted to the radio-read metering system.

7. Education and Training (E&T)

A preliminary E&T schedule will be developed to determine 2013 costs. Focused training for individuals expected to move into management or more technical positions, as other individuals retire, will take priority as part of the organization's succession plan, including employee mentoring.

8. Capital Projects

Capital projects will be based upon the first year of the 2013-2022 Capital Plan (Plan) described in project details within the Plan. Planning for development of future wastewater treatment conveyance capacity to meet future growth needs will be a high priority.

Any payouts for system acquisitions and deviation from the Plan and Budget will be handled through Budget Amendments.

9. Growth Strategy

It is anticipated that both water and wastewater acquisition activity will be higher than in the past year and includes the Allentown Concession proposal. The Capital budget includes funding for research and planning, proposal development and refinement and negotiations with estimated expenses of \$150,000 water and \$150,000 wastewater, which is considerably above the 2012 levels of \$25,000 for water and \$30,000 for sewer. No implementation funding is included and will need to be added later.

10. Customer Growth

Included in the customer growth below is the opening of the new Ocean Spray plant which will add water sales and wastewater treatment/transmission revenue. That increase is expected to occur late in 2013.

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget
Water:					
<u>WLSA/SLSA (2)</u>					
Residential	509	503	366	165	205
Commercial	20	15	7	8	9
<u>NLSA (1)</u>					
Residential	6	121	12	1	4
Commercial	1	-	-	1	1
Total Growth Additions	536	639	385	175	219
Total Acquisition Additions	-	116	-	-	-
Total Customers at Year-end	19,141	19,780	20,165	20,340	20,559
<u>Wastewater:</u>					
<u>Common Rate Collector Systems:</u>					
Residential (3)	21	8	36	253	5
Commercial	-	-	-	20	1
<u>Arcadia</u>					
Commercial	1	2	-	-	-
<u>Washington Twp</u>					
Residential	590	-	6	-	-
Commercial	24	-	(2)	-	-
<u>Lynn Twp</u>					
Residential	-	-	-	403	-
Commercial	-	-	-	21	-
Total Collector System Additions	636	10	40	697	6
Total Acquisition Addition	614	-	-	424	-
Total Customers at Year-end	1,881	1,891	1,931	2,628	2,634

(1) Includes North Whitehall, Washington Twp, Mill Creek, Pine Lakes of Lynn, Heidelberg Heights, Sand Springs and Lynn Water Company systems.

(2) Includes Beverly Hills, Emmaus out-of-borough, Buss Acres and Arcadia systems.

(3) New connections are all in Upper Milford.

11. Benefits

	ACTIVE EMPLOYEES - BENEFIT COSTS				
	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Estimate	Budget
Medical	\$ 387,241	\$ 416,517	\$ 471,689	439,192	458,985
Pool Dividend Return (5)	(30,323)	(96,800)	(102,088)	(125,000)	(75,000)
MM Self Insure - Active	6,556	7,801	5,212	5,000	-
Dental	27,102	26,175	26,755	26,367	26,775
Employee Co-pays	(8,638)	(21,310)	(29,344)	(31,383)	(31,385)
Cancer	647	448	530	510	510
Subtotal Medical	\$ 382,585	\$ 332,831	\$ 372,754	314,686	379,885
Pension	94,991	99,911	134,476	136,819	191,056
Life Ins, AD&D & ST & LT Disability (6)	30,646	33,302	29,175	24,317	25,000
FICA	172,805	183,446	177,552	166,000	175,950
Cobra Svc	609	650	548	400	-
Flex Plan	1,933	1,952	1,933	1,777	1,900
Unemployment Compensation	-	-	-	3,479	5,000
Benefits Waiver Reimb (1)	30,240	27,828	28,558	36,263	36,300
Total Costs	\$ 713,809	\$ 679,920	\$ 744,996	\$ 683,741	815,091
Total Salaries (2)	\$ 2,235,357	\$ 2,407,662	\$ 2,352,544	2,200,000	2,350,000
Bonus Payout	30,804	41,060	32,083	30,011	35,000
Benefit% to Total Salaries	31.9%	28.2%	31.7%	31.1%	34.7%
# of Fulltime Employees (3)	40	40	42	41	41
Fulltime Equivalents (FTE)	38.4	39.7	39.6	40.00	41.25
# of Retirees (4)	5	5	5	5	5
Cost per FTE	\$ 18,589	\$ 17,126	\$ 18,813	\$ 17,094	\$ 19,760

(1) Includes cash reimbursement to employees that have waived medical coverage.

(2) Excludes benefits waiver, LCA self-insured disability and bonus payout. 2010 includes an extra pay period.
2013 includes 3 new employees to be hired to replace retiring employees.

(3) At year-end.

(4) Only includes retirees with benefits through LCA.

(5) Dividend is for favorable claims experience.

(6) Includes LCA Disability payouts.

The Authority will be offering a PPO Medical plan in place of the traditional and HMO plans offered in prior-years. The new plan together with the elimination of LCA's self-insured major medical program and favorable claims experience for the past two years will maintain the current cost levels. With an average 7.2% increase facing other pool members, no increase is significant. Accordingly, we will maintain the same level of employee co-pays as implemented in June 2012. Pension costs are rising due to higher salaries and a lower payment offset resulting from a diminishing surplus. Since we are in the third year of a 3 year rate guarantee for the disability life insurance coverage, there will be no increase.