

REGULAR MEETING MINUTES
May 22, 2017

The Regular Meeting of the Lehigh County Authority was called to order at 12:02 p.m. on Monday, May 22, 2017, Chairman Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, Scott Bieber and Ted Lyons. Authority Staff present were Liesel Gross, Brad Landon, Chuck Volk, Ed Klein, Pat Mandes, Chris Moughan, John Parsons and Phil DePoe.

REVIEW OF AGENDA

Chairman Nagle announced that today's Board meeting is being videotaped and streaming live and recordings will be posted to the Authority's website.

Liesel Gross noted there are no Agenda changes and there will be an Executive Session regarding potential litigation.

APPROVAL OF MINUTES

May 8, 2017 Regular Meeting Minutes

On a motion by Richard Bohner, seconded by Linda Rosenfeld, the Board approved the Minutes of the May 8, 2017 meeting as presented (7-0).

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

2016 Audit & Financial Statements

Brad Landon clarified that no Board action is required for this item other than an acknowledgement of receipt of the auditors' report.

Ed Klein introduced Corey Troutman and Nate Schwartz from Zelenkoske Axelrod, LLC, who conducted the Authority's 2016 audit. Mr. Troutman provided a brief overview of the audit process and explained that the audit report is presented with a clean opinion with no material issues or weaknesses noted. The audit was completed in accordance with generally accepted accounting principles, and there were no disagreements with Authority management in the preparation of audit statements. Mr. Schwartz provided a more detailed review of the financial statements and notes offered in the audit report. He explained the most notable item included in the Authority's financial outlook is the 2018 debt service payment anticipated, which includes a \$19 million principle payment that may require additional financing. He noted that the concession lease agreement with Allentown is a unique arrangement that makes the financial review more complicated, but that the staff was cooperative and responsive throughout the audit process. Mr. Klein provided additional recognition for the accounting department staff who put the extra effort into ensuring the accuracy of the Authority's financial reporting process.

After a series of questions from Board members that were answered by Mssrs. Troutman and Schwartz, Brian Nagle noted that the Board acknowledges receipt of the 2016 Audit & Financial Statements.

Suburban Water Capital Financing – Parameters Resolution (Resolution 5-2017-1)

Liesel Gross introduced Chris Gibbons from Concord Financial, the Authority's financial advisor, and Kevin Reid from King Spry, the Authority's bond counsel.

Mr. Gibbons reviewed key elements of the Preliminary Official Statement, the ratings review from Standard & Poors, and his firm's financial analysis relating to the issuance of approximately \$15.5 million in tax-exempt bonds to fund capital improvements to the Authority's Suburban Division water system. Mr. Gibbons

drew attention the “AA/Stable” bond rating provided by Standard & Poors, which is a favorable rating allowing for lower interest expense over the life of the bonds. He explained that the Authority will issue bonds through a competitive online sale beginning as early as May 23, 2017, following the parameters outlined in Resolution 5-2017-1 and his financial report. Key components of the bond issue are total borrowing amount up to \$19 million, interest rate projections, and the requirement that the Authority utilize a minimum of 85 percent of the proceeds within three years of the issue.

Mr. Reid provided a more detailed overview of the role of Bond Counsel, and reviewed additional terms of Resolution 5-2017-1. He highlighted that the Resolution specifies that revenues only from the Suburban water system are pledged for this bond issue, and other key parameters. Acting as Bond Counsel, King Spry will manage the paperwork related to closing on the bond issue and will provide an opinion to the federal government that the Authority’s bond issue qualifies for tax-exempt financing.

Ted Lyons inquired whether the Authority would receive multiple bidders for this bond issue. Mr. Gibbons explained that there may be multiple parties bidding, especially in light of the favorable bond rating, but that the sale will likely be with a single entity with the most favorable bid, and then that purchaser will distribute through its consortium.

Brian Nagle asked what happens if the Authority is unable to spend 85% of the bond proceeds within three years. Mr. Reid explained that the tax-exempt status of the bond issue may be jeopardized in that case. Liesel Gross also explained that the total funding amount of \$14.9 million was based on the project needs outlined in the first three years of the current capital plan, so that it is expected this threshold will be met.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board adopted Resolution 5-2017-1 authorizing the issuance of bonds for the Suburban Division water system in accordance with the parameters set forth therein (7-0).

Chris Gibbons, Kevin Reid, Corey Troutman and Nate Schwartz left the meeting at 12:32 p.m.

Tank Painting Project – Heidelberg Heights Wastewater Treatment Plant

Chuck Volk provided an overview of the project, which includes repainting of the sequencing batch reactor tanks at the wastewater treatment plant in Heidelberg Township. Three bids were received, and the staff recommends awarding the work to J.P. Smith Contractors, Inc.

Some discussion followed. Mr. Volk explained that this contractor has extensive experience with this work. The bids were issued and managed through the PennBid program online.

Jeff Morgan noted that he is familiar with this contractor and has had satisfactory experience with their work.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Capital Project Authorization – Construction Phase in the amount of \$82,770.00, which includes the Construction Contract awarded to J.P. Smith Contractors, Inc., in the amount of \$70,770.00 (7-0).

Allentown Division – Wastewater Treatment Plant: Security Upgrades

Phil DePoe explained the project, which includes the installation of security upgrades at the wastewater treatment plant in Allentown. The equipment for this project was purchased through a prior Board authorization. This project is categorized as “Uncompleted Work” in the lease agreement with Allentown, which means the City will pay for the work, but also approves the project scope. Any items that were not approved by the City may be completed at a later date as an expense to the Authority.

On a motion by Norma Cusick, seconded by Jeff Morgan, the Board approved the Capital Project Authorization – Construction Phase in the amount of \$251,719.00, which includes the Electrical Contract awarded to Albarell Electric in the amount of \$189,864.00 (7-0).

MONTHLY FINANCIAL REVIEW

Ed Klein gave an overview of the April 2017 Financial Report, including a short PowerPoint presentation outlining key performance indicators.

MONTHLY SYSTEM OPERATIONS OVERVIEW

John Parsons reviewed the April 2017 Operations Report that was attached to the Board agenda. Mr. Parsons noted the Pennsylvania Department of Environmental Protection has lifted the Drought Watch for all counties in Pennsylvania. He also noted that the investigation regarding the available technology to implement the recommended stream monitoring program is continuing and will be presented to the Board at a later time. Scott Bieber asked if the staff had ruled out the use of stream gages provided by the U.S. Geological Service. Mr. Parsons responded that this will be part of the overall cost evaluation prior to moving forward with the monitoring program.

Brian Nagle asked for additional details about the emergency declaration that was noted in the April 2017 Operations Report. Mr. Parsons explained that a sanitary sewer overflow occurred in April due to a blockage of a manhole, not caused by a rain event. Due to the size of the blockage, specialized equipment was required, including bypass pumping to eliminate the discharge of sewage to the environment during the repair. This incident was reported to the appropriate regulatory agencies, as well as to the City of Allentown for inclusion in their project to repair manholes.

STAFF COMMENTS

None.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

EXECUTIVE SESSION

Chairman Nagle called an Executive Session at 1:15 p.m. to discuss potential litigation. Attorneys Alessandra Hylander and Devin Chwastyk of McNees Wallace & Nurick LLC entered the meeting at this time.

The Executive Session ended at 2:07 p.m.

REGULAR SESSION

Scott Bieber inquired about the progress on investigating the permit process for stormwater injection wells. Brad Landon responded that the staff has a meeting scheduled with the Department of Environmental Protection on June 22, 2017, so the topic may be appropriate to discuss again with the Board at the June 26, 2017 meeting.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:08 p.m.

Richard H. Bohner
Secretary