

REGULAR MEETING MINUTES
August 28, 2017

The Regular Meeting of the Lehigh County Authority was called to order at 12:01 p.m. on Monday, August 28, 2017, Chairman Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, Scott Bieber, Ted Lyons and Deana Zosky. Authority Staff present were Brad Landon, Ed Klein, Pat Mandes, Chuck Volk, Chris Moughan, John Parsons, Susan Sampson, Phil DePoe, and Lisa Miller.

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.

Brad Landon stated that no agenda changes have been reported to him and there will not be an Executive Session.

APPROVAL OF MINUTES

August 14, 2017 Regular Meeting Minutes

Richard Bohner suggested a correction on page 2, 3rd paragraph, 3rd sentence, the word *an* should be changed to *and*. On a motion by Richard Bohner, seconded by Deana Zosky, the Board approved the Minutes of the August 14, 2017 meeting as corrected (5-0). Norma Cusick, Scott Bieber, and Ted Lyons abstained.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Suburban Division – Wastewater Tapping Fees

Ed Klein gave a background on the development of the wastewater tapping fees. After a review of the projects and debt service from consultant Dave Busch, a table of new rates was established. This was a new process resulting in some increases and decreases as a result of the readjustment of project costs between capacity and collection. Mr. Klein noted that some of these fees may change at the end of the year because of the Administrative Order work and costs.

Pat Mandes added that there are tapping fee regulations in Pennsylvania and any fees are calculated specifically by the law. Also, the Western Lehigh rates have been submitted to LCA's signatory partners asking for comments but the Authority has not received any comments.

Chuck Volk noted that when the Sand Spring project is complete, the Consultant will need to revisit these costs. Ed Klein said that he will.

Deana Zosky questioned whether the fees are for a one-year operating budget subject to Administrative Order change. Mr. Klein replied yes. Ms. Zosky asked for more clarification on rate structure vs. tapping fees. Mr. Klein provided that explanation. Ms. Zosky said she is trying to understand if the difference between what the law allows and our projects leaves us out of pocket expenses somehow. Pat Mandes said that if we don't get all the projected future hookups and we don't necessarily get all the money back through tapping fees, the user rates are adjusted to reflect the difference so that debt service is always covered. Ms. Zosky asked what happens if a developer says they are hooking up 10 properties and hooks up 20 instead, for example. Ms. Mandes explained that tapping fees apply per connection and so additional fees would be applied to the developer to address the additional hookups.

Ms. Zosky asked if the consultant looked at forecasting for new growth. Ed Klein explained that growth has been outpacing the forecast.

Brad Landon noted that the blanks in the Resolution should be marked to include Exhibits A through G and the effective date 9/1/2017.

On a motion by Scott Bieber, seconded by Linda Rosenfeld, the Board approved Resolution No. 8-2017-1 which establishes the various components of the Lehigh County Authority capital recovery fees for various Suburban Division wastewater systems (8-0).

2018-2022 Draft Capital Plans

Chuck Volk presented the 2018-2022 draft Capital Plans for the Suburban Division – Water, Suburban Division – Wastewater, Allentown Division and the Administrative Projects along with a PowerPoint presentation highlighting key projects in each division. Mr. Volk noted this presentation is for information only, not approval. Approval will be sought in September after time for comments from the City and other parties. Ed Klein reviewed the financial analysis highlights in each division.

Administrative project costs will be allocated based on system revenue ($\frac{2}{3}$ City Division and $\frac{1}{3}$ Suburban Division) and funded out of operating cash. The Board asked if this sharing ratio gets reanalyzed and is it part of the agreement with the City of Allentown. Mr. Klein explained it's not part of the agreement but the allocation mirrors the internal services costs and is consistent.

Chuck Volk explained how some of the projects roll into the following year, but those projects may be used as placeholders. Deana Zosky noted that doing that means borrowing capital money is then based on a completely different amount. The closer, tighter we get with estimated costs and actual construction times, the better.

Scott Bieber said that he is against bringing another trunk line down the Spring Creek, if that is suggested in any of the capital projects. Chuck Volk commented that Arcadis is preparing a report on this and will present at another meeting.

Jeff Morgan asked about the Western Lehigh Interceptor and said he thought Jim Shelton from Arcadis said this interceptor has been hydraulically overloaded since 2009 during dry weather so why is this part of the Administrative Order work, which is a wet weather issue. Pat Mandes said dry weather and wet weather flows are interrelated and the work Arcadis is doing will accommodate both areas of concern.

Phil DePoe gave an overview of the Allentown Division Capital Plan. He informed the Board that the LCA funded projects have been reduced by \$4 million from the prior draft that was distributed and anything that was in the Indenture Report projects is not being funded currently.

John Parsons described the Indenture Report from Arcadis, noting that the list of projects is getting longer and longer each year but the budget is very limited this year as well as in upcoming years, so cut backs must be made. Phil DePoe explained that Phases 2 & 3 of the roof project will now be split up over a five year period. Mr. DePoe noted and reviewed the reductions in the Allentown Division Capital plan.

The Board questioned if they have received the Indenture Report and said that it would be a good idea to have a copy. The Indenture Report goes to the trustee for the bondholders, M & T Bank, to review what LCA is working on to ensure the system is properly maintained for protection of the bonds. This is a requirement of the bonds for the lease.

Ed Klein explained the \$33 million gap in operating cash to fund the City Division Capital Plan. He noted that the Authority will be unable to borrow this amount and meet debt service requirements.

Chuck Volk received questions on the capital plans from the Lehigh Valley Planning Commission and has addressed their questions. Approval of the capital plans is scheduled for the September 25th Board meeting.

The Board asked for an explanation of the filter upgrades. John Parsons described the project.

2018 Budget

Ed Klein gave an overview of the 2018 Budget development process. He noted that final budget approval is set for the October 25, 2017 Board meeting.

Suburban Division – Buss Acres Pumping Station Replacement

Chuck Volk gave an overview of the project. The hydropneumatic tanks at both facilities have exceeded their useful life and are no longer compliant with regulatory requirements for pressure vessels. The project involves consolidating both stations on the largest well station parcel (Gary Drive) with a single new pump station and a new larger water storage tank. Mr. Volk said that the design provisions will be incorporated to facilitate the addition of radon mitigation equipment in the future should there be the establishment of a regulatory limit. The design engineer will also evaluate the feasibility and costs to provide fire protection to customers in Buss Acres. Mr. Volk is asking for approval of the Capital Project Authorization – Design Phase in the amount of \$167,405.00 which included the Professional Services Authorization – Design Phase to Buchart Horn in the amount of \$92,405.00.

On a motion by Ted Lyons, seconded by Norma Cusick, the Board approved the Capital Project Authorization – Design Phase in the amount of \$167,405.00 which included the Professional Services Authorization – Design Phase to Buchart Horn in the amount of \$92,405.00 (8-0).

Suburban Division – Emergency Declaration

John Parsons gave an overview of the emergency declaration regarding the water main break that occurred at 7450/7491 Hamilton Boulevard. He noted that there was an unusual corrosive aspect for a 20-year-old pipe and some petroleum smell in the trench. The total cost to complete the project was \$73,415.73. Mr. Parsons explained that this was the best approach to fix the pipe and to eliminate a hardship for customers.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Emergency Declaration in the amount of \$73,415.73 (8-0).

Mr. Parsons said a condition assessment will be done to determine the root cause. The petroleum odor was also reported to the appropriate authorities. The Board asked Mr. Parsons to report back to them regarding the findings of the cause.

Allentown Division – Wastewater Treatment Plant: Miscellaneous Improvements

Phil DePoe gave an overview of the project regarding the Kline's Island Wastewater Treatment Plant clarifier equipment replacement for the Construction Phase. This project will be funded by the LCA Allentown Division. Mr. DePoe is asking for the approval of the Capital Project Authorization in the amount of \$879,592.00 which includes the Professional Services Authorization to D'Huy Engineering in the amount of \$19,400.00 and the General Contract Award to Blooming Glen Contractors in the amount of \$785,192.00.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Capital Project Authorization in the amount of \$879,592.00 which includes the Professional Services Authorization to D'Huy Engineering in the amount of \$19,400.00 and the General Contract Award to Blooming Glen Contractors in the amount of \$785,192.00 (8-0).

Suburban Division – 2017 SCARP Improvement Implementation Plan

Pat Mandes mentioned that Jim Shelton from Arcadis was present at the August 14th meeting with a presentation of an overview of the planning process. Ms. Mandes said the objective is to prepare a draft and final version of the 2017 SCARP Improvement Implementation Plan for submission to PADEP and USEPA. Ms. Mandes is asking for approval of the Capital Project Authorization – Amendment No. 27 in the amount of \$75,000.00 which includes the Professional Services Authorization – Amendment No. 28 to Arcadis. The work covered by this amendment includes preparation of a summary of the work that has been completed

on the project to address the USEPA Administrative Order to eliminate sanitary sewer overflows including the investigative and planning phases for future reference and for preparation of the Capital Improvements Implementation Plan to be submitted to the EPA and DEP by the interim deadline of December 31, 2017.

Deana Zosky stated her concerns about the Improvement Implementation Plan not being a detailed enough to measure performance. Pat Mandes said there will be key performance indicators in the guidance manual. Ms. Mandes stated that measuring peak flows after the source removal projects will help in refining the design of future system improvements in Western Lehigh. Deana Zosky questioned whether EPA will see the key performance indicators or just a general plan. Pat Mandes explained the design standard is determined by the previous metering and modeling work and will be included in the EPA submission. Deana Zosky asked for clarification that if there is one plan for all partners then how will the partners reimburse the Authority. Ms. Mandes explained that the costs for the LCA improvements work is wrapped into the WLI rates based on their flows and loads so that LCA will be reimbursed. Also, the partners are paying for their own Source Removal Work so LCA will not be reimbursed for that work. Ms. Zosky asked that the Authority make sure that the work be included in the budget process so future amendment processes are not needed. Ms. Mandes explained the current request is a capital project amendment, not a budget amendment. All SCARP projects were included in the approved 2017 budget. The Capital Project Authorization Amendment is used to keep track of the entire project cost which began in 2008 and to ensure each phase of work is approved.

On a motion by Norma Cusick, seconded by Jeff Morgan, the Board approved the Capital Project Authorization – Amendment No. 27 in the amount of \$75,000.00 which includes the Professional Services Authorization – Amendment No. 28 to Arcadis (8-0).

MONTHLY FINANCIAL REVIEW

The monthly financial review for July 2017 was prepared by Ed Klein and attached to the agenda. Mr. Klein asked if there were any questions or items that needed further explanation; there were none.

MONTHLY SYSTEM OPERATIONS OVERVIEW

John Parsons gave an overview of the monthly System Operations Overview report for July 2017. Mr. Parsons reviewed the sanitary sewer overflows for July. Under the “Other Highlights” section, Mr. Parsons stated that the Suburban Division water hydrant flushing program is 100% complete and a report will be provided at a future Board meeting.

STAFF COMMENTS

Lisa Miller reminded the Board of the upcoming LCA company picnic and asked the Board to RSVP if they have not yet done so.

SOLICITOR’S COMMENTS

Brad Landon reported on Red Maple Acres litigation. The Common Pleas Court decision was rendered in favor of the Authority on the issue dealing with the Authority, but the plaintiffs appealed to Commonwealth Court. Recently the appellate court dismissed the case at that level based on failure to file certain documents. Time will tell if the plaintiffs appeal that decision.

PUBLIC COMMENTS / OTHER COMMENTS

Scott Bieber inquired about who the two municipalities that are not in agreement with the cost sharing memorandum of understanding (MOU) on the Administrative Order work amongst the City signatories. Deana Zosky stated it was Emmaus and Salisbury. Mr. Bieber was concerned about how this will work regarding payment. Pat Mandes said that there will be more discussion on the approach and the MOU as the parties try to work through the issues.

EXECUTIVE SESSION

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:55 p.m.

Richard H. Bohner
Secretary