

**REGULAR MEETING MINUTES**  
**September 25, 2017**

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The Regular Meeting of the Lehigh County Authority was called to order at 12:02 p.m. on Monday, September 25, 2017, Vice Chairman Scott Bieber presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, and Deana Zosky. Authority Staff present were Liesel Gross, Brad Landon, Ed Klein, Pat Mandes, Chuck Volk, Chris Moughan, John Parsons, Susan Sampson, Jennifer Montero, Amy Kunkel, and Lisa Miller.

**REVIEW OF AGENDA**

Vice Chairman Bieber 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 but noted that a few handouts were distributed prior to the meeting that relate to the presentations at today's meeting. Ms. Gross also noted there will be an Executive Session at the end of the regular agenda regarding matters of potential litigation.

Vice Chairman Bieber announced he would like to discuss fracking waste at the end of the meeting.

**APPROVAL OF MINUTES**

**September 11, 2017 Regular Meeting Minutes**

On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of the September 11, 2017 meeting (6-0).

**PUBLIC COMMENTS**

Joyce Marin, a resident of Longswamp Township, Berks County, thanked Liesel Gross, and also the Board, for assisting her with the information on the Authority's website regarding the groundwater table. Ms. Marin also stated she would like to discuss fracking waste. Scott Bieber said that the Board will be discussing this at the end of the meeting under Public Comments / Other Comments.

**ACTION AND DISCUSSION ITEMS**

**LCA Pension Program – 2018 Minimum Municipal Obligation (MMO)**

Liesel Gross presented the 2018 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's Pension Plan to the Board. No action is required. Deana Zosky asked what the obligation was for 2017. Ed Klein responded and said that the MMO is up slightly from 2017 because the Authority's plan is underfunded slightly as a result of the transfer of Allentown employees to the Authority in 2013. This is expected to be addressed via additional payments into the pension plan over a period of several years.

**2018-2022 Capital Plans – Final Draft**

Liesel Gross stated that the 2018 budget, rates, and capital plans will all be approved together in October. The final draft 2018-2022 capital plans distributed at the meeting include financial analysis pages that were excluded from the preliminary draft distributed previously. Any questions or comments should be addressed prior to the October 9, 2017 meeting.

At the request of Ed Klein and the approval of the Board, the Suburban Water Rate Study was presented at this time as a change in the order of the agenda items.

**Suburban Water Rate Study**

Dave Busch, the Authority's rate consultant from Keystone Alliance Consulting, Inc., presented the process for a Cost of Service Study along with a PowerPoint presentation. Liesel Gross explained that this rate study

was conducted specifically for the Suburban Water Division. Other rate evaluations for the Suburban Wastewater and City divisions would be discussed separately.

Kevin Baker arrived at 12:21 p.m.

Mr. Busch explained a key element of the study is to review different cost components for providing water service to customers based on minimum and maximum demands, and assigning the costs into categories that will be used to calculate a rate for each customer class. The goal of the rate study is to design a rate structure that recovers the cost of providing water service so that customers pay for what they use. A key question for the study is how capital expenses should be incorporated into the annual revenue requirement. Mr. Busch explained that if the Authority finances all capital expenses with debt, the overall debt will go up along with debt service costs. One of the positive aspects of this approach is that the debt is financed over a long period of time and future customers are helping to pay for the assets that have a long useful life. However, financing some of the capital expenses directly through the rates each year can also be beneficial in reducing borrowing requirements and financing costs. The Authority should also evaluate if a maximum rate increase threshold should be incorporated into the funding and ratemaking approach. He explained that the rate study will be set up to allow for different scenarios to be evaluated prior to recommending a final rate structure.

Ms. Gross said the rate study conclusions will be presented in October and the Authority will incorporate the results into the final budget proposal for Board adoption.

Board had some discussion regarding key assumptions to be included in the rate study.

### **2018 Preliminary Budget**

Ed Klein reviewed the 2018 Preliminary Budget providing statement sheets and a PowerPoint presentation.

Regarding the Suburban Water Division, Mr. Klein explained that the new bond issue completed in 2017 will result in higher debt payments in 2018. To maintain proper debt service coverage of 120 percent, revenues will need to increase by at least 4 percent, which may be a combination of growth plus a rate increase. In addition, the operations budget is being evaluated for cost-cutting opportunities since there were significant increases in 2017 due to new programs and services being introduced. This budget will be finalized after results of the rate study are available.

Mr. Klein reviewed the Suburban Wastewater Division, which continues to show healthy performance due to the historical practice of including some reserve funding into the rates, and very low debt load. Additional details would be provided regarding rate-setting for this division in the next agenda item.

In the City Division, Mr. Klein explained that the net cash available will not be enough to cover the bond "Series C" principal payment due in March of 2018 of approximately \$19 million. This amount will need to be refinanced, resulting in an increase in annual debt service payments due. He explained that to make debt service coverage requirements, the operations budget will need to be heavily cut and the Authority will be severely limited in what capital improvements can be financed, although the current draft capital plan calls for approximately \$15 million in capital improvements in 2018. Several Board members expressed their concerns regarding the City budget revenue adequacy and the trend of cutting operations to make debt service payments, which is not sustainable. Deana Zosky voiced her concerns about the endless cycle of cost cutting while suppressing rates which leads to a system not being properly maintained and not providing our customers with high-quality service.

Liesel Gross noted that all budgets have been presented to the Board in a preliminary format to ensure the Board is aware of the constraints the Authority currently faces. All budgets will continue to be refined with the goal of presenting a budget that meets all cash and bond indenture requirements, and the rate evaluations currently under way will be incorporated into the final presentation of the budget. Regarding the City Division budget, she acknowledged the very narrow margin available to cover debt service, which requires operational budget changes to either increase revenues or decrease expenses, or both. Review of

the capital budget as part of this process will be required as well to ensure the projects are truly required and to prioritize carefully based on available funding.

The Board thanked the staff for presenting the Authority's financial picture in a candid manner.

### **2018 Western Lehigh Rates – Preliminary Review**

Jennifer Montero, contracts administrator for the Authority, presented the 2018 Western Lehigh sewer rates and user charge report, which was distributed at the beginning of the meeting. Ms. Montero is requesting preliminary approval of the Western Lehigh Interceptor (WLI) and Little Lehigh Relief Interceptor (LLRI) Phase 1 and 2 rates as described in the report. She explained that the rates are developed using a cost of service methodology that includes what the Authority pays for treatment at Kline's Island as well as the Authority's operations and maintenance costs associated with WLI, LLRI-1 and LLRI-2. The budgeted costs and billing basis are reconciled after actual costs are audited so that it truly is a "cost of service" methodology. The effect of the proposed rates on an average residential user is a 3.3 percent increase to the portion of their bill that contains the WLI rates. The increase is due primarily to an increase in City Division operating costs of about 6 percent to allow for required maintenance and associated staffing, along with the inclusion of \$400,000 for the LLRI-1 reserve fund/capital funding line. This funding is earmarked for the Park Pump Station (PPS) Force Main Rehabilitation capital project.

Jeff Morgan asked why some of the rates went down in a climate in which we are trying to build revenue. Ms. Montero explained that total system costs are allocated over five parameters (flows, BOD, TSS, TKN, and allocation), and that allocation method is in accordance with the inter-municipal agreements with the signatories. Because the rates are calculated by an agreed-upon formula, the actual changes in budgeted expenses and debt service costs will cause each parameter to change up or down. However, the overall effect is a net increase in the rates of 3.3 percent due to compilation of all the changes within the different parameters.

On a motion by Norma Cusick, seconded by Jeff Morgan, the Board approved the 2018 Western Lehigh sewer rates (6-1). Deana Zosky opposed procedurally stating that she does not approve anything she has just received and has not yet reviewed. Liesel Gross noted that the rates will be finalized as part of the budget process, and adopted formally via the budget approval.

### **Suburban Division – 2017 Water Meter Replacement Project**

Chuck Volk gave an overview of the project that is to replace and upgrade older and non-functioning water meters, both residential and non-residential, and reading equipment to increase meter reading accuracy and efficiency. All meters will be upgraded to the most current radio read capability. Some Board discussion followed. Mr. Volk is asking for approval of the Capital Authorization for the Construction Phase in the amount of \$1,668,800.00 which includes the General Construction Contract to Core and Main LP (f/k/a HD Supply Waterworks, LTD) in the amount of \$1,380,762.70, Meter Reading Upgrade Direct Purchase to Core and Main LP in the amount of \$28,000.00, and Large Meter Direct Purchase to Core and Main LP in the amount of \$120,000.00. The project will be funded by the Suburban Water Division.

Kevin Baker asked if the staff had completed a cost-benefit analysis of this project or a review of any potential return on this investment. Mr. Volk stated that no specific analysis was completed, but that the project was expected to improve metering accuracy, which should have an effect of increasing billable water volumes. Ed Klein also responded that this project was funded by the 2017 bond issue so the impact to the Authority's finances is already incorporated into the budget process. Mr. Baker acknowledged this may be the case but encouraged the Authority staff to add this type of analysis into the routine for prioritizing and presenting capital projects.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Capital Authorization for the Construction Phase in the amount of \$1,668,800.00 which includes the General Construction Contract to Core and Main LP (f/k/a HD Supply Waterworks, LTD) in the amount of \$1,380,762.70, Meter

Reading Upgrade Direct Purchase to Core and Main LP in the amount of \$28,000.00, and Large Meter Direct Purchase to Core and Main LP in the amount of \$120,000.00 (7-0).

### **Design Phase Change Order – Park Pump Station Upgrade**

Chuck Volk summarized the project stating the design phase change order requested is to capture additional design scope items that were unforeseen at the commencement of design phase. The Authority had requested the design engineer, Whitman, Requardt and Associates, LLP (WRA), to complete additional evaluations of the pump station capacity and scenarios for increases in capacity. Mr. Volk is asking for approval of the Capital Project Authorization – Contract Amendment No. 1 – Whitman, Requardt and Associates, LLP – design phase change order in the amount of \$44,406.00.

On a motion by Norma Cusick, seconded by Jeff Morgan, the Board approved the Capital Project Authorization – Contract Amendment No. 1 – Whitman, Requardt and Associates, LLP – design phase change order in the amount of \$44,406.00 (7-0).

### **MONTHLY FINANCIAL REVIEW**

The monthly financial review for August 2017 was prepared by Ed Klein and attached to the agenda. There were no questions or comments.

### **MONTHLY SYSTEM OPERATIONS OVERVIEW**

John Parsons gave an overview of the monthly System Operations Overview report for August 2017. Mr. Parsons also reviewed on-going projects under the “Other Highlights” section. Regarding the Watershed Flow Monitoring program, Scott Bieber asked if the Authority consulted with the U.S. Geological Survey (USGS) regarding installation of additional stream gages. Mr. Parsons replied that the Authority is looking into it even though they are costly. Mr. Bieber said it’s important for the reports to be accessible to the public and the USGS gages would accomplish that. Mr. Parsons said accessibility of the information is part of the project.

Mike Siegel, resident of Lower Macungie, encouraged the Board to post the data from the flow meters on line making the information available to not only residents but to public agencies especially during times of flooding on Spring Creek Road.

### **STAFF COMMENTS**

None.

### **SOLICITOR’S COMMENTS**

None.

### **PUBLIC COMMENTS / OTHER COMMENTS**

Vice Chairman Bieber stated his concern regarding fracking waste. In a new report, the Delaware River Basin Commission stated the commission will not be allowing fracking in any of its regions but is considering new regulations on fracking wastewater to be discharged at wastewater treatment plants in New York. He asked if the Authority accepted fracking wastewater through its waste hauler program that was discussed at a prior meeting. Pat Mandes responded that the Pennsylvania Department of Environmental Protection (DEP) does not permit wastewater treatment plants in the Commonwealth to accept fracking waste, and the Authority also has a policy not to accept such wastes. Deana Zosky asked for an explanation of the protocol the Authority has implemented to eliminate the risk of potentially having fracking waste discharged at the industrial pretreatment plant (PTP). Ms. Mandes explained the Authority’s protocol and policy for permitting waste haulers. The Authority has a strict policy and a systematic approach in-line with DEP regulations for permitting waste haulers and the generators of the waste, so that the source of the waste must be disclosed

prior to being permitted to discharge at the PTP. In addition, fracking waste is known to be very high in Total Dissolved Solids (TDS), which is a marker the PTP operations staff monitoring continuously, so that any such discharge would be easily and quickly identified.

Mike Siegel stated he is concerned about DEP and DRBC policies and concerned the Authority could be sued by haulers of fracking waste because they will become desperate to dispose of the waste.

Joyce Marin thanked the Board for addressing the issues.

Delwin Fiddler, new resident to the area, asked the Board to protect its precious water and not accept fracking waste.

Vice Chairman Bieber called a break at 2:25 p.m. The meeting reconvened at 2:31 p.m.

### **EXECUTIVE SESSION**

An Executive Session was held at 2:31 p.m. to discuss potential litigation. The Executive Session ended at 2:55 p.m.

### **ADJOURNMENT**

There being no further business, the Vice Chairman adjourned the meeting at 2:55 p.m.

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Richard H. Bohner  
Secretary