

REGULAR MEETING MINUTES
October 8, 2018

The Regular Meeting of the Lehigh County Authority was called to order at 12:01 p.m. on Monday, October 8, 2018, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, and Scott Bieber. Deana Zosky and Ted Lyons were on the conference phone for the duration of the meeting. Authority Staff present were Liesel Gross, Ed Klein, Pat Mandes, Brad Landon, Chuck Volk, John Parsons, Chris Moughan, Susan Sampson, and Jennifer Montero.

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 no changes to the agenda and said there would be an Executive Session at the end of the meeting to discuss matters of potential litigation.

APPROVAL OF MINUTES

September 24, 2018 Regular Meeting Minutes

Chairman Nagle offered two grammatical corrections to the minutes. On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of September 24, 2018 meeting as corrected (7-0). Deana Zosky abstained.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

2019 Western Lehigh User Rates

Jennifer Montero, the Authority's Contracts Administrator, reviewed the 2019 User Charge Report that was included in the Board packet. She explained that the report outlines the proposed rates for the Western Lehigh Interceptor and Little Lehigh Relief Interceptor, Phase 1 and 2. The rates are based on the cost of service and governed by the signatory agreements, and the rates have already been presented to the municipalities for their review and comment. The changes in the rates as proposed would have an impact of decreasing the LCA portion of a residential customer's sewer bill by 1 percent. Ms. Montero explained that the decrease is attributed to the lower level of capital improvements to be completed by the City Division in 2019, which results in lower costs passing through to the signatories.

Brian Nagle asked if the municipalities had posed any objections to the rates when they were presented by the Authority, and Ms. Montero said no comments or objections were received from the municipalities.

Deana Zosky explained she is opposed to the rates because they do not align with the Authority's long-term strategy for financial sustainability, although she acknowledged the constraints of the signatory agreements that dictate how rates are to be calculated.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board gave preliminary approval for the 2019 Western Lehigh User Rates. (7-1).

2019 Preliminary Budget

Liesel Gross opened the discussion by explaining that the Authority Board members have all been given an updated 2019 Budget package that replaces the draft package distributed at the September 24, 2018 meeting. The package distributed today is considered to be in final draft form, and the Board will be asked to approve the 2019 Budget on this basis at the October 22, 2018 meeting, subject to additional Board questions, concerns or comments. Rate approvals would be requested, in November, after the Budget is approved.

Brian Nagle asked for an explanation of the overarching assumptions that went into the budget preparation. Ed Klein explained the expense assumptions included an overall 2 percent cost inflation rate, 3 percent pool for various required wage increases, and a 7.5 percent increase in employee benefits based on actuarial information provided by pension and health insurance providers. On the revenue side, contractual requirements dictate rates for the sewer signatories and the City Division, and a rate study will be conducted to develop rates to meet revenue requirements for the Suburban Water Division.

Ed Klein then gave a PowerPoint presentation that highlighted the changes in the 2019 Budget package since the last presentation on September 24, 2018. He highlighted the summary information that shows the 2019 Budget includes \$65 million in revenues, \$19 million in debt service, net revenue that is 40% of gross revenue, an operating surplus of \$7.5 million, and a significant increase in capital spending in the Suburban Division due to projects that will carry-over from the 2018 calendar year. Mr. Klein explained that across all divisions, the Authority would use operating revenues, existing cash reserves and prior borrowed funds for capital improvements, and no new borrowing in 2019. He also highlighted key benchmarks including meeting 1.20 debt service coverage ratio that is being met in all divisions, and achieving 180 days of operating cash on hand that is not being met in the Suburban Wastewater and City Divisions.

Mr. Klein presented more details about Suburban Water, Suburban Wastewater and City Division budgets and the primary differences from the prior draft budget document. One of the primary changes was in the operating revenue in the Suburban Wastewater budget, where signatory revenues were decreased by \$1.3 million due to recalculation of expenses and user rates per the signatory agreements. He also highlighted that the City Division forecast for 2018 was updated to reflect the refinancing of the 2013C Bonds that the Board approved at the prior meeting, so that restricted cash balances reflect the refinancing.

Jeff Morgan asked for an explanation of the \$47 million in reserves held by the City Division, and Mr. Klein explained these are reserves established for debt service reserves, major maintenance reserves, and other required reserves at the time the bonds were issued. These funds cannot be used for operating or capital expenses, except on a true emergency basis.

Ted Lyons asked how effective the Authority's cost accounting is in terms of separating costs between the different divisions. Mr. Klein explained the methods the Authority uses to separate payroll and other costs between the divisions and stated they are quite rigorous and provide adequate control to ensure costs are allocated to the correct enterprise funds.

Liesel Gross asked Board members to review the 2019 Budget proposal package as presented over the next two weeks. If Board members have questions or suggestions, they should be submitted by email to Ms. Gross in advance of the next meeting so they can be compiled and addressed in a final

budget presentation at the October 22, 2018 meeting, at which time Board approval will be requested.

Allentown Division – Water Filtration Plant: Carbon Dioxide Feed System

John Parsons described the project which would include installation of a carbon dioxide (CO₂) feed system at the Allentown Division Water Filtration Plant to provide pH control and optimize the use of polyaluminum chloride as the new coagulant the City of Allentown had selected prior to the lease of the system to the Authority. The staff had evaluated several acid feed systems to determine which one would be best and decided that the CO₂ system would provide the best results and the safest work environment for plant employees. The installation was competitively bid and Zimmerman Environmental was selected as the lowest responsible bidder.

John Parsons asked for approval of the Capital Project Authorization for the Construction Phase in the amount of \$151,668.40, which includes the Professional Services Authorization to D'Huy Engineering in the amount of \$18,900.00 and the Contract Award to Zimmerman Environmental in the amount of \$122,768.40.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Capital Project Authorization for the Construction Phase in the amount of \$151,668.40, which includes the Professional Services Authorization to D'Huy Engineering in the amount of \$18,900.00 and the Contract Award to Zimmerman Environmental in the amount of \$122,768.40. (8-0).

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross reviewed the October 2018 project update report that was sent out with the Board packet and highlighted key action and discussion items that will be on the agenda for upcoming meetings.

STAFF COMMENTS

Liesel Gross noted that the staff had invited a small number of key stakeholders, including the Authority Board, to tour the water filtration plant on October 10, 2018 as part of the national "Imagine a Day Without Water" campaign. However, due to low levels of interest and schedule conflicts, the tour will be canceled. Some Board members expressed interest in rescheduling the tour for another time, and Ms. Gross stated that would be arranged.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

Jennifer McKenna of the City of Allentown Office of Compliance asked what customers benefit from the CO₂ feed system installation that was approved earlier in the meeting. John Parsons explained that all users of the system benefit from the enhanced treatment capabilities of the system. Ms. McKenna asked Mr. Parsons to confirm the Authority's City Division is paying for this system improvement, which Mr. Parsons confirmed.

Ms. McKenna asked about the "Imagine a Day Without Water" plant tour and whether City of Allentown representatives could participate. Liesel Gross explained the tour was originally established by invitation only to limit the size of the group. However, since the tour will be rescheduled, the City would be welcome to bring additional attendees, size and schedule permitting.

Chairman Nagle called a recess at 1:00 p.m. The meeting reconvened at 1:10 p.m.

EXECUTIVE SESSION

An Executive Session was held at 1:10 p.m. to discuss potential litigation. The Executive Session ended at 1:27 p.m.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:27 p.m.

Richard H. Bohner
Secretary