

REGULAR MEETING MINUTES

November 12, 2018

The Regular Meeting of the Lehigh County Authority was called to order at 12:00 p.m. on Monday, November 12, 2018, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Richard Bohner, Norma Cusick, Ted Lyons, Jeff Morgan and Linda Rosenfeld. Deana Zosky was on the conference phone for the duration of the meeting. Authority Staff present were Liesel Gross, Brad Landon, Charles Volk, Ed Klein, Pat Mandes, John Parsons, Chris Moughan and Susan Sampson. David Busch from Keystone Alliance Consulting was also in attendance for presentation of rate information included on the agenda.

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, but noted one additional item will be covered under Staff Comments and there would be an Executive Session at the end of the meeting to discuss matters of potential litigation, real estate acquisition and personnel.

APPROVAL OF MINUTES

October 22, 2018 Regular Meeting Minutes

Richard Bohner offered one grammatical correction to the minutes. On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of October 22, 2018 meeting as corrected (6-0). Deana Zosky abstained.

PUBLIC COMMENTS

None.

Scott Bieber entered the meeting at 12:07 p.m.

ACTION AND DISCUSSION ITEMS

2019 Water & Wastewater Rate Schedules

Liesel Gross reviewed the materials that were supplied to the Board in advance of the meeting including a summary memo, excerpts from the Suburban Division water rate study, and the proposed water and sewer rate schedules for 2019. She introduced David Busch of Keystone Alliance Consulting, who presented the results of the Suburban Division water rate study.

Mr. Busch reviewed the exhibits and tables included in the water rate study for the period of 2018 to 2022. The study included a review of current and projected operating expenses and debt service and an allocation of those expenses to different functional categories that drive the cost-of-service rate design. The study also included an evaluation of potential growth and revenue requirements under current rates and proposed rates.

Ted Lyons asked where the risks are in a study like this and Mr. Busch explained that the level of inflation for expenses could change, and the timing and cost of capital improvements and associated

debt could be different. However, the proposed rates can be adjusted to accommodate such changes over time.

Deana asked for an explanation of statutory requirements for municipal authority rate making. Mr. Busch explained the Pa. Municipality Authorities Act requires that rates be fair and uniform and must be established on a cost-of-service basis. This means rates must be uniform by customer class and should be established so each customer is paying their appropriate share of expense. However, the Authority has discretion for determining capital funding strategies and debt levels.

Liesel Gross reviewed all the rate changes shown in the proposed schedules for 2019 water and sewer rates.

Deana Zosky explained she is opposed to the rates as presented because the incremental annual increases, along with some rate decreases in certain areas, are not adequate to support the large infrastructure investment that is needed to maintain or improve the water and sewer systems or to quickly address the Authority's financial sustainability concerns and debt load.

On a motion by Ted Lyons, seconded by Norma Cusick, the Board approved the 2019 Water and Wastewater Rates as presented. (7-1).

Suburban and City Division Connections Fees and Customer Facilities Fees and Suburban Division Wastewater Tapping Fees (Resolution No. 11-2018-1)

Liesel Gross reviewed the resolution for the adoption of tapping fees, and reviewed the Connection Fees and Customer Facilities Fees for the Suburban and City Divisions, as shown in Attachment A of the resolution.

David Busch of Keystone Alliance Consulting reviewed Attachment B, which included exhibits and tables detailing the calculation of the Suburban Division wastewater tapping fees. He reviewed the statutory requirements for the calculation of the tapping fees, which includes calculation of the original cost or trended cost of Authority assets, minus developer contributions and outstanding debt, and divided by system capacity to calculate a per gallon tapping fee.

Mr. Busch answered various questions from the Board regarding requirements of the tapping fee legislation and how costs are categorized, how the fees may be used, and strategies for using tapping fees to fund future capital improvements. He explained that capital projects that are purely for system maintenance, such as inflow and infiltration removal from sewer systems, cannot be included in the tapping fee calculation.

Deana Zosky noted that as the tapping fees are currently structured, they only capture capacity-related projects and new customers should help pay for system rehabilitation and any "catch up" work that is needed to bring the system up to current standards. Mr. Busch explained that the thinking behind the tapping fee legislation is that user rates are the appropriate mechanism to recover maintenance and rehabilitation expenses, since those expenses are necessary whether growth happens or not. Ms. Zosky suggested legislators should be contacted about the tapping fee calculation and asked to support utilities adding maintenance-related projects into the fees.

On a motion by Linda Rosenfeld, seconded by Jeff Morgan, the Board approved Resolution No. 11-2018-1 (8-0).

2019 SCARP Program Management

Pat Mandes described the annual process of authorizing engineering services to support program management activities for the Authority and Western Lehigh municipal signatories to address requirements by the Pennsylvania Department of Environmental Protection (DEP) for a Sewer Capacity Assurance and Rehabilitation (SCARP) program. Arcadis U.S. has been serving in this capacity for more than ten years and provides services such as meeting facilitation, flow modeling, and other engineering support. Ms. Mandes noted that the scope of work is broadly defined and the authorization of \$70,000.00 is a not-to-exceed figure unless further authorization is granted.

Deana Zosky asked whether the authorization covers work done on behalf of the Western Lehigh municipal signatories and how the signatories pay for these services. Ms. Mandes explained the cost recovery method as defined by the municipal service agreements. The municipalities are billed quarterly based on budgeted costs such as this authorization, and then actual costs are "trued up" at the end of the year.

On a motion by Jeff Morgan, seconded by Linda Rosenfeld, the Board approved the Professional Services Authorization for 2019 SCARP Program Management to Arcadis U.S., Inc. in the amount of \$70,000.00. (8-0).

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross reviewed the November 2018 project update report that was sent out with the Board packet and noted that there were no planned action items for the upcoming November 26, 2018 Board meeting and the meeting may be canceled. Proper notification will be given the following week.

STAFF COMMENTS

Liesel Gross distributed the Monthly Operations Report for October 2018, which was prepared in advance due to the possible cancelation of the next Board meeting. She stated the report would be posted to the Authority's website following the meeting. John Parsons reviewed the details of the report, noting a Notice of Violation (NOV) from DEP attached to the report.

Liesel Gross review the NOV and the Authority's response, explaining that DEP issued the NOV in October as a response to the three major storm events in August 2018 that caused various sanitary sewer overflows (SSOs) in the system as well as at the Kline's Island Wastewater Treatment Plant in Allentown. She reviewed the Authority's response, which explained the environmental and mechanical factors that impacted system performance. Most notably, the intensity and frequency of storms, which has continued from August to early November 2018, has strained all systems including local waterways and stormwater systems as well as the sanitary sewer system. Just before the current weather pattern commenced, the Authority, City of Allentown and 14 other municipalities had submitted a Regional Flow Management Strategy to the US Environmental Protection Agency (EPA) to address the Administrative Order to eliminate SSOs. To date, no response has been received, although both DEP and EPA have indicated the regulators are collaborating on a response. The regulatory response is required prior to the Authority moving forward on key projects.

Some discussion followed regarding lengthy SSOs in the Trexlertown area of the system, and Ms. Gross explained that the critical projects the Authority wishes to undertake will relieve that portion of the system, but additional discussion is needed with DEP and EPA, as well as the Authority Board.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

Chairman Nagle called a recess at 1:30 p.m. The meeting reconvened at 1:38 p.m.

EXECUTIVE SESSION

An Executive Session was held at 1:38 p.m. to discuss matters of potential litigation, real estate acquisition and personnel. The Executive Session ended at 2:23 p.m.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:23 p.m.

Richard H. Bohner
Secretary