

WORKSHOP MEETING MINUTES
May 9, 2011

The Workshop Meeting of the Lehigh County Authority was called to order at 12:20 p.m., on Monday, May 9, 2011, Chairman Asa Hughes presiding. Other Members present at the commencement of the meeting were: Thomas Muller, Brian Nagle, Emrich Stellar, Norma Cusick, Richard Bohner, and Scott Bieber. Authority Staff present were: Aurel Arndt, Doug Young, Bradford Landon, Frank Leist, Patricia Mandes, Liesel Adam, Joseph McMahon, Emily Gerber, and Cristin Keppel.

Also in attendance were Craig Murray from Malcolm Pirnie, Inc; Patrick Kirk and Nathan Swartz from Zelenkofske Axelrod, LLC; and David Walbert from PA-DEP's Bethlehem office.

Agenda Review

Mr. Arndt stated the agenda items would be reviewed in a different order than listed on the agenda and proposed the following order: Financial Statements, Wastewater Capacity Presentation, and Boston Beer Company Agreement. Mr. Arndt also informed the Board that the Authority received a \$1 million grant from the H2O-PA program for the Vera Cruz Sanitary Sewer project. He noted that the grant requirements are being reviewed and acceptance of the grant is being discussed with Upper Milford Township at this time. Mr. Arndt also explained that Lynn Township voted to transfer their sewer system to the Authority; however, the Lynn Township Sewer Authority still needs to make a decision on how that authority wants to proceed.

2010 Audited Financial Statements (Acceptance)

Mr. Young introduced Messrs. Kirk and Swartz from Zelenkofske Axelrod, LLC, the Authority's auditor.

Mr. Kirk stated the Authority had a clean audit for 2010. He noted that some items in the financial statements are changed because of some new Government Accounting Standards Board (GASB) requirements for 2010. Mr. Kirk also stated that some items look different because the Authority opened up an OPEB (Other Post-Employment Benefits) Trust Fund account, which requires a new schedule in the statements. He continued to briefly highlight the statements, stating there was additional debt for capital projects in 2010 and an actuarial study will be required for 2011 to analyze the new assets.

Mr. Hughes congratulated Mr. Young and the Authority for receiving recognition from GFOA for excellence in financial reporting.

Mr. Young recognized Linda Eberhardt, Accounting Supervisor, for her work on the Financial Statements.

As Chairman of the Audit committee, Mr. Stellar commended the Authority for their financial planning and documentation efforts for 2010.

On a motion from Mr. Stellar, seconded by Mr. Muller, the Board unanimously accepted the 2010 Audited Financial Statements.

Messrs. Kirk and Swartz left the meeting at 12:37 pm.

Long-term Wastewater Capacity Presentation

Ms. Mandes stated the Authority now has the majority of the information needed to make a decision on developing an additional 4 MGD of capacity. The goal for making that decision is by the end of 2011 and the updated cost estimates are available in the presentation by Malcolm Pirnie, Inc (MPI). She

noted that several other updates related to capacity are the NTA evaluation, which will be presented by Castle Valley Consultants at the May Board Meeting; steering committee representatives have discussed LCA's need for temporary allocation with several of the City's Signatories. This has opened the door for negotiations with South Whitehall Township; and additional capacity has become even more critical because Ocean Spray has decided to relocate in the Authority service area.

Craig Murray, from MPI, reviewed the attached presentation (Presentation 1). He briefly reviewed the drivers behind the need for more wastewater capacity and the steps taken to determine the best options. Mr. Murray noted that cost estimates for each of the four possible options have changed as more research has been completed including DRBC changes regarding "grandfathered" loadings triggered by the Special Protection Waters designation and needed conveyance upgrades. Mr. Murray stated that all cost estimates are more detailed at this point, but other factors will determine final costs for each option. Extensive discussion followed.

Mr. Nagle asked if there has been an analysis of the environmental and societal impacts on each of the four options included in the planning process.

Mr. Murray indicated that the Wastewater Capacity Steering Committee will be looking at those issues.

Mr. Arndt also indicated that those issues will need to be addressed in the Act 537 Planning process for each of the options. Discussion followed.

Mr. Murray left the meeting at 1:32 p.m.

Boston Beer Company Agreement (Discussion)

Mr. Arndt began discussion by noting Boston Beer has loaned 200,000 gpd of wastewater allocation to the Authority to be used for Ocean Spray's new location in the service area that will be returned to Boston Beer upon obtaining more capacity through the Wastewater Capacity Planning process.

Ms. Mandes referred to the attached presentation (Presentation 2) to summarize the terms of the Boston Beer Company (BBC) Agreement. She noted that Boston Beer has been operating under the Diageo agreement dated September 1, 2005, since they went on line in 2007. As per the agreement, Boston Beer requested an extension of the term of the agreement for a renewal period of five years commencing on May 15, 2011. The Authority and Boston Beer have been negotiating the agreement since July of 2010 and anticipate a final understanding in the near future. Ms. Mandes explained that an amendment to the existing Diageo agreement will be drafted and presented to the Board for review and approval once it is finalized. She then reviewed the details of the agreement via the presentation and explained how the new approach benefits the Authority and BBC. Discussion followed.

Mr. Arndt noted that an extension on the May 15, 2011 deadline for negotiations will be necessary to finalize the negotiations, which Mr. Arndt plans to grant unless there is a Board objection. The Board raised no objection.

There being no further business, the Chairman adjourned the meeting at 2:20 p.m.

Richard H. Bohner
Secretary