BOARD MEETING AGENDA – APRIL 11, 2016

1. Call to Order
   • Public Participation Sign-In Request
2. Review of Agenda / Executive Sessions
4. Approval of Minutes
   • March 28, 2016 Board Meeting Minutes
5. Public Comments
6. Action / Discussion Items:
   FINANCE AND ADMINISTRATION
   • Public Participation/Transparency & Email Usage Guidelines – follow-up from March 28 Board meeting
   • Risk Management Annual Report (yellow)

   WATER
   • Allentown Division – Water Filtration Plant: 20 Ton A/C and 40 Ton Chiller Replacement (green)
   • Allentown Division – Water Filtration Plant: Painting Phase II (tan)
   • Suburban Division – Water Main Replacement Program Cycles 1 & 2 (blue)
   • Allentown Division – Water Main Replacement Program Cycle 3 (purple)

   WASTEWATER

7. Monthly Project Updates / Information Items (1st Board meeting per month)
8. Monthly Financial Review (2nd Board meeting per month) – Note: February 2016 Financials attached
9. Monthly System Operations Overview (2nd Board meeting per month)
10. Staff Comments
11. Solicitor's Comments
12. Other Comments
13. Executive Sessions
14. Adjournment

UPCOMING BOARD MEETINGS
Meetings begin at Noon at LCA's Main Office, unless noted otherwise below.

April 25, 2016
May 9, 2016
May 23, 2016

PUBLIC PARTICIPATION POLICY
In accordance with Authority policy, members of the public shall record their name, address, and discussion item on the sign-in sheet at the start of each meeting; this information shall also be stated when addressing the meeting. Members of the public will be allowed 5 minutes to make comments/ask questions regarding non-agenda items, but time may be extended at the discretion of the Chair; comments/questions regarding agenda items may be addressed after the presentation of the agenda item. Members of the public may not request that specific items or language be included in the meeting minutes.
The Regular Meeting of the Lehigh County Authority was called to order at 12:15 p.m., on Monday, March 14, 2016, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Kevin Baker, Tom Muller, Richard Bohner, Scott Bieber, Ted Lyons, and Deana Zosky. Authority Staff present were Liesel Gross, Ed Klein, Pat Mandes, Frank Leist, Brad Landon, John Parsons, Chuck Volk and Lisa Miller.

REVIEW OF AGENDA

Chairman Nagle stated that there will be an Executive Session after the regular meeting to discuss two items. One is regarding potential litigation, which may require action, and a second item regarding personnel.

APPROVAL OF MINUTES

March 14, 2016 Regular Meeting Minutes

Chairman Nagle noted that on page 2 under Staff Comments, in the first paragraph second to the last line, the word after safety of should be its.

On a motion by Richard Bohner, seconded by Scott Bieber, the Board approved the Minutes of the March 14, 2016 Regular meeting as corrected (7-0-1). Deana Zosky abstained because she wasn’t in attendance.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Public Participation / Transparency Initiatives – Progress Update & Discussion

Liesel Gross presented 2 handouts; one regarding Public Participation & Transparency Initiatives and the other packet that contained LCA Board Member Email Usage Guidelines, LCA’s Internet Use Policy, and LCA Board Member Norms. Some changes related to transparency have already been implemented and there are other changes that require additional discussion. Some initiatives that may require additional discussion are public comment, financial reporting, goal-setting, board member emails, meeting webcast/video recordings, meeting schedule/night meetings.

The second packet contains email usage guidelines. Lehigh County Authority has established individual email accounts for each Board member as well as a general public-use email address. The Board reviewed the Email Usage Guidelines and discussion followed regarding the publication of email addresses. This will be discussed further at the April 11 Board meeting.

Liesel Gross asked the Board to review the Transparency Initiatives and LCA Board Member Email Usage Guidelines for the purpose of comments, questions and discussion, at the April 11 meeting.

Financial Health / Goals

Liesel Gross provided a memorandum regarding the four high-level goals for 2016 which concludes the initial round of 2016 goal setting. One of the critical milestones in the 1st Quarter of 2016 is to develop a primary revenue model through Authority Staff and Board discussion that addresses long-term needs for adequate revenue and to address capital investment needs of the organization.

Ed Klein gave a PowerPoint presentation to review financial requirements and revenue models. Revenue requirements are required for proper operation and maintenance costs, development and perpetuation of the system and quality of service, and preservation of the utility’s financial integrity and sustainability. Cash
basis and utility basis were discussed, as well as EVA (Economic Value Added) basis introduced, as methods to determine revenue requirements. Discussion followed. A copy of the presentation is attached for details. Additional discussion on this topic will be scheduled to allow for more Board discussion on appropriate revenue modeling needed to support the Authority's operation.

**Suburban Division – Water Line Replacement Easement, Spring Creek Rd/Rt. 100**

Brad Landon presented Resolution No. 3-2016-1. The Resolution authorizes the filing of a Declaration of Taking and all necessary action for the Condemnation of a Permanent Easement, as well as a Temporary Construction Easement, on a parcel of land owned by Ronald R. Muse for the purpose of relocating a water main and appurtenant facilities.

On a motion by Scott Bieber, seconded by Tom Muller, the Board unanimously approved Resolution No. 3-2016-1 (8-0).

**PROJECT UPDATES/INFORMATION ITEMS**

None.

**FINANCIAL REVIEW**

The February Financial review was not presented at this meeting due to the ongoing audit. The February report will be presented at the next Board meeting.

**SYSTEM OPERATIONS OVERVIEW**

John Parsons presented the February 2016 overview. Discussion and concerns were the power transformer at the Water Filtration plan, SSO's from the 2/24/16 storm event and the two work related injuries.

**STAFF COMMENTS**

None.

**SOLICITOR'S COMMENTS**

Brad Landon clarified the “revolving door policy” aspect of the State Ethics Act that Board members raised from a Board training session presented by the Pennsylvania Municipal Authorities Association (PMAA) that some had attended earlier this year. He said the pertinent section of the State Ethics Act states that “no former public official or public employee shall represent a person … on any matter before the governmental body with which he has been associated for one year after he leaves that body.”

**OTHER COMMENTS**

None.

**EXECUTIVE SESSION**

The Chairman called an Executive Session at 1:56 p.m. to discuss potential litigation and a personnel matter.

The Executive Session ended at 2:16 p.m.

On a motion by Ted Lyons, seconded by Linda Rosenfeld, the Board unanimously accepted Philip DePoe into the Authority’s tuition reimbursement program, as described in the Authority’s employee manual, to support his completion of a Master’s degree in Business Administration at DeSales University (8-0).
Additional discussion followed, and the Board recommended that the staff consider adding language to the employee manual so that such future requests may be handled administratively. In addition, they recommended that this section of the manual be updated to stipulate that if an employee terminates his/her employment with the Authority within a specific period of time after completing the program, that monies paid for allowable educational expenses under the program be reimbursed to the Authority. These recommendations do not affect the current program as approved for Mr. DePoe.

On a motion by Tom Muller, seconded by Linda Rosenfeld, the Board rescinded its prior engagement of McNees, Wallace & Nurick, LLC approved on February 22, 2016 to represent the Authority in disputing suspected historical overcharges for sewer services by the City of Allentown to the signatories of the December 29, 1981 wastewater agreement, and authorized staff to work with other municipal signatories involved in the case to select new legal representation that will be in agreement with all signatories (7-0-1). Deana Zosky abstained from the vote due to eliminating even the appearance of a conflict of interest.

**ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 2:25 p.m.

__________________________________________
Richard H. Bohner
Secretary
2015 RISK MANAGEMENT
ANNUAL REPORT

By: Risk Management Team
INTRODUCTION

The following report reviews the Lehigh County Authority 2015 Risk Management Program. Our program effort has been designed to maintain a high safety awareness level, ensure a safe work environment by recognizing and reducing work hazards, and maintain reasonable insurance costs. Employee training programs are outlined throughout this report.

2015 TEAM MEMBERS

Members of the Risk Management Team who contributed their efforts to achieve a successful year included: James Yoachim, Bill Brogan, Mike Walter, Andrew Werley, Bob Kennedy, Mike Brunovsky, Gretchen Schleppy, Joe Pychinka, George Lill, Dave Adams, Steven Stahlberg, Bob Keenan, Pete Martucci, Joe Thompson, Bob Adams, Lance Babbitt, Tim Geiger, Tony Oswald, Lywon Russaw, Dale Swoyer, Kathy Martin and Kevin German.

RISK MANAGEMENT

Our mission

- Promote a safe and healthy work environment by performing regular site and equipment inspections.
- Reduce costs related to accidents and injuries.
- Protect the resources and assets of the Authority.

Lehigh County Authority continued its comprehensive risk management efforts in 2015. Delaware Valley Insurance Trust (DVIT) completed a comprehensive inspection of all our facilities including Water Filtration Plant, Wastewater Treatment Plant, Distribution and Collection Facility and Suburban Facilities. Managing the Authorities property and casualty risks is part of RM.

RISK CONTROL

Immunization Program

The immunization program offers booster shots for tetanus and inoculations for hepatitis B to all operation and lab personnel. This program is consistent with the recommendations of wastewater industry experts, and provides protection from possible exposure to disease-carrying microorganisms. A total of 4 Suburban employees participated in this program. There was a total of 57 employees from the city participating in this program in 2015.

Safety Shoes

All employees that are required to wear safety shoes are reimbursed a portion of the purchase cost.
Fire Extinguisher Inspection

Fire extinguishers are inspected yearly. If any extinguisher fails the inspection they are replaced with a new fire extinguisher promptly.

Site Inspection

All water and wastewater facilities were inspected by the RM Team, for areas of potential high exposure. Linda Poole, Sr. Risk Control Consultant, Delaware Valley Workers Compensation Trust, also inspected our facilities in August 2015. There were no citations issued. Overall, the system inspections indicate that LCA continues to provide a safe work environment.

Workers Compensation, Accident Reports and Liability Claims

There were 10 workers compensation claims, 2 lost time accidents (less than 10 days), 4 property claims and 23 liability claims.

Safety Incentive Program

This program helps to promote safety throughout the year. Some of the portions of this program provide weekly safety talks. Near miss reports very helpful and used to enhance safety. We purchased a safety lantern for each employee for their safety efforts.

Safety Training Program

Traditional training programs and formats were utilized during the year. DVD, videotapes, slides and “tail gate talks” continue to provide the most effective training participation and results. Ongoing training efforts focus on:

- Confined Space Entry
- Trenching and Shoring
- Personal Protective Equipment
- Defensive Driving
- First Aid Training
- Tailgate talks
- Fork Lift Training
- Backhoe Safety

Areas of Exposure

Legal, General and Automobile Liability – Purchased from Pennsylvania Intergovernmental Risk Management Association (PIRMA, a local government risk pool). Insurance provider is H.A. Thomson Company.
**Property Insurance** – Acquired from our broker Murray Securus. Insurance provider is CNA Insurance Company. Authority asset values set at $343,612,506.

**Workers’ Compensation** – Workers Compensation is purchased from Delaware Valley Workers Compensation Trust (DVWCT).

**Pollution Liability Policy** – Purchased from Greenwich Insurance Company.

## INSURANCE MANAGEMENT

The Authority has obtained its liability insurance coverage through the Pennsylvania Intergovernmental Risk Management Association (PIRMA) pool since 1991. In 2015, the cost for General Liability, Auto Liability and Comprehensive Damage and Public Officials Liability remains fairly stable since 2013. Crime Coverage was raised from $250,000 to $500,000 for all employees handling money and investments.

Workers’ Compensation Coverage has been obtained through the Delaware Valley Workers Compensation Trust, a municipal pool of 58 entities. For the past few years, the Authority was recognized as one of the top performers within the trust.

Commercial Property Insurance is controlled by Murray Secures. There was an increase in total property premium since the acquisition of the city facilities.

Pollution Liability Policy is provided by Greenwich Insurance Company. It covers the Wastewater Treatment Plant located on Route 100, Upper Macungie Township and Wastewater Treatment Plant located in the city.

The following table shows the 4-year trend in insurance costs.

### 2015 Annual Report

<table>
<thead>
<tr>
<th>Insurance Cost Trend</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PIRMA Pool:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Liability</td>
<td>$50,773</td>
<td>5.31%</td>
<td>$196,699</td>
<td>287.41%</td>
</tr>
<tr>
<td>Auto Liability &amp; Comprehensive Damage</td>
<td>$11,406</td>
<td>0.88%</td>
<td>$45,339</td>
<td>297.50%</td>
</tr>
<tr>
<td>Public Officials Liability</td>
<td>$10,548</td>
<td>-3.98%</td>
<td>$26,391</td>
<td>150.20%</td>
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<tr>
<td>Property</td>
<td>$108,330</td>
<td>-1.77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract with City</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total PIRMA</strong></td>
<td>$181,057</td>
<td>1.20%</td>
<td>$288,429</td>
<td>50.30%</td>
</tr>
<tr>
<td><strong>Other Insurance Costs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property - Murray Securus</td>
<td></td>
<td></td>
<td>$167,193</td>
<td>82.03%</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>$25,176</td>
<td>26.09%</td>
<td>$83,555</td>
<td>231.88%</td>
</tr>
<tr>
<td>Pollution Liability (PTP &amp; WWTP)</td>
<td>$8,191</td>
<td>6.34%</td>
<td>$7,822</td>
<td>-4.50%</td>
</tr>
<tr>
<td>Employee Dishonesty Bond</td>
<td>$540</td>
<td>0.75%</td>
<td>$700</td>
<td>29.63%</td>
</tr>
<tr>
<td>Treasurer Bonds</td>
<td>$200</td>
<td>0.00%</td>
<td>$200</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Other Insurance</strong></td>
<td>$34,107</td>
<td>20.70%</td>
<td>$289,470</td>
<td>748.71%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$215,164</td>
<td>1.44%</td>
<td>$577,899</td>
<td>168.59%</td>
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</tbody>
</table>
Lehigh County Authority Risk Management
5-Year Expense History

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunizations</td>
<td>$3,250</td>
<td>$192</td>
<td>$90</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Safety Shoes</td>
<td>$11,646</td>
<td>$8,573</td>
<td>$1,520</td>
<td>$1,200</td>
<td>$1,583</td>
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<tr>
<td>Fire Extinguishers</td>
<td>$1,867</td>
<td>$5,500</td>
<td>$1,140</td>
<td>$735</td>
<td>$1,139</td>
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<tr>
<td>Safety Training &amp; Equipment</td>
<td>$52,900</td>
<td>$33,233</td>
<td>$310</td>
<td>$100</td>
<td>-</td>
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<tr>
<td>Luncheon/Incentive</td>
<td>$461</td>
<td>$4,200</td>
<td>-</td>
<td>$1,100</td>
<td>$1,057</td>
</tr>
<tr>
<td>CDL Drug &amp; Alcohol Tests</td>
<td>$1,145</td>
<td>$1,354</td>
<td>$220</td>
<td>$221</td>
<td>$218</td>
</tr>
<tr>
<td>RM and Safety Training Salary</td>
<td>$70,432</td>
<td>$90,417</td>
<td>$10,900</td>
<td>$8,745</td>
<td>$8,884</td>
</tr>
<tr>
<td>Total</td>
<td>$141,701</td>
<td>$143,469</td>
<td>$14,180</td>
<td>$12,101</td>
<td>$12,881</td>
</tr>
</tbody>
</table>

LCA Vehicle Incident and Claim History

<table>
<thead>
<tr>
<th>Year</th>
<th>Suburban # of incidents</th>
<th>City # of incidents</th>
<th>Combined # of incidents</th>
<th>Combined Cost</th>
<th>Suburban Cost</th>
<th>City Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>$75</td>
<td>$75</td>
<td>-</td>
</tr>
<tr>
<td>2011</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>$728</td>
<td>$728</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>$5,420</td>
<td>$5,420</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>$3,326</td>
<td>$267</td>
<td>$3,059</td>
</tr>
<tr>
<td>2014</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>$15,086</td>
<td>$3,376</td>
<td>$11,710</td>
</tr>
<tr>
<td>2015</td>
<td>2</td>
<td>7</td>
<td>9</td>
<td>$6,709</td>
<td>$5,862</td>
<td>$847</td>
</tr>
</tbody>
</table>

Vehicle Incident Reports and Insurance Claims
as of December 31, 2015

- Suburb
- City
- Combined
- Combined Cost
- Suburb Cost
- City Cost
Accomplishments for 2015 - Plans for the Risk Management Team

The Risk Management Team remains committed to the safety of LCA employees and the protection of LCA assets. As such, the Team will continue to stress safety and will investigate and monitor all insurance options that will reduced costs and maintain adequate protection.

Accomplishments

• Created four individual safety teams to function as one.
• Update Health and Safety Manual.
• Processing 10 workers compensation claims, 2 lost time, 4 restricted duty claims, 4 property claims and 23 liability claims.
• Received $6,000 rebate for high performance rating from DVIT
• Updated the Emergency Response Plan (ERP) for all LCA facilities
• Held a tabletop exercise to test the ERP plan
• Installation of racks and shelving for PPE in the storage area of the Water Filtration Plant
• Added additional safety training for employees
• Continue to upgrade old safety equipment throughout LCA
• Create a process for safe unloading of all chemicals at the WFP.

Looking forward to 2016

• Decrease self-insurance cost
• Eliminate Workers Compensation Claims
• Eliminate security issues at City Wastewater Treatment Plant
• Add additional safety training for employees
• Inspect suburban facilities for security upgrades
• Upgrade old safety equipment throughout LCA facilities
• Install electronic safety signs in each facility (Days without reportable accident)
MEMORANDUM

Date: April 11, 2016

To: Authority Board
From: Phil DePoe
Subject: Lehigh County Authority: Allentown Division – Water Filtration Plant: 20 Ton A/C and 40 Ton Chiller Replacement

MOTIONS / APPROVALS REQUESTED:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Project Authorization – Construction Phase</td>
<td>$82,000</td>
</tr>
<tr>
<td>2</td>
<td>General Contract Award – K.C. Mechanical</td>
<td>$67,000</td>
</tr>
</tbody>
</table>

PROJECT OVERVIEW

The Project consists of purchasing one 20 Ton A/C unit and one 40 Ton Chiller unit for the Allentown Division Water Filtration Plant. The 20 Ton A/C unit, which is over 20 years old, provides cool air to the adjacent Variable Frequency Drive (VFD) electrical room. In addition to reaching the end of its useful life as numerous mechanical parts are no longer functional, the R-22 coolant being used in the unit will no longer be available in three to four years due to environmental reasons. New units use R-410A coolant. Replacing the unit will provide a reliable cool air source for this important electrical equipment.

The 40 Ton Chiller, also over 20 years old, provides air conditioning to the Water Filtration Plant. As with the 20 Ton A/C unit, the R-22 coolant being used in the unit will no longer be sold in the near future. New units use R-410A coolant. In addition, the barrel (a vital piece of equipment on the unit) is beyond reasonable repair and causes the unit to trip out on overload limits. This causes constant resetting of the unit.

The project also consists of soliciting contractor bids to install the 20 Ton A/C unit and the 40 Ton Chiller unit.
**FINANCIAL**
This Project will be funded by the LCA Allentown Division.

**PROJECT STATUS**
LCA was granted approval at the 2/22/16 Board Meeting to purchase this equipment via the CoStars program. The equipment is expected to arrive at the Water Filtration Plant on 4/25/16.

The construction phase portion of the project to install this equipment was advertised for bid on March 10, 2016. A mandatory pre-bid meeting was held on March 14, 2016. Bids were received on March 24, 2016.

**THIS APPROVAL – CONSTRUCTION PHASE**
The construction phase includes activities that are necessary to disconnect and remove the old equipment and install the new Chiller Unit and the A/C Unit. Also included in the construction phase includes miscellaneous piping and electrical work, flushing and cleaning of the chilled piping system, and installing new software controls. The General Contractor will be responsible for all construction activities. The design engineer will be responsible for periodic oversight of the construction, which will be supplemented by in-house project management provided by LCA.

**BIDDING SUMMARY**
The project requires a General Construction (GC) Contract. The bid results are summarized below:

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>K.C. Mechanical</td>
<td>$67,000</td>
</tr>
<tr>
<td>Leibold, Inc.</td>
<td>$70,800</td>
</tr>
</tbody>
</table>

Based upon the review of the bids, we recommend award of the General Construction contract to K.C. Mechanical, subject to the receipt of the necessary Performance Bonds, Insurance and other required documentation. K.C. Mechanical is a well-respected local mechanical contractor who recently has performed various projects in the City of Allentown.

**PROFESSIONAL SERVICES**
D’Huy Engineers will attend two site visits at the Water Filtration Plant during the installation process (previously approved administratively).
**PROJECT SCHEDULE**

The specifications require the equipment to be installed by the middle of May 2016.

**FUTURE AUTHORIZATIONS**

No future authorizations are anticipated for this project.
CAPITAL PROJECT AUTHORIZATION

PROJECT NO.: AD-W-16-5
BUDGET FUND: Allentown Div\Water\Capital

PROJECT TITLE: Allentown Division – Water Filtration Plant: 20 Ton A/C and 40 Ton Chiller Replacement – Construction Phase

PROJECT TYPE:
- Construction
- Engineering Study
- Equipment Purchase
- Amendment No. 1

THIS AUTHORIZATION: $82,000
TO DATE (W/ ABOVE) $135,965

DESCRIPTION AND BENEFITS:

The Project consists of installing one 20 Ton A/C unit and one 40 Ton Chiller unit for the Allentown Division Water Filtration Plant. LCA received previous authorization to purchase this equipment.

Please see attached Board Memo for further project details.

Authorization Status:

<table>
<thead>
<tr>
<th>Previous Authorizations</th>
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<tbody>
<tr>
<td>Design Phase</td>
<td>$8,800</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>$45,165</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Requested This Authorization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Phase</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>$5,000</td>
</tr>
<tr>
<td>Construction Contractor</td>
<td>$67,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>5,000</td>
</tr>
<tr>
<td>Total This Authorization</td>
<td>$82,000</td>
</tr>
</tbody>
</table>

Future Authorizations

Total Estimated Project $135,965

REVIEW AND APPROVALS:

Project Manager [Signature] Date
Chief Capital Works Officer [Signature] Date
Chief Executive Officer [Signature] Date
Chairman [Signature] Date
MEMORANDUM

Date: April 11, 2016

To: Authority Board

From: Phil DePoe

Subject: Allentown Water Filtration Plant Filter Gallery Pipe Repainting - Construction Phase

MOTIONS / APPROVALS REQUESTED:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Project Authorization – Construction Phase</td>
<td>$231,621</td>
</tr>
<tr>
<td>2</td>
<td>Professional Services Authorization – D’Huy Engineering</td>
<td>$12,900</td>
</tr>
<tr>
<td>3</td>
<td>General Contract Award – PIM Corp.</td>
<td>$188,721</td>
</tr>
</tbody>
</table>

(1) Included in the Capital Project Authorization.

PROJECT OVERVIEW

The project generally consists of the repainting of the filter gallery piping at the Water Filtration Plant. Specific project items include but are not limited to the following: Preparation (blasting, etc.) and repainting of the filter gallery piping including connection joints, support posts, miscellaneous pipe support steel, catwalk and associated railing and access ladders.

In addition, all existing concrete walls, ceiling, and trough surfaces shall be blasted (Alternate 1).

FINANCIAL

This Project will be funded by the LCA Allentown Division.

PROJECT STATUS

The project was advertised for bid on February 19, 2016. A mandatory pre-bid meeting was held on February 26, 2016. Bids were received on March 16, 2016.
**THIS APPROVAL – CONSTRUCTION PHASE**

The construction phase includes activities that are necessary to prepare and repaint the filter gallery water piping and blast the existing concrete surfaces. The General Contractor will be responsible for all construction activities. The design engineer will be responsible for periodic oversight of the construction, which will be supplemented by in-house project management provided by LCA.

**BIDDING SUMMARY**

The project requires a General Construction (GC) Contract. The bid results are summarized below:

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Base Bid Amount</th>
<th>Alternate 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIM Corp.</td>
<td>$162,726</td>
<td>$25,995</td>
<td>$188,721</td>
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<tr>
<td>D.M. Coatings, Inc.</td>
<td>$179,000</td>
<td>$49,000</td>
<td>$228,000</td>
</tr>
<tr>
<td>Wenrich Painting Inc.</td>
<td>$45,200</td>
<td>$44,700</td>
<td>$89,900</td>
</tr>
</tbody>
</table>

In addition to the two contractors listed above, Wenrich Painting Inc. submitted a base bid of $45,200 (with an alternate of $44,700) but withdrew their bid as a result of calculation errors in developing their base bid. LCA staff has determined that the error meets the definition in the Public Bidding Law to allow Wenrich Painting Inc. to withdraw their bid and has granted their request.

Based upon the review of the bids, we recommend award of the General Construction contract to PIM Corp., subject to the receipt of the necessary Performance Bonds, Insurance and other required documentation. LCA staff has reviewed the supplied references and PIM Corp. appears more than adequate to complete the project.

**PROFESSIONAL SERVICES**

D’Huy Engineers has been our design consultant on this project and will provide construction engineering and on-site inspection services for the construction phase of the processed water piping repainting. Their work will also include:

1. Attend and facilitate a pre-construction conference
2. Prepare for and attend two job conference meetings
3. Review and approve contractor’s submittals and respond to RFIs
4. Process applications for payment and any necessary change orders
5. Provide limited construction observation
6. Prepare punch list and final project close-out

**PROJECT SCHEDULE**

The specifications require the project to be complete by the end of July 2016.

**FUTURE AUTHORIZATIONS**

No future authorizations are anticipated for this project.
CAPITAL PROJECT AUTHORIZATION

<table>
<thead>
<tr>
<th>PROJECT NO.:</th>
<th>AD-W-16-4</th>
<th>BUDGET FUND:</th>
<th>Allentown Div\Water\Capital</th>
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</thead>
<tbody>
<tr>
<td>PROJECT TITLE:</td>
<td>Allentown Water Filtration Plant Filter Gallery Pipe Repainting – Construction Phase</td>
<td>PROJECT TYPE:</td>
<td>Construction</td>
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<tr>
<td>THIS AUTHORIZATION:</td>
<td>$231,621</td>
<td></td>
<td>Equipment Purchase</td>
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<tr>
<td>TO DATE (W/ ABOVE)</td>
<td>$250,021</td>
<td></td>
<td>Amendment No. 1</td>
</tr>
</tbody>
</table>

DESCRIPTION AND BENEFITS:

The project generally consists of the repainting of the filter gallery piping at the Water Filtration Plant. Specific project items include but are not limited to the following: Preparation (blasting, etc.) and painting of filter gallery piping including connection joints, support posts, miscellaneous pipe support steel, catwalk and associated railing and access ladders. In addition, all existing concrete walls, ceiling, and trough surfaces shall be blasted.

Please see attached Board Memo for further project details.

Authorization Status:

Previous Authorizations

<table>
<thead>
<tr>
<th>Phase</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Design Phase</td>
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Requested This Authorization

<table>
<thead>
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<th>Phase</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Staff</td>
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<tr>
<td>Construction Contractor</td>
<td>$188,721</td>
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<tr>
<td>Engineering Consultant</td>
<td>$12,900</td>
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<td>Miscellaneous</td>
<td>10,000</td>
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<tr>
<td>Contingency</td>
<td>10,000</td>
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<tr>
<td>Total This Authorization</td>
<td>$231,621</td>
</tr>
</tbody>
</table>

Future Authorizations: None Anticipated

Total Estimated Project: $250,021

REVIEW AND APPROVALS:

<table>
<thead>
<tr>
<th>Role</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Project Manager</td>
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<tr>
<td>Chief Capital Works Officer</td>
<td></td>
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<tr>
<td>Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>Chairman</td>
<td></td>
</tr>
</tbody>
</table>
PROFESSIONAL SERVICES AUTHORIZATION
Amendment No. 1

Professional: D’HUY ENGINEERING, INC.
One East Broad Street, Suite 310
Bethlehem, PA 18018

Date: April 11, 2016

Requested By: Phil DePoe

Approvals

Department Head:
Chief Executive Officer:

Allentown Division – Water Filtration Plant Filter Gallery Pipe Repainting

Previous Authorizations – Design Phase: $16,800

This Authorization – Construction Phase: $12,900

D’Huy Engineering will conduct periodic inspection of the construction activities throughout the entire construction phase. Other consultant services will be provided and are listed below:

<table>
<thead>
<tr>
<th>Professional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Attend and facilitate a pre-construction conference</td>
</tr>
<tr>
<td>2. Prepare for and attend two job conference meetings</td>
</tr>
<tr>
<td>3. Review and approve contractor’s submittals and respond to RFIs</td>
</tr>
<tr>
<td>4. Process applications for payment and any necessary change orders</td>
</tr>
<tr>
<td>5. Provide limited construction observation</td>
</tr>
<tr>
<td>6. Prepare punch list and final project close-out</td>
</tr>
</tbody>
</table>

Cost Estimate (not to exceed without further authorization): $29,700

Time Table and Completion Deadline: All construction activities are to be completed before July 2016.

Authorization Completion:

(For Authority Use Only)

Approval: ____________________    Actual Cost: _______________    Date: _______________
Date: April 4, 2016

To: Authority Board

From: Jason Peters, Capital projects Coordinator

Subject: Suburban Division- Water Main Replacement Program
Construction Phase for- Cycles 1 & 2

MOTIONS/APPROVALS REQUESTED:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Project Budget Amendment: Suburban Division – Water Main Replacement Cycles 1&amp; 2</td>
<td>$1,146,222</td>
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<tr>
<td>2</td>
<td>Capital Project Authorization – Amendment No. 1 Construction Phase, Cycles-1 &amp; 2:</td>
<td>$3,546,222</td>
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<td>3</td>
<td>Professional Services Authorization Cycles 1 &amp; 2:</td>
<td></td>
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<tr>
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<td>**</td>
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<td></td>
<td>• Construction Engineering and Managements Services, Amendment No. 1 - Gannett Fleming Inc.</td>
<td>$62,078</td>
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<td>• Construction Inspection Services – Keystone Consulting Engineers</td>
<td>$90,000</td>
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<td>4</td>
<td>Contract Award Cycles-1 &amp; 2:</td>
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<td></td>
<td>**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• General Construction – Anrich, Inc.</td>
<td>$2,926,000</td>
</tr>
<tr>
<td></td>
<td>• Procured Material - Ferguson</td>
<td>$218,144</td>
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</tbody>
</table>

(*** Included in the Capital Project Authorization

PROJECT OVERVIEW:
The Suburban Division water systems serve multiple townships, municipalities, boroughs, and communities in Lehigh and Northampton Counties. This Project covers Cycles 1-3 which addresses the main replacement requirements for years 2015 through 2017 with the intent to replace 3 miles of water main over the 3-year period. Although it was envisioned that 1-mile of main would be replaced annually, because of the continuous ice and snow fall in the winter of 2015 it was impossible to complete the field surveys necessary to prepare design plans, as such it was decided to combine Cycles 1& 2 in bid them a one project in March of 2016.
The driver for the project is to replace aging and failing infrastructure to prevent excessive leakage or disruptive water main breaks that can impact our customers. Given the complex nature and magnitude of the project it will require a significant amount of coordination and public relations efforts.

**FUNDING:**
The Project will be funded by the LCA Suburban Division.

**BUDGET AMENDMENT – CONSTRUCTION PHASE CYCLES 1 & 2:**
The two primary reasons for requesting this budget amendment are:

- Decision to replace an additional .60 miles of water mains over the initially planned 2-miles because of infrastructure that posed a high risk of customer property damage and or loss; as aging infrastructure was located in close proximity or in some cases under buildings.
- The necessity to replace water mains between intersections thus allowing future replacements to be easily extended without interruptions in service to customers in the area that included an additional .25 miles.

**PROJECT STATUS:**
Previously, in January 2015, the Board approved the Design Phase for Cycles 1-3 of the Project.

Working closely with all necessary Municipalities and other outside agencies when applicable, LCA was able to obtain all approvals and permits required to bid Cycles 1 & 2 Construction Phases together as one project on-schedule.

**THIS APPROVAL: CONSTRUCTION PHASE CYCLES 1 & 2**
Cycles 1 & 2 includes 2.85 miles of water main replacement in thirteen separate locations within six Municipalities, of which four areas will require temporary water service to facilitate the “remove and replace” in the same trench type construction of the new main. This is necessary because of the known presence of limestone rock within the construction areas along with other utilities that preclude construction activities such as blasting.

The additional .85 miles water main installed in Cycle 1 & 2 may be taken into consideration when selecting the future Cycle 3 replacements.

**BIDDING SUMMARY - CONSTRUCTION CONTRACTS**
The Allentown Division- Water Main Replacement Program Construction Phase for Cycle 3 “Contract One” and the Suburban Division-Water Main Replacement Program Construction Phase for Cycles 1&2 “Contract Two” were incorporated into one bid package, with the goal of achieving some economies of scale by having the ability to award both contracts to a single contractor and the flexibility to award the contracts separately. On March 7, 2016 a mandatory pre-bid meeting was held at LCA’s main office where fourteen (14) contractors attended the meeting. In doing so on March 21, 2016 seven bids were received for Contract Two. The bidding results are as shown in Table 1 below.
Reference checks for Anrich, Inc. have identified no issues. In fact, in 2002 the Contractor performed the Washington Township water main replacement project for LCA that included nearly 4 miles of water main. Therefore, we recommend awarding the General Construction contract to Anrich, Inc.; subject to the receipt of the necessary Performance Bonds, Insurance and other required documentation.

**MATERIAL PROCUREMENT**

LCA through its prior Purchasing Agent has competitively bid and entered into an agreement with Ferguson Plumbing (Supplier) of Allentown PA. The Supplier will provide all push on ductile iron pipe and standard gaskets for LCA projects and other LCA operational needs as required. This agreement is set to expire on December 31, 2018 and will be reviewed for an extension prior to its expiration by LCA and its staff.

To ensure no misunderstanding, LCA within its specifications and construction contract for both contract one and two of the LCA water main replacements projects have set forth procedures and responsibilities that are clearly outlined for each party. These procedures include but are not limited to the following: placement of orders, delivery of shipments, material handling and inspection, material waste, etc.

**PROFESSIONAL SERVICES CYCLES 1 & 2**

1. *Construction Engineering & Management*

   Gannett Fleming Inc. our design consultant, will provide construction engineering and management related services for the construction phase of the project. The work will generally include:

   - Conduct pre construction conference.
   - Review contractor’s construction schedule and updates for compliance with project.
   - Arrange and conduct monthly progress meetings and provide meeting minutes.
   - Review all contractor submittals to ensure that design objectives and requirements of the Contract Documents are met.
   - Prepare Change Orders.
   - Respond to contractor Requests-for-Information.
   - Review certified payrolls.
Conduct walkover of the project site with contractors and LCA representatives.
Provide LCA with recommendation on completeness of work, final acceptance and release of final payment.

2. Construction Inspection

Keystone Consulting Engineers (KCE) will provide daily construction inspection related services for the construction phase of the project. The work will generally include:

- Act as the daily field contact person for the project.
- Attend pre-construction & monthly progress meetings
- On-site contract management and coordination
- Maintain daily record of project activities, quantities of work performed, site conditions, etc.
- Review documentation for change order requests
- Review monthly pay estimates
- Perform substantial and final completion inspections

Keystone Consulting Engineers (KCE) was previously approved in Cycle-2 of the Allentown Division water main replacement project where they represented both the best technical and overall value amongst three other engineering consultants that proposed.

As anticipated KCE performance has met and exceeded many of the key components in their original proposal. In addition to providing a high level of Technical skill in the construction inspection process they have also provided a critical key partnership not only with LCA but with our design consultant Gannett Fleming Inc. This key partnership in turn has expedited many critical tasks during the construction phase of the project that has provided an excellent value not only in cost but also in flexibility for LCA.

A Professional Services Authorization is attached for both firms for Board approval.

**Schedule**
Assuming approval of the Construction Phase at the April 11, 2016 Board meeting, all water main replacements for Cycles 1 & 2 will be operational by October 1, 2016 (i.e. the substantial completion date).

**Future Authorizations**
1. Construction Phase for Cycle 3, water main replacement is anticipated in late March 2017
BUDGET AMENDMENT REQUEST
Budget Year - 2016

Date: 04/05/2016

Type: 
- Transfer
- Addition X
- Deletion

Requested By: FJL
Approved By: 

Budget: Suburban - Water - Capital

Amount $1,146,222

Item(s) Requested:
SD-Main Replacements Cycles 1 & 2 $1,146,222

Source(s) of Funds:
Borrowed Funds $1,146,222

TOTAL $1,146,222

Reason:

- Decision to replace an additional 0.60 miles of water mains over the initially planned 2-miles because of infrastructure that posed a high risk of customer property damage and or loss; as aging infrastructure was located in close proximity or in some cases under buildings.

- The necessity to replace water mains between intersections thus allowing future replacements to be easily extended without interruptions in service to customers in the area that included an additional 0.25 miles.

- Suburban bid prices exceeded estimates.
MEMORANDUM

Date: April 4, 2016

To: Authority Board

From: Jason Peters, Capital projects Coordinator

Subject: Allentown Division - Water Main Replacement Program
Construction Phase for Cycle 3

MOTIONS / APPROVALS REQUESTED:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Project Budget Amendment: Allentown Division – Water Main Replacement Cycle-3:</td>
<td>$996,494</td>
</tr>
<tr>
<td>2</td>
<td>Capital Project Authorization – Amendment No. 3 Construction Phase, Cycle-3:</td>
<td>$6,056,494</td>
</tr>
<tr>
<td>3</td>
<td>Professional Services Authorization Cycle 3:</td>
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</tr>
<tr>
<td></td>
<td>** Construction Engineering and Managements Services,</td>
<td>$95,589</td>
</tr>
<tr>
<td></td>
<td>Amendment No. 3 - Gannett Fleming Inc.</td>
<td></td>
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<tr>
<td></td>
<td>** Construction Inspection Services, Amendment No. 1 – Keystone Consulting Engineers</td>
<td>$170,000</td>
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<td>4</td>
<td>Contract Award Cycle-3:</td>
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<tr>
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<td>** General Construction – JOAO Bradley Construction Co., Inc.</td>
<td>$4,985,516</td>
</tr>
<tr>
<td></td>
<td>** Procured Material - Ferguson</td>
<td>$385,389</td>
</tr>
</tbody>
</table>

(**) Included in the Capital Project Authorization

PROJECT OVERVIEW:
The Operating Standards of the Lease Agreement (Agreement) require Lehigh County Authority (LCA) to annually replace 2 miles of aged spun and/or pit cast-iron water mains, except in the first year where only 1-mile was required. This Project covers Cycles 1-3 which addresses the main replacement requirements for years 2014 through 2016 and includes approximately 7.69 miles of pipe, 2.69 miles more than the 5 mile minimum requirement. The additional 2.69 miles of water main will be credited, as LCA determines future main replacement requirements as noted in the Agreement.
The main replacements have to be coordinated with the City of Allentown’s (COA) Streets program, other City departments, outside agencies, PADOT and private utilities such as UGI. Given the complex nature and magnitude of a project that includes construction in a highly populated urban area with many underground facilities, continuous traffic and work restrictions in certain areas during civic events it will present many challenges and will require a significant amount of coordination and public relations efforts.

**FUNDING:**
The Project will be funded by the LCA Allentown Division, it is identified as Schedule-7 (required) Work in the Lease and is classified as a Major Capital Improvement where the cost of the project will be recovered from the rate payers over a 30-year period above the Lease rate caps.

**Budget Amendment- Construction Phase Cycle 3:**
The two primary reasons for requesting this budget amendment are:

- Because of increasing construction price trending the decision to replace at minimum four- miles of water main in cycle -3 (rather than the required two-miles)
- The necessity to replace water mains between intersections thus allowing future replacements to be easily extended without interruptions in service to customers in the area that included an additional .39 miles.

**Project Status**
Previously, in October 2013, the Board approved the Design Phase and Pipe Prioritization Assessment Program for Cycles 1-3 of the Project. The Construction Phase for Cycle 1 was approved in June 2014. Cycle 1 replaced 1.28 miles of water main and was completed in November 2014. In April 2015 the Construction Phase for Cycle 2 was approved for the replacement of 2.01 miles of water main and was completed November 2015. Each Cycle of Construction Phase activities went as planned with no major issues or incidents.

Working closely with the COA to obtain Major Capital Improvement approvals as required by the Agreement and other necessary outside agencies when applicable, LCA was able to obtain all approvals and permits required to bid the Cycle-3 Construction Phase of this project as scheduled.

**This Approval: Construction Phase Cycle 3**
Cycle-3 includes 4.39 miles of water main replacement in fifteen separate locations in the City, some of which are in congested PADOT roads.

**Bidding Summary - Construction Contracts**
The Allentown Division- Water Main Replacement Program Construction Phase for- Cycle 3 “Contract One” and the Suburban Division-Water Main Replacement Program Construction Phase for Cycles 1&2 “Contract Two” were incorporated into one bid package, with the goal of achieving some economies of scale by having the ability to award both contracts to a single contractor and the flexibility to award the contracts separately. On March 7, 2016 a mandatory pre-bid meeting was held at LCA’s main office where fourteen (14) contractors attended the meeting. In doing so on March 21, 2016 six bids were received for Contract One. The bidding results are as shown in Table 1 below.
JOAO Bradley Construction Co., Inc. (Contractor) successfully performed the Allentown Division Cycle 2 water main replacement Project for LCA; prior to the Lease, the Contractor performed many water main replacements for the COA; and is currently utilized by LCA’s Distribution and Collection Department for emergency repairs. Therefore, we recommend awarding the General Construction contract to JOAO Bradley Construction Co., Inc.; subject to the receipt of the necessary Performance Bonds, Insurance and other required documentation.

**MATERIAL PROCUREMENT**
LCA through its prior Purchasing Agent has competitively bid and entered into an agreement with Ferguson Plumbing (Supplier) of Allentown PA. to provide all push on ductile iron pipe and standard gaskets for LCA projects and other LCA operational needs as required. This agreement is set to expire on December 31, 2018 and will be reviewed for an extension prior to its expiration by LCA and its staff.

To ensure no misunderstanding, LCA within its specifications and construction contract for both contract one and two of the LCA water main replacements projects have set forth procedures and responsibilities that are clearly outlined for each party. These procedures include but are not limited to the following: placement of orders, delivery of shipments, material handling and inspection, material waste, etc.

**PROFESSIONAL SERVICES CYCLE 3**

1. **Construction Engineering & Management**

   Gannett Fleming Inc. our design consultant, will provide construction engineering and management related services for the construction phase of the project. The work will generally include:

   - Conduct pre construction conference.
   - Review contractor’s construction schedule and updates for compliance with project.
   - Arrange and conduct monthly progress meetings and provide meeting minutes.
   - Review all contractor submittals to ensure that design objectives and requirements of the Contract Documents are met.
   - Prepare Change Orders.
   - Respond to contractor Requests-for-Information.
• Review certified payrolls.
• Conduct walkover of the project site with contractors and LCA representatives.
• Provide LCA with recommendation on completeness of work, final acceptance and release of final payment.

2. Construction Inspection

Keystone Consulting Engineers (KCE) will provide daily construction inspection related services for the construction phase of the project. The work will generally include:

• Act as the daily field contact person for the project.
• Attend pre-construction & monthly progress meetings
• On-site contract management and coordination
• Maintain daily record of project activities, quantities of work performed, site conditions, etc.
• Review documentation for change order requests
• Review monthly pay estimates
• Perform substantial and final completion inspections

Keystone Consulting Engineers (KCE) was previously approved in Cycle-2 of the Allentown Division water main replacement project where they represented both the best technical and overall value amongst three other engineering consultants that proposed.

As anticipated KCE performance has met and exceeded many of the key components in their original proposal. In addition to providing a high level of Technical skill in the construction inspection process they have also provided a critical key partnership not only with LCA but with our design consultant Gannett Fleming Inc. This key partnership in turn has expedited many critical tasks during the construction phase of the project that has provided an excellent value not only in cost but also in flexibility for LCA.

A Professional Services Authorization is attached for both firms for Board approval.

Schedule
Assuming approval of the Construction Phase at the April 11, 2016 Board meeting, all water main replacements for cycle 3 will be operational by October 1, 2016 (i.e. the substantial completion date).
CAPITAL PROJECT AUTHORIZATION

PROJECT NO.: AD-W-16-1
BUDGET FUND: Allentown Div/Water/Capital

PROJECT TITLE: Allentown Division - Water Main Replacement Program Cycles 1-3

THIS AUTHORIZATION TO DATE (W/ABOVE) $6,056,494
$11,853,454

PROJECT TYPE: ☑ Construction
☐ Engineering Study
☐ Equipment Purchase
☑ Amendment No.3

DESCRIPTION AND BENEFITS:

The Operating Standards of the Lease Agreement (Agreement) require Lehigh County Authority (LCA) to annually replace 2 miles of aged spun and/or pit cast-iron water mains, except in the first year where only 1-mile was required. This Project covers Cycles 1-3 which addresses the main replacement requirements for years 2014 through 2016 and includes approximately 7.69 miles of pipe, 2.69 miles more than the 5 mile minimum requirement any additional main replaced that exceeds this requirement will be credited to future cycles.

The replacements of these mains are critical in meeting the requirements of the Lease Agreement but also will provide increased reliability of water service for our customers.

THIS AMENDMENT – Construction Phase, Cycle-3

Please reference the cover Memo for additional information.

<table>
<thead>
<tr>
<th>Previous Authorizations</th>
<th></th>
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</thead>
<tbody>
<tr>
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<td>$1,002,952</td>
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<tr>
<td>Construction Phase Cycles 1</td>
<td>$2,315,185</td>
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<td>Construction Phase Cycles 2</td>
<td>$2,478,823</td>
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<tbody>
<tr>
<td>Construction Phase Cycle 3</td>
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<tr>
<td>Staff</td>
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<td>Professional Services</td>
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<td>Construction Engineering / Management</td>
<td>$95,589</td>
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<td>Construction Inspection</td>
<td>$170,000</td>
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<td>General Construction Contract</td>
<td>$4,985,516</td>
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<td>Contingency</td>
<td>$250,000</td>
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<tr>
<td>Total This Authorization</td>
<td>$6,056,494</td>
</tr>
</tbody>
</table>

Total Estimated Project $11,853,454

REVIEW AND APPROVALS:

_________________________  _________________________  _________________________  _________________________
Project Manager Date Chief Executive Officer Date

_________________________  _________________________  _________________________  _________________________
Chief Capital Works Officer Date Chairman Date

H:Minutes\2016\April 11 Board meeting\CPA-Const Ph Cycle 3 FINAL JMP.doc
PROFESSIONAL SERVICES AUTHORIZATION
Amendment No. 3

Professional:  GANNETT FLEMING, INC.
P.O. Box 67100
Harrisburg, PA 17106

Date:        April 4, 2016

Requested By:   Jason Peters

Approvals
Department Head:   
Chief Executive Officer:   

Allentown Division – Water Main Replacement Program Cycles 1-3

Previous Authorizations- Design Phase, Cycles 1-3:  $582,952
Construction Phase, Cycle 1:  $152,862
Construction Phase, Cycle 2:  $ 57,221

This Authorization- Construction Phase, Cycle-3: $95,589
Gannett Fleming, Inc. will provide construction related services including but not limited to conducting pre-construction, progress and close out meetings, catalog cut / shop drawing review and approval, change orders, RFI response, and technical assistance within the following Professional Services.

Professional Services

1. Construction Engineering & Management Services

Please reference the cover Memo for additional information.

Cost Estimate (not to be exceeded without further authorization):  $888,624 +152862

Time Table and Completion Deadline:  As required to meet various critical deadlines as set forth in the proposal.

Authorization Completion:

(For Authority Use Only)

Approval:   Actual Cost:   Date:

L:\Public\Forms\PSASHORT.doc
PROFESSIONAL SERVICES AUTHORIZATION
Amendment No. 1

Professional:  Keystone Consulting Engineers
6235 Hamilton Boulevard, Suite 100
Wescosville, PA 18106

Date:  April 4, 2016

Requested By:  Jason Peters

Approvals

Department Head:
Chief Executive Officer:

Allentown Division – Water Main Replacement Program Cycles 1-3

Previous Authorizations:  Construction Phase, Cycle 2:  $ 82,200

This Authorization- Construction Phase, Cycle-2: $170,000
Keystone Consulting Engineers will provide construction inspection related services including but not limited to attending pre-construction, progress and close out meetings, and technical assistance for the following Professional Service.

<table>
<thead>
<tr>
<th>Professional Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Construction Inspection Services</td>
</tr>
</tbody>
</table>

Please reference the cover Memo for additional information.

Cost Estimate (not to be exceeded without further authorization):  $252,200

Time Table and Completion Deadline:  As required to meet various critical deadlines as set forth in the proposal.

Authorization Completion:

(For Authority Use Only)

Approval:  __________________________  Actual Cost:  __________________________  Date:  __________________________
BUDGET AMENDMENT REQUEST
Budget Year - 2016

Date: 04/05/2016

Type: X Addition

Requested By: FJL

Approved By: [Signature]

Budget: Allentown Division - Water - Capital

Amount: $996,494

Item(s) Requested: Source(s) of Funds:
AD Main Replacements Cycle-3 $996,494 Borrowed Funds $996,494

TOTAL $996,494 $996,494

Reason:
- Because of increasing construction price trending the decision was made to replace at minimum four miles of water main in cycle -3 (rather than the required two-miles)
- The necessity to replace water mains between intersections thus allowing future replacements to be easily extended without interruptions in service to customers in the area that included an additional 0.39 miles.
FINANCE & ADMINISTRATION

ACTION ITEMS

1. **Risk Management Annual Report** – April 11

   The 2015 Risk Management report will be presented to the Board for acceptance.

DISCUSSION ITEMS

INFORMATION ITEMS

1. **Recently Purchased Investments – Certificates of Deposit (CDs)**

<table>
<thead>
<tr>
<th>Fund Descriptions for Investments:</th>
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<tr>
<td>Cons Wtr (2)</td>
</tr>
<tr>
<td>LLRI CR</td>
</tr>
<tr>
<td>Cons LL2 (314)</td>
</tr>
<tr>
<td>WW Capac</td>
</tr>
<tr>
<td>2010 Wtr Cons A</td>
</tr>
<tr>
<td>Wtr R&amp;R</td>
</tr>
<tr>
<td>LLRI CR Amboy Bank</td>
</tr>
<tr>
<td>LLRI CR Avidbank</td>
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<tr>
<td>LLRI CR Investors Bank</td>
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<th>Due Date</th>
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<tr>
<td>WW Capac</td>
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<tr>
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<td>6/21/16</td>
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</table>
WATER

ACTION ITEMS

1. **Allentown Division – Water Filtration Plant: 20 Ton A/C and 40 Ton Chiller Replacement**
   
   This project involves the installation of the LCA purchased equipment listed above. Bids were received for the installation of this equipment on 3/24/16. Delivery and installation is expected during the last week of April 2016 and the construction phase project approval will be requested at the 4/11/16 Board Meeting.

2. **Allentown Division – Water Filtration Plant: Painting Phase II**
   
   This project involves the painting of the filter gallery piping at the Water Filtration Plant. Bids were received for this project on 3/16/16. Construction phase approval will be requested at the 4/11/16 Board Meeting. Phase I of this project involved the painting of the finished water piping at the Water Filtration Plant and was completed in December of 2015.

3. **Suburban Division - Water Main Replacement Program Cycles 1 & 2**
   
   The project consists of the replacement of 2.85 miles of aged and/or failing Cast Iron water main. Bids were received for this project on 3/21/16. Construction phase approval will be requested at the 4/11/16 Board meeting. A budget amendment will be required.

4. **Allentown Division – Water Main Replacement Program- Cycle 3**
   
   The project is the replacement of 4.39 miles of aged and/or failing Cast Iron water main in multiple locations throughout the City. Bids were received for this project on 3/21/16. Construction phase approval will be requested at the 4/11/16 Board meeting. This Project is identified as Schedule-7 Work and will be funded by LCA Allentown Division. A budget amendment will be required.

DISCUSSION ITEMS

INFORMATION ITEMS

1. **Suburban Division – Pumping Station Projects**
   
   This project will involve upgrades at two existing small system booster stations and the installation of one new major booster station in the Central Lehigh Division (CLD). The Pine Lakes Project will feature the conversion of the existing hydro-pneumatic station to a variable frequency drive controlled double pumping system (along with other miscellaneous improvements). The Crestwood Project consists of abandonment of existing wells and storage tank currently serving higher elevation customers and a connection of the pumping station to the main North Whitehall Division System. The CLD Auxiliary Pump Station Project will feature the installation of a new booster station and main extension to pump water from the Lower to the Upper System. The projects will also involve installation/conversion to a SCADA system at each of the sites. The design for all three projects commenced in June 2015. The PADEP Public Water Supply (PWS) Permit applications were submitted for the Crestwood and Pine Lakes Projects. Comments on
the CLD Auxiliary Pump Station Project PWS permit application were returned to our consultant. **(No Change)**

2. **Suburban Division – Capece Tract, WL #20 and Res #3 Improvements**
   WL #20 will be switched over to a variable frequency drive motor to better control power usage and maintain steady output. Reservoir #3 will receive a motor activated control valve to maintain filling capabilities and chlorine contact levels. Both facilities will receive an upgrade to their SCADA systems. The design phase is under way. **(No change)**

3. **Suburban Division – Route 309 Crossing at Sand Spring Road**
   A 12” water line will cross Route 309 through a previously installed 24” casing. Completion of this line will bring public water to the property line of Lehigh Carbon Community College. The design phase is under way. A Penndot Highway Occupancy Permit for a temporary access drive was submitted.

4. **Allentown Division – Prelease Valve Replacements**
   The project is the replacement of approximately 55 inoperable valves in multiple locations throughout the City that existed prior to the lease settlement. Design is currently under way. This project is identified as Un-Completed Work and will be funded by the City. **(No Change)**

5. **Allentown Division – Water Main Replacement Program- Cycle 2**
   The project is the replacement of 2-miles of aged and/or failing Cast Iron water main in multiple locations throughout the City. Construction is currently complete and project close out is under way. This Project is identified as Schedule-7 Work and will be funded by LCA Allentown Division. **(No Change)**

7. **Allentown Division - Miscellaneous Water Filtration Plant / Water Distribution**
   - Upgrades to the existing stormwater pump/control for the WFP, Distribution & Collection parking lot. Design is currently underway with a likely Fall 2016 construction start date. **(No Change)**
   - WFP High Filter Ceiling Rehabilitation - Design is underway with a likely Fall 2016 construction start date. **(No Change)**
   - WFP Schantz Spring/Crystal Spring Permanent Generator - A study is currently underway to provide permanent power to the Springs and is expected to be complete by June of 2016. **(No Change)**
   - D&C Parking Lot Paving Modifications - The work is necessary to alleviate ponding water. LCA staff is currently soliciting construction prices for the work. **(No Change)**

All of these capital projects will be funded by the LCA Allentown Division.

8. **Allentown Division – Water System Master Plan**
   This project involves the creation of a Master Plan for the Allentown Water Plant, water storage tanks, water storage reservoirs, pressure booster stations, raw water springs, and surface water intakes. The Master Plan will involve several key sections including, but not limited to: full-scale condition assessments, treatment process optimization, and development of short term/long term capital plans. The Master Plan is a requirement
included within the City of Allentown lease, and it also needs to be updated every 5 years throughout the life of the lease. The project will be funded by the LCA Allentown Division.

9. **Developments**

Water system construction is occurring in the following developments:
- Hamilton Crossings, 2 commercial lots with 20 buildings having retail, financial, convenience and restaurant uses, LMT
- Liberty at Mill Creek, 2 industrial lots, UMT
- Spring Creek Settlement Properties, 14 commercial/industrial lots, LMT
- Valley West Estates, Phases 4, 5 & 6, 46 residential lots (sfd), UMT (currently on hold)

Water system plans are being reviewed for the following developments:
- Diocesan Pastoral Center, 2 commercial lots, 3 additional lots and residual lot for existing cemetery, LMT
- Farr Tract, 94 residential lots (sfd), LMT
- Grant Street Townes, 18 residential lots (sfa), WashT
- Hickory Park Estates, 3 residential lots (sfd), UMT
- Hillview Farms, 31 residential lots (sfd), LMT/SWT
- Indian Creek Industrial Park, 6 commercial lots, UMiIT, water and sewer
- Lehigh Hills, Lot 5, Phase 1, 273 apartments & clubhouse, UMT
- Morgan Hills, 40 residential lots (sfd), WeisT, water and sewer
- North Whitehall Commercial Center (Walmart), 5 commercial lots, NWT, water & sewer
- Shepherd's Corner, 1 commercial lot, LMT
- Trexler Business Center, Lot 1, 1 commercial building, LMT
- Weilers Road Twins, 82 residential lots (sfa), UMT
- West Hills Business Center, 2 industrial lots, WeisT, water & sewer
- Woodmere Estates, 60 residential units (sfd), UMT
WASTEWATER

ACTION ITEMS

DISCUSSION ITEMS

INFORMATION ITEMS

1. **Wastewater Treatment Capacity**
   The PaDEP has suggested that a 537 Plan for the additional 4 MGD of capacity be submitted to them at the time when the 4 MGD is needed or after the SCARP improvements are made. They anticipate that if the 537 Plan is submitted in the near term, the Department will require a revised Plan prior to any capital improvements. The 537 planning process has currently been side-lined until such time as the wastewater capacity is limited or a 537 plan update is needed for an Administrative Order project must be submitted. A 537 Planning summary report is being drafted by our consultant and will be distributed to the Board. (No change).

2. **Suburban Division - Wynnewood Terrace Pump Station and Force Main Replacement**
   Work started on April 13, 2015 and was Substantially Complete on October 12, 2015. The pump station contractor is working towards final completion of punch lists and restoration. (No Change)

3. **Suburban Division - Lynn Township – WWTP Improvements, Phases 1 & 2**
   The project will upgrade the WWTP head works. Gannett Fleming submitted revised specifications for review.

4. **Allentown Division – Sanitary Sewer Manhole Lining: Cycle 3**
   This annual project will install a lining system (to eliminate infiltration) in approximately 111 aged brick manholes identified by LCA staff. Board approval of the construction phase will be requested at the 6/27/16 Board Meeting. The project is identified as Administrative Order Work and will be funded by the City. (No Change)

5. **Allentown Division – Manhole Collars with Water Tight Frame and Covers: Cycle 3**
   This project will permanently secure the frame and cover of approximately 57 aged brick manholes identified by current LCA staff. This work will eliminate inflow from entering these manholes and eliminate the potential for sanitary sewer overflows (SSO’s) from these manholes. Board approval of the construction phase will be requested at the 6/27/16 Board Meeting. The project is identified as Administrative Order and will be funded by the City. (No Change)

6. **Allentown Division – WWTP: Replacement of Motor Control Centers**
   This Project will replace five aged motor control centers that provide power on a 24/7 basis to various parts of the WWTP. The project has been approved by the City as a Major Capital Improvement (MCI). Project completion is expected by the middle of April.
2016. This Project is identified in the Lease as Schedule 7 (required) project and will be funded the LCA Allentown Division.

7. **Allentown Division – Roof Rehabilitation and Replacements: Phase 1**
The Project consists of replacing 26 facility roofs that were identified as in need of immediate replacement in the Roof Evaluation report performed by D’Huy Engineering. The design of these replacements are proceeding. The project was presented to the City for review/approval as a Major Capital Improvement (MCI), but the city rejected it as such. Construction began in October and will be complete by the end of March 2016. The project will be funded by the LCA Allentown Division.

8. **Allentown Division- SCADA System Installation –Wastewater Treatment Plant:**
Existing network equipment was transferred to new rack system. PLC panel installation is complete. System cutover is nearly complete. Operator training is expected to begin after cutover is completed. Project is on schedule for completion by the end of March. Configuration of historical data, trending and reports are progressing. The project is being funded by the City. *(No change)*

9. **Allentown Division – Wastewater Treatment Plant: Miscellaneous Improvements**
   - Main Pump Station Suction Piping – LCA staff is in the process of acquiring quotes from contractors to repair this piping. This project involves either the lining or replacement of the suction piping for Pump #1 at the Main Pumping Station. Holes have developed in the suction piping and without this repair, the ability to operate this pump properly may be compromised in the future. *(No change)*
   - Main Pump Station Locker Room Renovation – Construction is expected to be complete by April of 2016 *(No change)*
   - Chlorine Building Permanent Generator – Construction is expected to be complete by May of 2016 *(No change)*
   - Trickling Filter Odor Control Tower Repairs – Construction is expected to be complete by August of 2016 *(No change)*
   - Locker Room Phase II Renovation – A study is currently underway and is expected to be complete by May of 2016 *(No change)*
   - Disinfection Alternative Study – A RFP is being developed to solicit Engineering Firms to study disinfection alternatives at the WWTP. Board Approval is expected at the 6/13/16 Meeting

   All of these capital projects will be funded by the LCA Allentown Division.

10. **Allentown Division – Wastewater Treatment Plant: Digester Cover Replacements**
This project involves the cover replacement of both the Primary Digester No. 1 and the Secondary Digester (the cover for Primary Digester No. 2 was previously replaced in 2010). A Major Capital Improvement (MCI) Conceptual Design has been submitted to the City and has been approved. Board approval of the construction phase was received at the 2/8/16 Board Meeting. The Secondary Digester is expected to be replaced by October 2016 and the Primary No. 1 Digester is expected to be replaced by October 2017. This Project is identified in the Lease as Schedule 7 (required) project and will be funded by the LCA Allentown Division.
11. **Consolidated Systems - SharePoint:**

GHD is developing SharePoint sites for 4 applications, (1 & 2) Team sites – Plant services, customer service; (3) Workflow – Board/Staff notes, New employee orientation; (4) KPI/Dashboard – Employee safety, Bond coverage. Current schedule calls for delivery in April 2016.

12. **Suburban Division – Western Weisenberg Wastewater Treatment Plant Improvements**

This project includes: (1) the improvements necessary to rectify the cold weather nitrification issue at the WWTP, and (2) the installation of additional equipment to enhance operation. This project will be funded by the LCA Suburban Western Weisenberg Division. The project is out to bid, a mandatory pre-bid meeting scheduled for April 1st, with bids due April 25th; and Board approval expected at the May 9th meeting.

13. **Suburban Division – SCARP**

Monthly meetings with the LCA Suburban Division Signatories began in January to negotiate a Memo of Understanding for completion of the SCARP Capital Improvements Plan. Our Program Consultant is currently working on costs, cost allocation, and cash flow plans for each of the Signatories and will present to the Signatories in early April. A communications plan is being developed to help the Signatories with discussions with their Board and the public.

The “Order Extension on Consent” was executed by all City Signatories and signed by EPA.

The test and seal project for a portion of the Western Lehigh Interceptor will be bid in the near future.
| LEHIGH COUNTY AUTHORITY  
| COMPARATIVE STATEMENT FORMAT  
| CITY DIVISION |

### Operating Revenues

<table>
<thead>
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<th>Actual</th>
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<th>Prior Yr</th>
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<td>2,652,668</td>
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### Operating Expenses

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<th>Prior Yr</th>
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<td>Treatment &amp; Transportation</td>
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### Operating Income/(Loss)

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<td><strong>Total Operating Income/(Loss)</strong></td>
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<td>956,842</td>
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### Non-Operating Revenues (Expenses)

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### Increase (Decrease) in Net Position Before Interest and Capital Contributions

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<th>979,938</th>
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<td>771,739</td>
<td>979,938</td>
<td>725,346</td>
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### Interest Income (Expenses)

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<td>(1,221,812)</td>
<td>(1,039,196)</td>
<td>(1,039,196)</td>
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### Capital Contributions

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### Increase (Decrease) in Net Position

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<td><strong>Increase (Decrease) in Net Position</strong></td>
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<td>(275,560)</td>
<td>(950,825)</td>
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<td>(568,463)</td>
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### Capital Expenditures

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<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
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<td>LCA Costs (1)</td>
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<td>(40,574)</td>
<td>(40,574)</td>
<td>(40,574)</td>
<td>(40,574)</td>
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<tr>
<td>Contractor/Other Costs (1)</td>
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<td>1,977</td>
<td>(173,356)</td>
<td>(2,782,850)</td>
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<tr>
<td><strong>Total Capital Expenditures</strong></td>
<td>509,138</td>
<td>(1,830,545)</td>
<td>(40,574)</td>
<td>(40,574)</td>
<td>(40,574)</td>
<td>(40,574)</td>
</tr>
</tbody>
</table>

### Principal Reduction

|                     | -       | -       | -       | -       | -       | -       |

### Key Metrics

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (Expense) Before Depreciation</td>
<td>1,216,765</td>
<td>1,408,842</td>
<td>1,159,841</td>
<td>2,557,015</td>
<td>2,813,685</td>
<td>2,264,739</td>
</tr>
<tr>
<td>Operating income (Expense) Before Depreciation / Operating Revenues (%)</td>
<td>91.4%</td>
<td>53.0%</td>
<td>50.0%</td>
<td>52.3%</td>
<td>53.0%</td>
<td>50.3%</td>
</tr>
<tr>
<td>Operating income (Expense) / Operating Revenues (%)</td>
<td>32.4%</td>
<td>36.1%</td>
<td>31.0%</td>
<td>34.3%</td>
<td>36.1%</td>
<td>30.7%</td>
</tr>
<tr>
<td>Net Position Before Interest &amp; Capital Contrib. / Operating Revenue (%)</td>
<td>32.6%</td>
<td>36.9%</td>
<td>31.2%</td>
<td>34.5%</td>
<td>36.9%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Interest Coverage Ratio</td>
<td>0.587</td>
<td>0.954</td>
<td>0.725</td>
<td>0.635</td>
<td>0.984</td>
<td>0.716</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>0.587</td>
<td>0.954</td>
<td>0.725</td>
<td>0.635</td>
<td>0.984</td>
<td>0.716</td>
</tr>
</tbody>
</table>

(1) Capital costs budgeted as total LCA and Contractor Costs
### LEHIGH COUNTY AUTHORITY 
#### COMPARATIVE STATEMENT FORMAT 
#### SUBURBAN DIVISION

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Charges</td>
<td>1,940,564</td>
<td>2,025,134</td>
<td>2,038,169</td>
<td>4,108,251</td>
<td>4,033,288</td>
<td>4,185,789</td>
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<tr>
<td>Rental Income</td>
<td>9,543</td>
<td>8,877</td>
<td>7,769</td>
<td>17,229</td>
<td>15,741</td>
<td>14,002</td>
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<tr>
<td>Other Operating Income</td>
<td>12,950</td>
<td>9,799</td>
<td>2,362</td>
<td>14,722</td>
<td>101,969</td>
<td>5,370</td>
<td></td>
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<tr>
<td>Total Operating Revenues</td>
<td>1,962,077</td>
<td>2,088,810</td>
<td>2,047,737</td>
<td>4,139,202</td>
<td>4,173,820</td>
<td>4,205,257</td>
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<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>141,738</td>
<td>141,840</td>
<td>137,043</td>
<td>269,492</td>
<td>283,981</td>
<td>276,468</td>
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<tr>
<td>Overtime</td>
<td>9,851</td>
<td>9,217</td>
<td>8,252</td>
<td>18,113</td>
<td>18,435</td>
<td>17,408</td>
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<tr>
<td>Employee Benefits</td>
<td>54,223</td>
<td>49,265</td>
<td>55,597</td>
<td>102,046</td>
<td>98,518</td>
<td>116,014</td>
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<tr>
<td>Utilities</td>
<td>59,519</td>
<td>64,259</td>
<td>49,193</td>
<td>121,044</td>
<td>128,519</td>
<td>114,762</td>
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<tr>
<td>Insurance</td>
<td>12,008</td>
<td>16,863</td>
<td>11,157</td>
<td>36,718</td>
<td>33,125</td>
<td>36,814</td>
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<tr>
<td>Maintenance</td>
<td>21,071</td>
<td>75,432</td>
<td>55,292</td>
<td>28,810</td>
<td>150,863</td>
<td>112,044</td>
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<tr>
<td>Engineering</td>
<td>-</td>
<td>-</td>
<td>1,595</td>
<td>-</td>
<td>30,917</td>
<td>401</td>
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<td>Legal</td>
<td>1,834</td>
<td>2,967</td>
<td>1,312</td>
<td>2,840</td>
<td>5,904</td>
<td>2,165</td>
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<td>Lab Analysis</td>
<td>4,401</td>
<td>12,533</td>
<td>11,199</td>
<td>4,760</td>
<td>25,065</td>
<td>11,984</td>
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</tr>
<tr>
<td>Supplies &amp; Equipment</td>
<td>36,420</td>
<td>65,709</td>
<td>59,042</td>
<td>39,012</td>
<td>121,418</td>
<td>67,728</td>
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<tr>
<td>Total Operating Expenses</td>
<td>2,115,535</td>
<td>2,135,868</td>
<td>2,036,152</td>
<td>4,365,742</td>
<td>4,271,738</td>
<td>4,074,128</td>
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</table>

<table>
<thead>
<tr>
<th>NON-OPERATING REVENUES (EXPENSES)</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Tapping Fees</td>
<td>12,705</td>
<td>16,165</td>
<td>12,100</td>
<td>12,705</td>
<td>32,330</td>
<td>35,585</td>
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<tr>
<td>WW Capacity &amp; Capital Recovery Fees</td>
<td>60,604</td>
<td>98,250</td>
<td>294,254</td>
<td>88,894</td>
<td>102,500</td>
<td>382,290</td>
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<tr>
<td>Water Sales</td>
<td>21,938</td>
<td>8,270</td>
<td>9,435</td>
<td>10,938</td>
<td>12,500</td>
<td>17,351</td>
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<td></td>
</tr>
<tr>
<td>Inspection &amp; Plan Review</td>
<td>1,000</td>
<td>8,000</td>
<td>9,559</td>
<td>1,000</td>
<td>16,000</td>
<td>21,883</td>
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<tr>
<td>Other Non-Operating Income</td>
<td>1,230</td>
<td>458</td>
<td>1,260</td>
<td>1,230</td>
<td>917</td>
<td>4,415</td>
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<td></td>
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<tr>
<td>Other Non-Operating Expense</td>
<td>210</td>
<td>583</td>
<td>220</td>
<td>1,827</td>
<td>(1,167)</td>
<td>(1,677)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Non-Operating Income (Expenses)</td>
<td>114,520</td>
<td>129,540</td>
<td>328,408</td>
<td>112,911</td>
<td>253,260</td>
<td>489,727</td>
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</table>

<table>
<thead>
<tr>
<th>INCREASE (DECREASE) IN NET POSITION BEFORE INTEREST AND CAPITAL CONTRIBUTIONS</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST INCOME (EXPENSES)</td>
<td>6,016</td>
<td>3,152</td>
<td>2,347</td>
<td>11,458</td>
<td>6,304</td>
<td>5,959</td>
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<tr>
<td>Interest Expense</td>
<td>(105,264)</td>
<td>(193,821)</td>
<td>(127,480)</td>
<td>(195,213)</td>
<td>(381,338)</td>
<td>(239,028)</td>
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<tr>
<td>Total Interest Income (Expenses)</td>
<td>(109,280)</td>
<td>(196,973)</td>
<td>(129,827)</td>
<td>(206,661)</td>
<td>(387,642)</td>
<td>(245,987)</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL CONTRIBUTIONS</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Grants</td>
<td>6,250</td>
<td></td>
<td></td>
<td>12,500</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital Assets Provided</td>
<td>8,250</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Contributions</td>
<td>8,250</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INCREASE (DECREASE) IN NET POSITION</th>
<th>Actual</th>
<th>Feb 2016</th>
<th>Budget</th>
<th>Prior Yr</th>
<th>Actual</th>
<th>2016 YTD</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL EXPENDITURES</td>
<td>(49,857)</td>
<td>(998,023)</td>
<td>(45,779)</td>
<td>(99,899)</td>
<td>(1,998,045)</td>
<td>(102,035)</td>
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</tr>
<tr>
<td>Contractor/Other Costs (1)</td>
<td>(46,434)</td>
<td>(48,607)</td>
<td></td>
<td>(46,386)</td>
<td>-</td>
<td>(78,879)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Expenditures</td>
<td>(96,291)</td>
<td>(946,630)</td>
<td>(94,395)</td>
<td>(146,285)</td>
<td>(1,998,045)</td>
<td>(102,035)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| PRINCIPAL REDUCTION                                                             | (220,715) | (152,405) | (212,152) | (443,238) | (152,405) | (424,231) |        |         |

| KEY METRICS                                                                     |          |          |          |          |          |          |          |          |
| Operating Income (Expense) Before Depreciation                                   | 410,460 | 523,968  | 602,758  | 970,206  | 1,047,734 | 1,313,560 |
| Operating Income (Expense) Before Depreciation / Operating Revenues (%)         | 21.2%   | 25.1%    | 28.4%    | 23.0%    | 28.1%    | 31.2%    |
| Operating Income (Expense) / Operating Revenues (%)                             | -8.0%   | -2.4%    | 0.6%     | -4.0%    | -2.4%    | 3.1%     |
| Net Position Before Interest & Capital Contributions / Operating Revenue (%)     | -2.1%   | 3.7%     | 16.5%    | -1.3%    | 3.7%     | 14.1%    |
| Interest Coverage Ratio                                                         | (0.350) | 0.416    | 2.899    | (0.205)  | 0.416    | 2.431    |
| Debt Service Coverage Ratio                                                     | (0.113) | 0.223    | 1.002    | (0.092)  | 0.229    | 0.081    |
| Debt Service Coverage Ratio (excluding depreciation)                            | 1.845   | 1.889    | 2.743    | 1.897    | 2.460    | 2.657    |

(1) Capital costs budgeted as total LCA and Contractor Costs.
MEMORANDUM

DATE: 5 April 2016

TO: Lehigh County Authority Board of Directors

FROM: Bradford E. Landon, Solicitor

SUBJECT: Board member conflicts-of-interests

The topic of Board member conflicts-of-interests has become a recent topic of discussion and I have been asked to provide some clarification. A good starting place is to read through the section titled Conflicts-of-Interest that is included in the Board Handbook given to each new Board member; a copy is attached for your convenience. Another useful document is the Authority’s Conflict-of-Interest Policy, which is also included in the handbook and re-stated on the acknowledgement form signed each year by all Board members. I have also attached a copy of that policy to this memorandum.

Whenever there appears to be a conflict-of-interest, or the avoidance of the appearance of one as provided by the Authority’s Conflict-of-Interest Policy, a Board member must recuse himself or herself, abstain from participation in and voting on the issue and file a disclosure statement as provided by the Public Official and Employee Ethics Law (the “Ethics Act”). §1103(j) of that law states:

...Any public official ... required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his interest as a public record in a written memorandum filed with the person responsible for recording the minutes of the meeting at which the vote is taken...

The penalties for violating this provision are set forth in §1109(b) of the Ethics Act:

(b) Financial interests statement violation.—Any person who violates the provisions of section 1103(d) through (j), 1104 (relating to statement of financial interests required to be filed) or 1105(a) (relating to statement of financial interests) commits a misdemeanor and shall, upon conviction, be sentenced to pay a fine of not more than $1,000 or to imprisonment for not more than one year, or both.

In the past, the Board asked the staff to prepare a disclosure statement that could be given to a Board member at the time of voting to meet this requirement so
that a Board member didn’t inadvertently violate the Ethics Act and potentially become subject to these penalties. The third attachment is the Authority’s disclosure statement form, which is also in the handbook. It is important to note that a Board member is not required to use this form; it is being provided for the Board’s convenience and as a mechanism to allow Board members to easily comply with the law.

One last quote from the Ethics Act; § 1111 provides that “[a]ny governmental body may adopt requirements to supplement this chapter, provided that no such requirements shall in any way be less restrictive than the chapter.” As a result, since the Authority’s Conflict-of-Interest Policy is somewhat more restrictive than the Ethics Act, it is that policy to which we should look for guidance and it is why even the “appearance” of a conflict becomes part of the consideration.

This clarification and the attachments are provided to ensure all Board members are aware of the Authority’s policies and procedures related to conflict of interest. If additional discussion about our policies and procedures is required, I recommend we conduct this discussion at the April 11, 2016 Board meeting. If discussion is required regarding any individual Board member’s concerns about possibly conflict of interest, you may contact me directly if the nature of the conflict is sensitive in nature, or such discussion may be held in public session if desired.
CONFLICT OF INTERESTS
(from Board Member Handbook)

There are several acts that address Board service and, considering a Board member's fiduciary role toward the public, the importance of preserving its trust. Provisions exist in many of the municipal enabling acts based upon the well-established principle of public policy in Pennsylvania that public officials may not use their official power to further their own interests. This principle originated in the common law and has become embodied in the Constitution of Pennsylvania, Article III, Section 13 and has been declared to be the policy of this state in many Acts of Assembly.

The Municipality Authorities Act

The Municipality Authorities Act elaborates on this principle in §5614(e), which reads as follows:

No member of the Authority or officer or employee of the authority may directly or indirectly be a party to or be interested in any contract or agreement with the authority if the contract or agreement establishes liability against or indebtedness of the authority. Any contract or agreement made in violation of this subsection is void and no action may be maintained on the agreement against such authority.

The case law interpreting §5614(e) of the Act, as well as similar sections of municipal enabling legislation, focus on whether public officials' interests in matters are such as to disqualify them. It must be direct, not possible or contingent, nor dependable on an indirect benefit. In short, the interests must be reduced to financial ones coming directly to the public officers or to companies of which they are officers. This section of the Act is not intended to prohibit an interest that is not unique to an individual or company, but shared equally by other persons of a like or similar status. For example, Board members in the status of a water customer of the Authority, an employee of a major water customer of the Authority, or as an employee of a major supplier to the Authority would not have sufficient interest to breach this section of the Act.

The Public Official and Employee Ethics Law

The Public Official and Employee Ethics Law also applies to Authority Board members and certain employees, as well other public officials and employees. This Law, in addition to establishing a state Ethics Commission for monitoring and enforcement, prohibits Board members from using their office or employment or confidential information received through their position for the benefit of themselves, their immediate family or a business with which they or their immediate families are associated. The prohibited actions are defined in the Law as "conflict of interests". Some of these actions specifically cited in the Law are:

- Board members may not, nor may members of their immediate family or businesses with which they are associated, accept or solicit anything of
value with the understanding that the individual Board member would be influenced by it.

- Board members cannot accept honoraria.
- Board members cannot accept anything of monetary value contingent upon the employment of the giver by the Authority.
- Board members or their family can obtain contracts of $500 or more with the Authority only through an open and public bidding process; however, Board members cannot have supervisory or overall responsibilities for the contract.
- Former Board members cannot represent a person or persons with compensation or any matter before the Authority for one year after they leave the Board.

Unless otherwise provided, Board members must abstain from voting and disclose the nature of their conflict of interest, except as provided in certain situations where a tie vote is present. Section 1103(j) of the Law requires:

*Any public official or public employee, who in the discharge of his official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and prior to the vote being taken, publicly announce and disclose the nature of his interest as a public record in a written memorandum filed with the person responsible for recording the minutes for the meeting at which the vote is taken."

The form used by the Authority for such disclosure follows as Appendix A.

Board members must file each year a statement of financial interests, including creditors of over $6500, sources of income of $1300 or more, gifts of $250 or more, associated business entities, etc. More detail on what must be disclosed is on the form to be filed, which form follows as Appendix B.

**Lehigh County Authority Conflict of Interest Policy**

The Authority Board, also sensitive to its fiduciary role, drafted and approved a Conflict of Interest Policy for itself on 16 August 1983 and revised on 12 February 2007. The restrictions placed by this resolution, Resolution No. 8-83-1, are:

- Board members shall not either directly or indirectly be parties to, or be in any manner interested in, any business transaction with the Authority for any matter from which liability or indebtedness shall be created against the Authority.
- Board members shall not represent any other party before or against the Authority in any capacity, whether or not for pecuniary gain.
- Board members shall not directly or indirectly accept any service or thing of significant value from any party having dealings with the Authority.
• Board members shall not willfully and knowingly disclose any confidential information acquired in the course of official duties.

This is the Policy each Board member affirms on an annual basis by signing an affidavit in substantially the form that follows as Appendix C.

Board members must adhere to all of the provisions of all of these statutes and policies. No one statute or policy takes precedence over another. The Public Official and Employee Ethics Law provides for Board members abstaining to avoid a potential conflict of interest, and this may be possible to avoid violating the Municipal Authorities Act and the Authority Policy in certain circumstances. The latter two provisions, however, are broad in scope and therefore apply to numerous situations where a conflict of interest cannot be eliminated by abstaining from voting on a particular action. These situations need to be avoided entirely.
CONFLICT-OF-INTEREST POLICY
(Final: approved 12 February 2007, effective 1 March 2007, revised 12-14-15)

It shall be the policy of Lehigh County Authority that no member of the Authority Board, or any Authority employee shall engage in activities that may present a conflict-of-interest for that person. Board members and employees are expected to act at all times in the Authority’s best interests and to exercise sound judgment unclouded by personal interests or divided loyalties. Both in performing their duties with the Authority and in their outside activities, Board members and employees should avoid the appearance as well as the reality of a conflict-of-interest. Potential conflict-of-interest situations include when a Board member or employee:

- is either directly or indirectly a party to or in any manner interested in any business transaction with the Authority for any matter from which liability or indebtedness could be created against the Authority;
- represents any other party before or against the Authority in any capacity, whether or not for pecuniary gain;
- directly or indirectly accepts any service or thing of significant value from any party having dealings with the Authority (a personal gift of any amount of money is considered of significant value and prohibited); or
- willfully and knowingly disclose any confidential information acquired in the course of official duties either during the time the Board member serves in that office or the employee is employed by the Authority, or any time thereafter, unless such disclosure is required by legal proceedings.

The possibilities for a conflict-of-interest specifically listed above are not exhaustive. In any circumstances where a Board member or employee feels a conflict-of-interest situation may arise, that person shall disclose the conflict and not participate in any discussions, decisions and/or official action on the issue. All Board members and employees have a duty to disclose conflicts-of-interest in writing when the conflicts become apparent to the individual, but in any case before any Authority transaction affected by the potential conflict is consummated. Disclosure of a conflict-of-interest by an employee should be made to the Chief Executive Officer. If the Chief Executive Officer has a conflict, disclosure should be made to the Chairman of the Board. Disclosure of a conflict-of-interest of a Board member should be made at a public meeting to the person responsible for preparing the minutes of that meeting. Written disclosure by an employee or the Chief Executive Officer shall be retained in a secure file, while the disclosure by a Board member shall be included with the minutes for that meeting.

For purposes of determining conflicts-of-interest, business transactions with or gifts to parties affiliated with a Board member or employee are to be considered. Affiliated parties for purposes of this policy shall include:
(a) a Board member’s or employee’s spouse, domestic partner, child, mother, father, brother, sister, grandchild, grandparent, in-law, aunt, uncle, niece, nephew, and first cousin; or spouses of, or persons in a “step” relationship to, those persons designated;

(b) any corporation or organization of which a Board member or employee is a director, an officer, a partner, participates in management or is employed by, or is, directly or indirectly, a debt holder or the beneficial owner of any class of equity securities; and

(c) any trust or other estate in which a Board member or employee shall have a substantial beneficial interest or as to which a Board member or employee shall serve as a trustee or in a similar capacity.

Once a Board member or employee has knowledge of the potential for a conflict-of-interest because of his or her relationship with any affiliated party, which could arise because of the offer to or acceptance by an affiliated party of a gift by a business or entity with which the Authority is considering a transaction, it shall become that individual’s duty to disclose the conflict-of-interest without delay and abstain from Authority discussions, decisions and/or official action involving that affiliated party.

Every Authority Board member and applicable Authority employee shall annually complete a Pennsylvania State Ethics Commission disclosure statement. In addition every Board member shall review and, when appropriate, sign an acknowledgment setting forth his or her understanding of, and compliance during the preceding year with, the Authority Conflict-of-Interest Policy. All such documents shall be submitted to and retained by the Solicitor or Business Manager on behalf of the Secretary of the Board.

The Public Official and Employee Ethics Act, and judicial decisions and Ethics Commission advisory opinions interpreting that Act, shall serve as guidance in interpretation of terms within this Conflict-of-Interest Policy.
WHEREAS, the undersigned is a duly-appointed member of the Board of Directors of the Lehigh County Authority (the “Authority”) and as such is a “public official” as that term is defined in the Public Official and Employee Ethics Law; and

WHEREAS, §3(j) of the Public Official and Employee Ethics Law requires that a public official abstain from voting on a matter that would result in a conflict-of-interest, as defined elsewhere in the Law, and that such public official announces and discloses the nature of his/her interest in writing prior to a vote being taken on the issue; and

WHEREAS, the Authority’s Conflict-of-Interest Policy also sets forth situations that may present a conflict for Authority Board members that require disclosure; and

WHEREAS, an issue has been raised for discussion and possibly a vote before the Authority Board of Directors from which the undersigned wishes to abstain due to such a potential conflict of interest.

NOW THEREFORE, ______________________, serving as a member of the Authority Board of Directors, does hereby announce, disclose and abstain from voting at the Authority’s ______________ Board Meeting on the issue of ________________________________

__________________________________________________________

______, which may be perceived as a conflict-of-interest because ____________________________

__________________________________________________________

Date ______________________  Director of the Lehigh County Authority