

REGULAR MEETING MINUTES

September 23, 2024

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:00 p.m. on Monday, September 23, 2024, Chairman Brian Nagle presiding. The meeting was hybrid via in-person and video and audio advanced communication technology (“ACT”), using the Zoom internet application, including telephone option. Each Board member and other attendees of the meeting were able to hear each other attendee and be heard by each other attendee. The public could also participate in the meeting in-person or via ACT, using the Zoom internet application, including telephone option. A Roll Call of Board members present was taken. Brian Nagle, Amir Famili, Jeff Morgan, and Norma Cusick were present for Roll Call, and remained for the duration of the meeting. Ted Lyons was present for Roll Call and left the meeting at 1:03 p.m., Linda Rosenfeld was present at Roll Call and left the meeting at 1:56 p.m., Sean Ziller was present for Roll Call and left the meeting at 2:15 p.m.

Attorney Kevin Reid, the Authority’s Solicitor, was present along with Authority Staff, Liesel Gross, Ed Klein, Chris Moughan, Andrew Moore, AJ Capuzzi, Chuck Volk, Phil DePoe, Susan Sampson, and Lisa Miller.

Chairman Nagle announced that the Board received their electronic and hard copies of the Board packet in advance. A copy of the packet is also available online.

REVIEW OF AGENDA

Liesel Gross announced that there are no changes to the agenda and there is no Executive Session planned.

APPROVAL OF MINUTES

September 9, 2024 Meeting Minutes

On a motion by Jeff Morgan, seconded by Linda Rosenfeld, the Board approved the minutes from the September 9, 2024 meeting as presented (5-0). Sean Ziller and Ted Lyons abstained.

PUBLIC COMMENTS

None.

PENNVEST Financing Resolutions: Lead Service Line Replacement Cycle 1 Project

Liesel Gross introduced Erica Wible of McNees,Wallace & Nurick LLC regarding the PENNVEST loan and grant funding resolutions for the Lead Service Line Replacement Cycle 1 project. Ms. Wible provided highlights for each of the resolutions.

On a motion by Jeff Morgan, seconded by Amir Famili, the Board approved the Borrower Resolution No. 9-2024-1 which authorizes the Board to secure a loan on behalf of PENNVEST in an amount not to exceed \$1,555,508.00 and also accept a grant in an amount not to exceed \$3,383,892.00 and authorize certain actions by Lehigh County Authority officials (7-0).

A roll call vote was taken with the following votes cast:

Brian Nagle – yes
Amir Famili – yes
Ted Lyons – yes
Jeff Morgan – yes

Norma Cusick – yes
Linda Rosenfeld – yes
Sean Ziller – yes

On a motion by Amir Famili, seconded by Linda Rosenfeld, the Board approved the Reimbursement Resolution No. 9-2024-2 regarding the Cycle 1 Lead Service Line Replacement project for the Allentown Water Plant and Distribution System and allows the Authority to reimburse from PENNVEST any money it expends in advance of receiving these proceeds from PENNVEST (7-0).

A roll call vote was taken with the following votes cast:

Brian Nagle – yes
Amir Famili – yes
Ted Lyons – yes
Jeff Morgan – yes
Norma Cusick – yes
Linda Rosenfeld – yes
Sean Ziller – yes

On a motion by Amir Famili, seconded by Jeff Morgan, the Board approved the Rate Resolution No. 9-2024-3 authorizing the adoption of sufficient rates consistent with the Concession Agreement no later than three months prior to the amortization date on the Authority's \$1,555,580.00 loan with PENNVEST (7-0).

A roll call vote was taken with the following votes cast:

Brian Nagle – yes
Amir Famili – yes
Ted Lyons – yes
Jeff Morgan – yes
Norma Cusick – yes
Linda Rosenfeld – yes
Sean Ziller – yes

2025 Preliminary Budget

Liesel Gross noted that today's presentation is focused on the strategic initiatives, staffing changes and other assumptions that are being incorporated into the 2025 Budget. A review of the Budget figures will also be provided, and rate impacts will be discussed in October. Ms. Gross noted that the Authority is required to have the Budget adopted by November 1.

A presentation was shared with the Board to review the 2025 Budget, strategic initiatives, staffing changes, and other support requested.

Ms. Gross reviewed the strategic priorities that staff have developed for 2025. She reviewed suggested personnel additions that are required to support the Authority's goals related to the Regional Sewer Program, the Lead Program, Asset Management, and other priority projects. She also reviewed consultant support required in 2025 for strategies related to the Business Systems (Tyler EERP), Employee Engagement & Safety, and Staffing Plan & Building Optimization projects.

Some of the concepts under development for the Regional Sewer Program include a regional high strength surcharge program, a regional inflow & infiltration (I&I) program, and a robust sewage billing meter program. There are some unknowns related to the municipalities level of support for these

programs. While considering these unknowns and understanding the workload ahead, current and future staffing needs have been identified. The staffing requirements would include two Inspectors / Technicians and an Inflow and Infiltration (I&I) Program Manager. She noted revenue offsets that would be available for these positions as the programs are developed and the expenses charged back to the municipalities and customers of the system. There was Board discussion regarding net bottom line expenses and rate increases. Amir Famili commented on raising rates and sustainability of the organization. Ted Lyons commented that demand is increasing, and the Authority needs to determine if the increased workload and new programs can be completed with the current staff or not. Ms. Gross explained that the drivers for the new positions requested in the budget are outside of the Authority's control as new regulations are requiring significantly increased investment in the system. She stated that if the Authority chooses not to add internal staff resources to meet these new requirements, the projects and programs will need to be addressed through the use of external consultants and contracts. There was further discussion regarding the need for the positions discussed for the Regional Sewer Program and the status of discussions with the municipalities about the high-strength surcharge program and the regional I&I program. Ms. Gross indicated there is significant discussion that is occurring, and no decisions have been made about how these programs will move forward. She noted that the I&I program is a requirement of the state regulators and will need to be staffed appropriately regardless of the intermunicipal agreements. However, the high-strength surcharge program may or may not occur, and the decision to add staff to manage that program could be made at a later date.

There was significant additional discussion about the drivers for staff additions, the sustainability of the Authority's finances, and management of rate increases for the Authority's customers. Amir Famili commented that with the strategic initiatives related to business process improvement, there should be some staff efficiencies gained to help offset the need to add staff. Brian Nagle asked about the current level of vacancies and whether filling them prior to adding new staff would help. Sean Ziller recommended a review of the staff additions and alternative costs for completing those functions through external resources. Ms. Gross noted additional discussion on these topics can be planned for a future meeting.

Liesel Gross continued through the budget presentation and discussed the Lead Program requirements to identify privately owned water service line material. There are approximately 20,000 service lines that need to be identified. Ms. Gross explained the staffing requirements for the program noting that the Authority has been successful in obtaining customer participation in the program through door-to-door canvassing, but cannot complete the volume of work efficiently without additional resources. Chris Moughan said it could take up to three years using internal resources, and Staff has discussed utilizing an external resource. The staffing additions included in the 2025 Budget for two community canvassers could be absorbed into the Authority once the project was completed. There was some discussion regarding the success rate of canvassing and the process the Authority will use to get the information to the customers so they will provide the Authority with information on their service line material.

Liesel Gross briefly reviewed the requested staff addition to support the Asset Management Program, which is focused on building the internal capacity to complete asset management plans for all Authority systems and assets. The Authority has hired an Asset Management Engineer and adding an Asset Management Technician is needed to continue with the program workload.

The staffing requirements for Other Ideas & Priorities include a PA One Call Technician due to the new requirements marking underground utilities. Chris Moughan commented the law is changing for PA One Call and the new requirements may require additional staff resources. Ms. Gross noted that if the change in the PA One Call law does not occur, the position included in the 2025 Budget would not be filled.

Liesel Gross informed the Board that the Authority has been asked by two municipalities to consider taking over their sewer pump stations in their townships. Within those townships are a total of eight stations that would require staff. The Authority is discussing a service contract that would pay for the cost of personnel.

Ms. Gross provided a summary of all new positions included in the 2025 Budget request, reviewed revenue offsets to help pay for those staff additions. The 2025 budgeted employee total is 192, but that number will be adjusted after review of comments from the Board. Ms. Gross reviewed the breakdown of the personnel costs which is a 7.3% increase from the 2024 financial forecast.

Ed Klein then reviewed the list of other budget assumptions noting that the inflationary impact on expenses is approximately 2.5 percent. In the Internal Services area, the Budget will increase due to the strategic initiatives. The Suburban Water fund operating expenses will increase approximately 3.5 percent and revenues will need to increase by 7.5 percent after the use of \$400,000 in cash reserves to support capital expenditures. In the Suburban Wastewater fund, operating expenses are increasing by 7.63 percent, and rates are being reviewed now in accordance with sewer signatory agreements. For the City Division, operating expenses are expected to increase by 5.87 percent, and rates will be increased 6.3 percent based on terms of the Allentown Water & Sewer Lease Agreement.

Mr. Klein reviewed the budget figures in summary form, noting that all three funds are positive, including the number of days of cash on hand and debt service coverage ratios for 2025. In the City Division, cash flow in 2025 will be negative, which is driven by the use of previously borrowed funds for capital expenses, in accordance with the capital plan.

The next steps include finalizing signatory revenue numbers, rate calculations for the Suburban Water fund and City Division, and the Suburban Wastewater signatory user charge report. Coming up at the next Board meeting, staff will review the 2025 rates. The Budget is scheduled to be adopted on October 28 with rate adoption on November 11.

Liesel Gross said that a full copy of the proposed 2025 Budget will be provided to the Board prior to the next meeting.

Chairman Nagle acknowledged the Staff on doing a great job on preparing and presenting the Budget for Board review and discussion. Ms. Gross said the feedback from the Board is appreciated.

LCA Pension Plan – Mandatory Municipal Obligation

Ed Klein presented the 2025 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's pension plan, which is required to be provided to the Board annually. No action is required.

Pretreatment Plant – Near Term Facility Upgrades – Final Clarifier Rehabilitation

Chuck Volk described the project that is intended to address a critical asset at the Pretreatment Plant that is at high risk for failure. Rehabilitation of the final clarifiers is necessary to maintain plant performance and avoid negative impacts of a system failure on the Kline's Island Wastewater Treatment Plant in Allentown. The scope of work includes replacement of mechanical equipment including sludge collection mechanisms, drive platform and deck plates, main drive and associated drive hardware, spray system, access bridge and internal piping.

Mr. Volk recommended using Iron Horse Environmental, LLC, which is a preferred CoStars vendor to complete the final clarifier rehabilitation using Evoqua equipment.

The Board asked how the project will be funded, recognizing the limited customer base of the Pretreatment Plant. Ed Klein said the Authority is pursuing loans for up to \$6 million of related critical near-term upgrades for this facility, including this project, and the borrowing will be justified based on current revenues. There was discussion regarding the funding process for this project and other projects in the future. Amir Famili stated he is concerned about the costs being recovered from the appropriate industrial customers and not passed on to other customers.

On a motion by Jeff Morgan, seconded by Norma Cusick, the Board approved the Capital Project Authorization for the Construction Phase in the amount of \$1,859,600.00 which includes the General Construction Contract to Iron Horse Environmental, LLC in the amount of \$1,680,000.00 and the Professional Services Authorization for construction phase engineering services to AECOM in the amount of \$49,600.00 (5-0).

Allentown Division – Cycle 1 Manhole Rehabilitation

Matt Dorner provided an overview of the first cycle pilot project that will evaluate various manhole rehabilitation methods. Through an extensive manhole inspection process conducted throughout the City of Allentown, 256 manholes have been identified for rehabilitation in this cycle. There are nine different rehabilitation methods that will be tested in this project, and the work will be evaluated to determine which methods perform the best in various situations. Through this approach, future projects can be scoped and bid more narrowly to achieve optimum results. Chuck Volk noted that the Authority has not worked with Triangle Contracting, LLC in the past but the firm appears well qualified to perform the work.

There was some Board discussion regarding why there is a need to study different manhole rehabilitation techniques since manhole rehabilitation has been occurring for years. Liesel Gross explained that this project will establish the program and standard protocols that will be used by not only the Authority but other municipalities in the region as well. Past efforts to address manhole deficiencies have not always been successful at eliminating inflow of clear water into the system. These nine rehab techniques will be piloted and tested to ensure more reliable results in the future.

On a motion Amir Famili, seconded by Norma Cusick, the Board approved the Capital Project Authorization for the Construction Phase, Cycle 1 Manhole Rehabilitation Project, in the amount of \$1,561,025.00 which includes the General Construction Contract to Triangle Contracting, LLC in the amount of \$1,230,025.00 and the Professional Services Authorization for the Construction Phase Engineering Services to Arcadis in the amount of \$271,000.00 (5-0).

MONTHLY FINANCIAL REPORT

Ed Klein gave an overview of the August 2024 financial statements, highlighting variances between actual expenses and budgeted or forecasted expenses. Mr. Klein reported that net income and cash flows for all funds were favorable for August as compared to forecast.

MONTHLY SYSTEM OPERATIONS OVERVIEW

Andrew Moore reviewed the August 2024 report and reported that there was one non-recordable incident that involved an employee backing up and bumping into a telephone pole. There was one recordable incident where someone was plunging a sampling sink and the sample splashed in his eye. Water production and wastewater levels are normal for this time of the year. He provided details on the plant bypass at the Kline's Island WWTP and explained the permit exceedances at the Sand Spring WWTP. There was some discussion regarding the power outage at Kline's Island.

STAFF COMMENTS

Liesel Gross noted that Linda Rosenfeld, Sean Ziller, and Ted Lyons left the meeting so there is no quorum.

NOTE: The meeting recording was reviewed, and it was determined that a quorum was in place until Sean Ziller's departure at 2:15 p.m. A quorum was in place for all actions taken by the Authority Board during this meeting.

Ms. Gross acknowledged Chris Moughan and Susan Sampson who provided excellent presentations at the Pennsylvania Municipal Authorities Association on the lead program and digital communications. She also noted that she will be presenting at the Lehigh Valley Chamber of Commerce Board of Governors meeting. Open Houses are scheduled for the month of October regarding the Kline's Island Regional Sewer Plan. She noted that Board representation would be welcome. Information with details will be emailed to the Board.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

BOARD MEMBER COMMENTS

Amir Famili asked if the Authority has received an appraisal for the property that is under consideration for acquisition. Solicitor Kevin Reid said an appraisal has been received.

Chairman Nagle asked if the Governance Committee meeting has been scheduled. Liesel Gross said a meeting is scheduled for October 2.

EXECUTIVE SESSION

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:30 p.m.

Jeffrey J. Morgan
Secretary