

REGULAR MEETING MINUTES

April 9, 2018

The Regular Meeting of the Lehigh County Authority was called to order at 12:00 p.m. on Monday, April 9, 2018, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, Ted Lyons and Deana Zosky. Authority Staff present were Liesel Gross, Brad Landon, Ed Klein, Chuck Volk, Chris Moughan, Susan Sampson, John Parsons, Phil DePoe, Jennifer Montero and Lisa Miller.

REVIEW OF AGENDA

Chairman Nagle announced that today's Board meeting is being videotaped and streaming live and recordings will be posted to the Authority's website.

Liesel Gross stated there were no changes to the Agenda and no Executive Session planned for the meeting.

APPROVAL OF MINUTES

March 26, 2018 Regular Meeting Minutes

On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of the March 26, 2018 meeting (5-0). Ted Lyons and Linda Rosenfeld abstained.

PUBLIC COMMENTS

Joe Hilliard of Allentown commented on the Authority's finances stating that the Authority is not making its full interest payments on its bonds, as reflected in the financial statements. Ed Klein explained the income statement Mr. Hilliard was referring to includes both cash and non-cash items in the interest expense category, and that non-cash interest expense includes bond accretion which is not a cash outlay. Therefore, the Authority's cash-flow statement shows a lower interest payment being made because that is the actual interest amount due according to the debt service schedule. LCA is making all required payments. Mr. Hilliard also questioned the legality of the Concession Bonds stating the Authority's bond issue extends four years beyond the end of the Authority's charter. Liesel Gross clarified that financing of the bonds for the lease is through 2047, and the Authority's charter ends in 2049. Mr. Hilliard also stated that the Authority submitted an application to WIFIA and asked why the application was denied. Ms. Gross clarified that the Authority only submitted a letter of interest to the WIFIA program, but the Authority was not invited into the application phase of the program due to limited funding availability within the WIFIA program. Mr. Hilliard handed Chairman Nagle a Right-To-Know form which was then given to Brad Landon who served as the Authority's open records officer.

ACTION AND DISCUSSION ITEMS

Chairman Nagle stated he was changing the order of the Agenda to hear the Allentown Division – Water Filtration Plant: Roof Replacement Phase II first, the Allentown Division – Kline's Island WWTP: Primary No. 2 digester Cleaning project second, and the Allentown Water / Sewer systems Lease – Overview of Agreement will be third due to the expected length of discussion on the Lease overview.

Chairman Nagle announced that the Board received their packets of meeting information prior to the meeting.

Allentown Division – Water Filtration Plant: Roof Replacement Phase II

Phil DePoe provided a PowerPoint presentation showing the buildings and their locations for Phase II of the Water Filtration Plant Roof Replacement project. Mr. DePoe gave an overview of the project noting the project also is recommended in the independent engineer's report required by the Authority's concession bonds trust indenture. Ten out of thirteen roofs are planned for replacement in 2018. The project will be funded by the LCA Allentown Division. Mr. DePoe is asking for approval of the Capital Project Authorization for the Construction Phase in the amount of \$356,325.00 which includes the Professional Services Authorization to D'Huy Engineering in the amount of \$21,400.00 and the General Contract Award to Alan Kunsman Roofing in the amount of \$309,925.00.

Chairman Nagle asked what type of equipment is housed in the buildings. Mr. DePoe stated that it varies; booster pumps, electronics and controls, boilers, and SCADA.

Glenn Hunsicker, Allentown, asked if there was consideration for metal roofing rather than asphalt shingles. Mr. Parsons said that metal roofing was looked into when the project was originally scoped but was very costly and not considered for the project.

John Donches, Emmaus, commented that some of the roofs have been on since the 1950s so why haven't these been on a maintenance schedule. Mr. Parsons replied that most of the roofs are slate, which has a longer life. The new roofs will be on a maintenance schedule. Mr. Donches also asked why the use of a built up roof rather than a membrane. Mr. Parsons said foot traffic can be a problem with membrane roofs.

Chairman Nagle proceeded by saying that a motion had been made and seconded. A vote was taken and the Board approved the project (7-0).

Allentown Division – Kline's Island WWTP: Primary No. 2 Digester Cleaning

Phil DePoe gave an overview of the project describing the digester cleaning process. Deana Zosky asked why we do not use in-house staff and use a contractor to clean the digesters. John Parsons stated that the Authority has less staff than before and also the union was in favor of hiring a contractor versus having Authority staff do the cleaning, which is an intense, short-term effort. The project will be funded by the LCA Allentown Division. Mr. DePoe is requesting approval of the Capital Project Authorization for the Construction Phase in the amount of \$122,089.00 which includes the Professional Services Authorization to GHD, Inc. in the amount of \$2,819.00 and the General Contract Award to Denali Water Solutions LLC in the amount of \$104,270.00.

Lynn Donches, Emmaus, asked what happens to the contingency fee if it's not used. Mr. DePoe explained what a contingency fee is and noted that if the fees are not used, they stay in the fund as unspent and can be used for other expenses in that fund.

Glenn Hunsicker, Allentown, asked why an engineering consultant is needed on this project and why it was not done in-house using boiler plate specifications to save money. Mr. DePoe said the spec book preparation is a large part of the project. Ted Lyons commented that in his life-long experience in the construction business, when a construction project is initiated, an engineer is required to write the specs, to control the bidding process, to evaluate the incoming bids and to question and evaluate the contractors. Chairman Nagle asked if the consultant will be on site to assure that the work is done to spec. Mr. DePoe replied yes, it is a standard practice.

Tom Hahn, Allentown, asked what type of containers are used and what is used on the walls to not attract buildup. Chuck Volk explained the floating cover and how they work to minimize deterioration of the interior walls so they do not require coating after cleaning.

On a motion by Norma Cusick, seconded by Ted Lyons, the Board approved the Capital Project Authorization for the Construction Phase in the amount of \$122,089.00 which includes the Professional Services Authorization to GHD, Inc. in the amount of \$2,819.00 and the General Contract Award to Denali Water Solutions LLC in the amount of \$104,270.00 (7-0).

Allentown Water / Sewer System Lease – Overview of Agreement

Liesel Gross commented that the reason for this presentation is to review the terms of the lease agreement for the five out of nine Board members that are new since 2013, and also in preparation for the Authority-authorized financial modeling project, which results will be available at the April 23, 2018 meeting. Key provisions of the lease agreement were reviewed via a PowerPoint presentation and discussed, along with a high level review of current financial challenges, impacts of the lease debt and intensive capital improvement requirements.

Tom Hahn, Allentown, asked how the \$500,000.00 annual payment to Allentown is used and whether those funds are put toward the water and sewer system upgrades. Liesel Gross stated the annual city payment is a term of the lease and the City would need to answer the question of how those funds are used after LCA pays the annual city payment.

Liesel Gross stated more information on the Authority's challenges under the lease will be discussed at the April 23rd meeting. Representatives from CH2M, Davenport and Raftelis will be in attendance to provide a review of the full-term financial model that has been developed and to present key recommendations from the project team for revenue enhancements and capital improvements prioritization, and setting a schedule for refinancing the 2013C bonds.

Deana Zosky commented on the importance of using the financial model particularly because the Authority cannot raise rates above the rate cap.

Glenn Hunsicker asked Liesel Gross to expand on the meeting that was held with the EPA and DEP and 14 municipalities regarding the Administrative Order to eliminate sanitary sewer overflows. Ms. Gross explained the purpose of the meeting was to discuss a path forward. EPA and DEP are looking for a Regional Flow Management Plan that focuses on flow metering and flow modeling, establishing where the peak flows are coming from, and then detailing the collection system improvements and rehabilitation moving forward to address the program goals. The municipalities are working together to develop this Plan for joint submission to EPA.

John Donches, Emmaus, asked about existing municipal cost sharing contracts with Allentown and if they will change. Liesel Gross stated that any cost sharing change would require renegotiating agreements with the City, municipal entities and the Authority. Deana Zosky commented that we are talking about the watershed and each municipality is responsible for their impact; it needs to be made fair and systematic.

Tom Hahn thanked the Authority for assisting with a problem where a company wanted to dump into the sewer and a phone call stopped that from happening. Mr. Hahn asked that the Authority make sure that all the municipalities understand what the new regulations are. Ms. Gross stated that the City updated its Industrial Pretreatment Ordinance in 2017 and that the Authority has been implementing the new program under the lease and working with the municipalities to ensure the Ordinance is adopted and followed.

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross announced that students from Muhlenberg College will be at the April 23rd Board meeting to give a presentation on their senior/graduation project. Students from the Business Policy and Strategy class worked with LCA personnel over the past two months developing a methodology to prioritize proposed capital projects via multiple inputs and data points.

STAFF COMMENTS

Liesel Gross reminded the Board that the Authority's charter extension will be on the agenda of the Lehigh County Board of Commissioners meeting on Wednesday, April 11th at 7:30 p.m.

SOLICITOR'S COMMENTS

Brad Landon reminded the Board members that the State Ethics Commission forms are due at the end of April.

PUBLIC COMMENTS / OTHER COMMENTS

None.

EXECUTIVE SESSION

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:35 p.m.

Richard H. Bohner
Secretary