

**BOARD ACTION/DISCUSSION ITEMS
OCTOBER 2013 – DECEMBER 2013**

PRIORITY*	PROJECT/ISSUE	TYPE OF ACTION	TIMING**
<i>AS NEEDED</i>			
H	Update on LCA/City 537 Plan Study	Status Report	As needed
H	Acquisition/Growth Strategy Activities	Status Report	As needed
H	Jordan Creek Wastewater Plant	Status Report	As needed
<i>WITHIN 45 DAYS</i>			
H	Allentown Division- Water Main Replacements Main Evaluation Program and Design Phase for Cycles 1 -3	Approval	Oct (B)
H	Allentown Division- WWTP Motor Control Center Replacement- Design Phase	Approval	Nov (B)
H	Allentown Division- Steel Tank Rehabilitation & Maintenance Contract	Approval	Nov (W or B)
<i>WITHIN 75 DAYS</i>			
H	Lynn Township WWTP- Phase-1 & 2 Upgrades- Additional Design Phase Services	Approval	Dec (W or B)
H	Allentown Division- Fuel Tank Installation- Design Phase	Approval	Dec (W)

10/28/13 October Board Meeting

11/11/13 November Workshop Meeting

*** H – High
M – Medium
L – Low**

**** (W) – Workshop
(B) – Board
(W/B) - Either**

LEHIGH COUNTY AUTHORITY

WORKSHOP AGENDA

Monday, October 14, 2013 – 12:00 PM

INITIAL ITEMS *(Collectively 5 Minutes)*

1. **Identify items for October Board Meeting**

- Review Board Discussion items, October 2013 – December 2013

ACTION/DISCUSSION ITEMS

2. **PMRS Pension Plan Agreement** *(Approval)*

The Pennsylvania Municipal Retirement System (PMRS) has been working to become a tax-qualified plan with the IRS, and needs all plan holders to submit information regarding certain plan preferences that will become part of the Authority's permanent PMRS contract. Key decisions are required regarding what is included in the definition of "compensation" for pension purposes, and how excess interest is to be handled moving forward. These items must now be specified in the plan contract and can only be changed in the future by amending the contract. A memo with recommendations is attached for Board discussion and approval (*salmon*).

3. **Post Issuance Compliance Policy** *(Approval)*

Donna Kreiser, bond counsel with McNees Wallace & Nurick, who represented the Authority with the recent bond issue for the Allentown Concession transaction, has prepared a Post Issuance Compliance Policy for Board action in October. This policy is recommended by the Internal Revenue Service to assure compliance with financing disclosure and tax requirements and is necessary for the Authority to timely file its 8038 form with an indication that the Authority does in fact have such a policy. A copy of the proposed policy is attached (*gold*).

4. **Approval of Replacement of Solids Building Roof at LCA Pretreatment Plant** *(Approval)*

The replacement of the Solids Building roof at the LCA Pretreatment Plant is part of the WTP capital plan for 2013 as a carryover from 2012. The project consists of removal of the roof and replacement with a Garland Modified Bituminous built up roof system. A memorandum with project details, including a bid summary and recommendations is attached (*white*).

INFORMATION ITEMS

1. *None.*

OTHER ITEMS

1. *None.*



Lehigh County Authority

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MEMORANDUM

Date: October 4, 2013

To: LCA Board of Directors
From: Kathy Martin, Human Resources Manager
Re: LCA Pension Plan Agreement

The Pennsylvania Municipal Retirement System (PMRS) will be filing an application to the IRS for a favorable determination letter to become a tax-qualified pension plan provider. This requires all PMRS contracts to be reviewed and options selected to conform to IRS regulations and PMRS policy. Several options can be specific to the Authority's plan, and PMRS has provided a form with the elections specified for submission back to PMRS to finalize the Authority's contract.

Specifically, LCA must make the following decisions:

Compensation – Designate what forms of remuneration are to be included as pension-eligible compensation. Generally, any remuneration received for services rendered is considered includable. Expense reimbursements incidental to employment and non-wage payments such as insurance waivers are excluded. Payments received under the Pennsylvania Workers' Compensation Act and Short Term Disability benefits can be included, if elected. Once included these benefits generally cannot be excluded as this would result in a reduction of benefit for eligible participants.

Recommendation:

1. Include the following as Compensation: Salary, overtime, longevity pay, and lump sum payments (i.e. payment of personal holiday, excused absence, vacation in accordance with company policy).
2. Exclude the following as Compensation: Expenses reimbursements and allowances such as car, phone or clothing allowances, insurance waivers, and workers' compensation and short term disability benefit payments. These exclusions are in line with existing language in the Authority's employee manual regarding how pension benefits are affected by these situations.

Excess Interest – All PMRS plans must specify in their contract how the excess interest is to be distributed, and the distribution approach can only be changed in the future by amending the contract. Once excess interest is awarded in the contract to the members (active or retired), it cannot be taken away – even by contract amendment – for existing members; only for future hires. Therefore, this decision should be made thoughtfully. It is important to note that in the event that the Authority's plan becomes funded at less than 95%, the contract selection of excess interest distribution will not apply as all excess interest will be allocated to the Municipal Account to address the under-funding.

Recommendation:

In the past, the Authority has elected to distribute excess interest on an as-needed basis, with each distribution discussed and decided independently of prior decisions. However, since this will no longer be possible, it is recommended that the following elections be made, which mirror past decisions of the Authority Board of Directors:

1. General Approach: Excess Interest shall be allocated between the Retired Member's Reserve Account, Municipal Account and Member's Account proportionately based on the individual assets credited to each account.

Note: PMRS also allows the interest to be allocated disproportionately based on pre-selected percentages to the Retired Member's Reserve Account, Municipal Account and Member's Account, but this is not in line with LCA's past practice and is not recommended.

2. Member's Account: The amount (from number 1 above) that is allocated to the Member's Account shall be credited in an equal percentage to each Member based on the assets in each Member's Account.

Note: PMRS also allows the excess interest, if provided to the Member's Account, to be allocated based on equal dollar amounts for the active versus vested members, or proportionately based on credited years of service, but neither of these options are recommended as they are not in line with LCA's past practice.

3. Retired Member's Reserve Account: The amount (from number 1 above) that is allocated to the Retired Member's Reserve Account shall be credited so as to provide an equal percentage benefit increase to each Annuitant and Survivor Annuitant.

Note: PMRS also allows the excess interest, if provided to the Retired Member's Reserve Account, to be allocated based on equal dollar amounts to each Annuitant and Survivor Annuitant, but this is not in line with LCA's past practice and is not recommended.

Following Board approval of the PMRS contract provisions described here, a revised contract will be provided, which memorialized these options along with other existing plan provisions regarding employee eligibility requirements and contributions.

RESOLUTION No. 10-2013-1

(Duly adopted 14 October 2013)

A RESOLUTION ESTABLISHING POST-ISSUANCE COMPLIANCE POLICIES IN REGARD TO LEHIGH COUNTY AUTHORITY FINANCINGS.

WHEREAS, Lehigh County Authority (hereinafter the "Authority") as the owner and/or operator of public water and sewer systems in the Lehigh Valley occasionally issues bonds and notes to finance these operations; and

WHEREAS, the United States Internal Revenue Service ("the "IRS") has recommended that public debt issuers institute compliance policies to ensure compliance with (a) federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records; (b) disclosure requirements as to all obligations issued by the Authority as issuer to which such disclosure requirements apply; and (c) all miscellaneous state law and document requirements during the term of any Authority financing; and

WHEREAS, the Authority has approved financial guidelines on many other aspects of its operations, has passed its *Interim Policies and Procedures on Build America Bonds* that it issued in 2010, and now desires to expand on these by adding broader post-issuance compliance policies;

NOW THEREFORE, it shall be resolved that the *Post-Issuance Compliance Policies* attached hereto as Appendix A are approved and adopted and the appropriate staff members are authorized to carry out the provisions set forth therein.

On motion of _____, seconded by _____
_____, this resolution was adopted the 14th day of October 2013.

APPENDIX A

**POST-ISSUANCE COMPLIANCE POLICIES
LEHIGH COUNTY AUTHORITY
ADOPTED BY THE BOARD OF THE LEHIGH COUNTY AUTHORITY
ON OCTOBER 14, 2013
BY RESOLUTION No. 10-2013-01**

I. *Purpose*

The purpose of these post-issuance compliance policies (the “Policies”) for tax-exempt bonds or notes and taxable bonds or notes (to the extent applicable) that have been, and will be, issued by the Lehigh County Authority (the “Issuer”) is to ensure compliance with (a) federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records; (b) disclosure requirements as to all obligations issued by the Issuer to which such disclosure requirements apply; and (c) all miscellaneous state law and document requirements during the term of any Issuer financing. These Policies are intended to be, among other things, the Issuer's tax exempt bonds post-issuance tax compliance policy and can be identified as such in any filing with the Internal Revenue Service (“IRS”), such as Form 8038-G.

II. *The Post-Issuance Compliance Coordinator*

The Post-Issuance Compliance Coordinator has the overall, final responsibility for monitoring whether the tax-exempt bonds or notes and any taxable bonds or notes (to the extent applicable) issued by the Issuer continue to comply with post-issuance requirements.

1. The Chief Financial Officer is appointed as the Post-Issuance Compliance Coordinator (the “Coordinator”). This person will be the individual who will be responsible for (whether by undertaking or by designating) the required monitoring activity, and the required reporting and disclosure activity.
2. The Coordinator will determine how often a review should be conducted. Reviews shall be conducted at least annually.
3. The Coordinator will form a Post-Issuance Compliance Team (the “Team”) and appoint individuals to the Post-Issuance Compliance Team (each a “Team Member”), as the Coordinator believes are appropriate to implement the Policies. The Coordinator will communicate with the members of the Team when necessary.
 - a. Before any new issuance of debt, the Coordinator may hold a debt strategy meeting to coordinate the Issuer’s long-term debt strategy. That meeting

may include, as determined by the Coordinator, the Issuer solicitor, the underwriter of the debt, the Issuer's bond counsel and such other persons as determined by the Coordinator.

- b. After any new issuance of debt, the Coordinator will identify the required monitoring activities and a schedule for such monitoring activities, and undertake or designate each required activity to a responsible Team Member.
 - c. The Coordinator will periodically attend relevant training sessions with the Issuer solicitor, bond counsel or other appropriate personnel to remain informed of the laws and regulations affecting tax-exempt and taxable bond issues (if any), as those laws may change.
4. Responsibilities of the Team include:
- a. Investment of Proceeds;
 - b. Project completion, and other expenditure of proceeds, if applicable;
 - c. Post-completion final tax allocation, if any;
 - d. Rebate compliance;
 - e. State law allocations and reporting;
 - f. Bond financed property and other bond issue inventory;
 - g. Private use monitoring;
 - h. Arbitrage/ sinking fund/ replacement proceeds monitoring;
 - i. Development of comprehensive annual monitoring, reporting and testing schedule;
 - j. Rating agency and bond insurer surveillance;
 - k. Project change of use or project disposition;
 - l. Record retention policies;
 - m. Tax returns;
 - n. Continuing disclosure; and
 - o. Annual covenant compliance review, including tax covenants.

Certain of these responsibilities are more fully described below.

5. The Coordinator will engage in periodic Issuer solicitor or bond counsel reviews, as necessary, including its review of any proposed change in the use of bond proceeds, or material amount of private business use.

III. *Identifying Required Monitoring Activity and Schedule Reviews*

1. Identify all financing obligations, including tax-exempt bonds and notes and taxable bonds and notes. (For purposes of these Policies, and where applicable, the term “bonds” also refers to “notes.”)
2. The Issuer will establish routines for monitoring on-going compliance that are consistent with discovering any noncompliance in a timely manner so that it may be corrected. While specific review processes are described in detail below, timing for certain reviews will be as follows:
 - a. All contracts, leases or other arrangements providing special legal entitlement to use of bond-financed facilities will be reviewed prior to execution to ensure that they will not cause private use limits to be exceeded with respect to any issue of bonds.
 - b. With respect to each bond issue, the Issuer will ensure that it understands at the time of bond closing which funds and accounts containing bond proceeds may become subject to yield-restriction investment rules and will keep a record of the dates upon which such rules will begin to apply.
 - c. While rebate calculations may be performed more often, the Issuer will ensure upon the fifth anniversary date of the issuance date of the bonds, every five years thereafter, and upon final retirement of the bonds, that either no rebate is owed or provision has been made for the payment of any rebate owed within 60 days. The Issuer will consult with and retain appropriate rebate calculation professionals necessary to assist in this undertaking.
 - d. Prior to executing any contract, lease or other document which would materially change the use of the bond-financed project or selling of any bond-financed property, the Issuer will (i) confirm that such change will not require a remedial action to be taken with respect to any bond issue, (ii) take a remedial action, if necessary, or (iii) discuss with bond counsel whether a voluntary closing agreement with the Internal Revenue Service is appropriate.

IV. *Record Retention Program*

1. It is the policy of the Issuer that written records (which may be in electronic form) will be maintained with respect to each issue of tax-exempt bonds or notes for as long as such bonds remain outstanding, plus six years. For this purpose, such bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

The Coordinator (or designate) shall create a record for each series.

The following records shall be collected and maintained, whether in unified form or by separate members of the Team:

- a. The official Transcript of Proceedings for the original issuance of the bonds;
- b. All documents regarding investment of bond proceeds and investment income, including purchases or sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”)) and receipts of earnings on those investments;
- c. All documents (if any) regarding bidding for Guaranteed investment contracts (“GIC”), bidding for open market escrow securities, or bidding for any other investments;
- d. All records regarding expenditure of bond proceeds, including invoices and/or requisitions for: costs of issuance, credit enhancement, a debt service reserve fund, construction period interest, project expenditures, and any other expense until the final allocation of proceeds (including investment earnings on bond proceeds);
- e. All records pertaining to project draw schedules, construction contracts, contracts regarding acquisitions of property or equipment;
- f. Depreciation schedules regarding bond financed property or equipment;
- g. All documents relating to security for the bonds;
- h. All documents relating to any swap or other hedge or derivative agreements, including the bidding thereof;
- i. All documents regarding periodic interest rates on variable rate bond issues;
- j. All trustee records and reports;
- k. All documents relating to yield calculations;
- l. All documents relating to arbitrage compliance and to any spend-down calculations, rebate calculations and/or payments, or yield reduction payments, including computations, legal opinions and IRS Forms 8038-T;
- m. Records regarding payment of debt service on the bonds; and
- n. All records regarding third party use of the bond financed facilities beginning with policies and form contracts, including:

Service contracts, management contracts, sales or disposition of bond financed facilities, leases, subleases, leasehold improvement contracts, joint venture contracts relating to bond financed facilities, LLC contracts relating to bond financed facilities, partnership agreements relating to bond financed facilities, any other documents relating to private use of bond financed facilities.

The basic purpose of the foregoing record retention policy for the tax-exempt bonds issued by the Issuer is to enable the Issuer to readily demonstrate to the Internal Revenue Service upon an audit of any tax exempt bond issue that the Issuer has fully complied with all federal tax requirements that must be satisfied after the issue date of such bonds so that, as applicable, interest on those bonds continues to be tax-exempt under section 103 of the Code.

Note: If records are kept electronically, refer to IRS Revenue Procedure 97-22, Section 4.01.

The Coordinator may elect to extend the Record Retention Program to those taxable bonds and notes issued for the benefit of the Issuer.

V. *Tax Requirements Associated with Sale and Issuance of Bonds or Notes*

1. The “issue price,” as defined in the Code, of the bonds will be documented at the time of issuance. Certifications of an underwriter, placement agent or purchaser and a final numbers package will establish “issue price” and will be reviewed and included in the bond transcript or other records maintained for the bond issue.
2. The weighted average maturity (taking into account the various issue prices of the maturities of the bonds) will be documented at the time of issuance.
3. An estimated average economic life of the expected bond-financed projects will be documented at the time of issuance.
4. Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038-G will be confirmed with bond counsel.

VI. *Expenditure of Proceeds*

The Issuer shall maintain detailed records of expenditures of tax-exempt bond proceeds, and such expenditures will be reviewed by the Coordinator, or the designated Team Member.

1. Bond proceeds will be disbursed pursuant to an approved form of requisition as prepared by bond counsel, stating the date, amount and purpose of the disbursement. Any initial disbursement of bond closings may be made pursuant to direction set forth in the Closing Receipt, Closing Statement and Settlement Reconciliation prepared by bond counsel and delivered at the closing for such bonds.
2. Requisitions must identify the financed property in conformity with the Tax Certificate or Non-Arbitrage Certificate executed by the Issuer at closing,

including any certifications as to the character and average economic life of the bond financed property.

3. Investment earnings on sale proceeds of the bonds will be tracked and will be requisitioned only for appropriate expenditures.
4. Only a small portion (5%) of the proceeds of bonds for construction may be used for operating expenses or other “working capital” costs. Requisitions for costs of the bond financed facilities will accordingly be monitored to confirm that they are for capital costs of such facilities.
5. Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to capital costs paid subsequent to, or not more than 60 days prior to, the date a “declaration of intent” to reimburse the costs was adopted by the Issuer. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the bonds, if not already part of the closing transcript for the bonds.
6. Requisitions will be summarized in a “final allocation” of proceeds to uses not later than 18 months after the in-service date of the financed property (and in any event not later than 5 years and 60 days after the issuance and delivery of the bonds).
7. Expenditure of bond proceeds will be measured against the expectations as set forth in the Tax Certificate (or Non-Arbitrage Certificate) as to the spending of bond proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the bonds.
8. Expenditure of bond proceeds will be monitored for compliance with spending exceptions to the rebate requirement, as follows:
 - a. If the 6-month spending exception to rebate applies, expenditure of the bond proceeds (excluding bona fide debt service funds) will be at least 100% complete within 6 months of the date of issuance.
 - b. If the 18-month spending exception to rebate applies, expenditure of bond proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:
 - 15% within 6 months
 - 60% within 12 months
 - 100% within 18 months
 - c. If the 2-year spending exception to rebate applies, expenditure of “available construction proceeds” will be monitored against the following

schedule for the arbitrage rebate exception for construction issues if applicable:

- 10% within 6 months
- 45% within 12 months
- 75% within 18 months
- 100% within 24 months

9. Bond-funded reserve funds, if any, cannot exceed the least of (i) 10% of the par amount of the bonds (or the issue price of the bonds, if there is more than a de minimis amount of original issue discount or premium), (ii) maximum annual debt service, and (iii) 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

VII. *Arbitrage Yield Restriction and Rebate Requirements*

1. The Coordinator, or the designated Team Member, shall create and maintain records of:
 - a. Purchases or sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under Section 148 of the Code) and receipts of earnings on those investments;
 - b. The final allocation of the proceeds (including investment earnings on bond proceeds), of obligations issued by the Issuer;
 - c. Information, when applicable, showing that the Issuer was eligible for any exemptions to the rebate requirements that were or will be claimed under the Code;
 - d. Information, when applicable, sufficient to demonstrate to the Internal Revenue Service upon an audit of a bond issue that the bond issue has complied with one or more available spending exceptions to the arbitrage rebate requirement with respect to that bond issue;
 - e. Information and calculations, when applicable, that will be sufficient to demonstrate to the Internal Revenue Service upon an audit of a bond issue, for which an exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America with respect to investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the Internal Revenue Service; and
 - f. Information and records showing that (i) investments held in yield-restricted advance refunding or defeasance escrows for bonds, and (ii) investments made with unspent bond proceeds after the expiration of the

applicable temporary period, were not invested in higher-yielding investments.

2. If, from examination of the above-referenced records, it becomes clear that a payment is owed, the Coordinator will refer the matter to bond counsel or a rebate professional and will ensure that all necessary payments are made.

VIII. *Use and Ownership of Bond-Financed Property*

Use of bond-financed property when completed and placed in service will be reviewed by the Coordinator, or the designated Team Member.

1. Average use of bond-financed property for a private business use over the life of the issue cannot exceed 10% of the proceeds (including up to 2% for costs of issuance).
2. Average use of bond-financed property for a private business that is unrelated or disproportionate to the Issuer's use over the life of the issue cannot exceed 5% of the proceeds (including up to 2% for costs of issuance).
3. The Coordinator, or the designated Team Member, shall determine the Issuer's compliance with the 10% and 5% requirements in accordance with Section 141 of the Code and the regulations thereto.
4. Agreements with business users or non-profit organizations for lease or management or service contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the agreement is bond-financed.
5. Agreements with business users or other non-profit organizations for lease or management or service contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the limits as set forth in the Tax Certificate or Non-Arbitrage Certificate.
6. No item of tax-exempt bond-financed property will be sold or transferred to a nonexempt party without (i) an opinion of bond counsel that such sale or transfer will not cause interest on the bonds to cease to be tax-exempt; or (ii) advance arrangement of a "remedial action" under the applicable Treasury Regulations after consultation with bond counsel.
7. To the extent that the Issuer discovers that any of the above limitations have been violated, the Issuer will seek advice of the Issuer solicitor or bond counsel and take appropriate measures to remediate the violation, if necessary.

IX. *Investments*

Investment of bond proceeds in compliance with any operative finance documents; the Pennsylvania Municipality Authorities Act, 53 Pa. Cons. Stat. §§5601-5622, as amended; the arbitrage bond rules and rebate of arbitrage will be supervised by the Coordinator, or the designated Team Member.

1. GICs will be purchased only using the three-bid “safe harbor” of applicable Treasury regulations (*see* Treas. Reg. §1.148-5(d)(6)(iii)), in compliance with fee limitations on GIC brokers (*see* Treas. Reg. §1.148-5(e)(2)(iii)); provided, however, that to the extent that the safe harbor provisions cannot be met, the Issuer will consult with the Issuer solicitor or bond counsel.
2. Other investments will be purchased only in market transactions.
3. Calculations of rebate liability will be undertaken as set forth above in numbered paragraph VII.

X. *Refundings*

When tax-exempt bonds are used to refund other bonds or notes (the “Refunded Bonds”), the new bonds (the “Refunding Bonds”) will be treated as having financed the property originally financed with the Refunded Bonds (or any bonds refunded by the Refunded Bonds), such that financed property must be tracked until the last bonds (whether Refunded Bonds or Refunding Bonds) attributable to that property are retired. The Coordinator, or the designated Team Member, will continue reviewing the use of any bond-financed property until the last bonds attributable to that property are retired; except to the extent that tracking is no longer required due to the economic life of the property coming to an end.

Refunding Bonds the proceeds of which are used to retire Refunded Bonds more than 90 days after the issue date of the Refunding Bonds are “Advance Refunding Bonds.” Advance Refunding Bonds have additional federal tax requirements in order to be tax-exempt bonds. In order to comply with these additional requirements, the Coordinator, or the designated Team Member, will:

1. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that the issuer does not issue Advance Refunding Bonds that would violate the limit on the number of advance refundings for any of its tax-exempt bonds;
2. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that the Refunded Bonds are being redeemed on their earliest call date or other allowable date;

3. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that all non-bond proceeds amounts going into any Refunded Bond escrow comply with the rules relating to mixed escrows (meaning escrows which are funded with bond proceeds and non-proceeds) (*see* Treas. Reg. §1.148-9(c)(2));
4. To the extent that investments other than United States Treasury Securities – State and Local Government Series (“SLGs”) will be placed in an escrow, confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that SLGs were not a more efficient investment on the date of the bidding of any other type of investment; or, to the extent that SLGs sales have been suspended on such date, confirm that the safe harbors for determining the fair market value of yield-restricted defeasance escrows have been met (*see* Treas. Reg. 1.148-5(d)(6)(iii)). To the extent that SLGs are unavailable and the Issuer cannot obtain at least three bids to provide other investments, the Issuer will consult with the Issuer solicitor or bond counsel and a financial advisor or underwriter on how to proceed;
5. To the extent that an escrow funded with Advance Refunding Bond proceeds requires future purchases of 0% SLGs in order to comply with the applicable yield restrictions, the Issuer will purchase the 0% SLGs directly or, by written agreement, cause an escrow agent to purchase such SLGs. If the SLGs are to be purchased by an escrow agent, the Issuer will confirm that such SLGs have actually been purchased, or, to the extent SLGs sales are suspended, comply with alternate procedures (which currently are provided in Rev. Proc. 95-47); and
6. Determine whether it will measure private business use using a combined measurement period (meaning starting with the issue date of the Refunded Bonds and ending with the final retirement of the Refunding Bonds) or separate measurement periods for the Refunded Bonds and the Refunding Bonds; provided, that the Issuer may not use separate periods if the Refunded Bonds were not in compliance with the private business use limits measured from their date of issuance to the date of issuance of the Refunding Bonds.

XI. *Correction of Violations*

The Issuer expects that its compliance with the procedures outlined in Articles IV - IX above will prevent any violations of federal tax rules pertaining to its outstanding tax-exempt bonds or notes (including any Refunded Bonds). However, if the Issuer discovers a potential violation through its ongoing monitoring or otherwise, it will determine in conjunction with its bond counsel whether a violation actually exists. If it is found that a violation actually exists, the Issuer will determine whether (i) any remedial actions are available, or (ii) a voluntary closing agreement with the Internal Revenue Service is appropriate. The Issuer is specifically aware of the availability of the Tax Exempt Voluntary Closing Agreement Program, as described in the Internal Revenue Manual, Part 7, Chapter 2, Section 3. Common examples of violations are as follows:

1. Failure to purchase 0% SLGs at the appropriate time;
2. Non-exempt use of bond-financed property resulting in overall non-exempt use in excess of the 5% de minimis limit;
3. Failure to pay rebate in a timely manner; and
4. Improper reimbursement of expenditures (too old or not capital).

XII. *Continuing Disclosure Activity*

1. SEC Rule 15c 2-12 requires certain reporting commitments for each issue. The Post-Issuance Compliance Coordinator, or the designated Post-Issuance Compliance Team Member, shall:
 - a. Retain a copy of any Continuing Disclosure Agreement or Certificate including in each official Transcript of Proceedings prepared in accordance with the issuance of bonds.
 - b. Identify required filings, as set forth in any Continuing Disclosure Agreement or Certificate, which may include: quantitative financial information and operating data disclosed in the official statement, audited financial statements, changes in fiscal year, and other information as specified in any Continuing Disclosure Agreement or Certificate.
 - c. Refer to any Continuing Disclosure Agreement or Certificate at least annually three months into each fiscal year of the Issuer to ensure that the Issuer will be providing the required filings at the correct time.
 - d. Undertake, or cause to be undertaken (as set forth in subparagraph g below), all required filings at the required times through the Municipal Services Rulemaking Board Electronic Municipal Market Access ("EMMA"), all as set forth in any Continuing Disclosure Agreement or Certificate.
 - e. Disclose events listed below within 10 days of occurrence, including:
 - i. Principal and interest payment delinquencies;
 - ii. Non-payment related defaults, if material;
 - iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - v. Substitution of credit or liquidity providers, or their failure to perform;

- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue of the security (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other events affecting the tax status of the security;
 - vii. Modifications to rights of holders of the bonds, if material;
 - viii. Bond calls, if material;
 - ix. Defeasances;
 - x. Release, substitution or sale of property securing repayment of the bonds, if material;
 - xi. Rating changes;
 - xii. Tender offers;
 - xiii. Bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;
 - xiv. Consummation of a merger, consolidation, acquisition, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - xv. Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material.
- f. Educate officials of the Authority as to the events listed in subparagraph e above to make it more likely that an event will be identified as requiring disclosure upon occurrence.
 - g. Determine if it is in the best interest of the Issuer to retain a third-party dissemination agent to facilitate post-issuance continuing disclosure/filing and other requirements.
- 2. Determine if any bond purchase agreement requires the Issuer to notify underwriters of any fact or event that might cause the official statement to contain any untrue statement or omit a material fact, and make such notification as necessary.

XIII. *Other Required Reporting*

- 1. For each issue of bonds, the Coordinator, or the designated Team Member, shall, as required by any finance documents or covenants associated with such issue, or as required by laws or regulations governing such issue, determine all reporting requirements and undertake all such reporting requirements, as and when required by the finance documents, which may include but not be limited to:

- a. Proof of insurance coverage;
 - b. Proof of compliance with rate covenants or other financial covenants; and
 - c. Budgets and other financial reports as and when required
2. For each issue of bonds, the Coordinator, or the designated Team Member, shall, as required by any finance documents or covenants associated with such issue, or as required by laws or regulations governing such issue, maintain all records necessary to satisfy such reporting requirements.
3. Determine what information, if any, must be filed with other entities such as Trustees or Paying Agents, Banks, Rating Agencies, Dissemination Agents, Bond Insurers, Credit Enhancers, *et cetera*, and make such filings as necessary.
4. Determine what, if any, state and local requirements are applicable to any issue, which may include but not be limited to;
 - a. Provide proof of filing UCC statements, as applicable;
 - b. Monitor continuation statements, as necessary; and
 - c. Provide proof of filing recorded mortgages, deeds of trust, *et cetera*, with appropriate authorities
5. Monitor compliance with restrictions on transfers of property, including liens and encumbrances.
6. Ensure compliance with restrictions on derivative and swap contracts.



Lehigh County Authority

1053 Spruce Street * P.O. Box 3348 * /
(610)398-2503 * FAX (610)398-8413 * Email: ser

MEMORANDUM

Date: October 10, 2013

To: Board of Directors & Management Staff
From: Pat Mandes
Re: Solids Building Roof Replacement – LCA Pretreatment Plant

Motions/Approvals Requested

Approvals Requested	Brief Description	Amount
Contract Award - <i>Munn Roofing</i>	Roofing Contract	\$519,400
Professional Services Authorization – <i>D’Huy Engineering</i>	Construction Administration Services	\$12,500

Background

The replacement of the Solids Building roof at the LCA Pretreatment Plant is part of the WTP capital plan for 2013 as a carryover from 2012. The roof is the original roof constructed in 1988 and is the only roof at the WTP that has not been replaced. The roof has been in need of replacement for the past several years and has been delayed due to budget constraints and more pressing issues. The leaking roof is responsible for the following issues:

- Water has infiltrated electrical conduits and created short circuits in wall switches and electrical junctions boxes
- False ceiling panels and electrical room lights had had to be removed
- Steel support members in stairwells and ceiling support beams have been corroded
- Humidity has started deteriorating indoor components such as air ducts, light fixtures, etc
-



Project Scope

The project consists of removal of the roof and replacement with a Garland Modified Bituminous built up roof system comprised of 2 layers of fiberglass plies, 1 layer of 160 mil modified roof ply, 1 layer of 115 mil cap sheet with a coal tar pitch flood coat and gravel surface over the 14,000 square foot roof area.

Roof performance, longevity, and life cycle costs are dependent upon the proper roof type and the maintenance activities performed. For these reasons the recommendation is for the replacement of the existing roof with a 30 year built up roof system. The challenges with this particular roof include the height of the building, the three different levels of the roof, removal of the existing stone on the roof, the numerous roof penetrations and roof equipment, and the corrosive atmosphere.

The Modified Bituminous built up roof system was selected based on the following:

- **Durability:** the flood and gravel coating accommodates the foot traffic required for regular roof top maintenance; multiple layers of roofing provides more protection than a single ply system; holds up well to the corrosive atmosphere at a WTP; holds up well to foot traffic, dropped tools and other abuses; high puncture and tear resistance
- **Extended warranty:** The built up roof system offers a 30 year edge to edge full system warranty; warranty extensions can be offered by adding additional flood coat and gravel surfacing or aluminized coatings
- **Availability:** the materials and components for this roof system are available immediately
- **Application:** the hot asphalt application of this roof system allows for better flashing details around the existing rooftop equipment; the application can be done in colder temperatures; has superior water resistance
- **Repairs:** the built up system is easily repaired

Procurement

The bid documents specified a 30 year Garland Roof “or equal” and an Alternate for a 20 year Garland roof “or equal”.

Nine contractors obtained the bid documents. Of the nine, seven contractors bid with one withdrawing their bid just prior to bid closing. The bids received were as follows:

ProCom Roofing	\$836,574
Warko Roofing	\$826,700
David Randall Associates	\$787,000
Whelan Roofing	\$779,152
D.A. Nolt	\$542,319
Munn Roofing	\$520,400 (plus \$1,000 deduct for stockpiling existing roof stone on site)
Jottan Roofing	withdrew bid

The alternate for a 20 year roof instead of the 30 year roof was a deduct of \$22,000 for the low bidder. A copy of the bid tabulation is attached.

Recommendation

Although some of the bid prices are considerably higher than the low bid, Munn Roofing is very comfortable with their bid as they are finishing a roof in the Lehigh Valley that is the same type roof. In addition, D'Huy Engineering provided an estimate of the roof replacement from recent local roof replacement projects and the estimate is within 4% of the low bid.

The recommendation is to award the contract to Munn Roofing for a 30 year Garland Roof with the deduct of \$1,000 for a total sum of \$519,400. There is approximately \$12,150 of allowance in the bid price for removal and replacement of deteriorated metal roof decking and other items that may not be spent. A copy of the D'Huy Engineering recommendation is attached.

Schedule

October 15, 2013 – December 31, 2013

Professional Services:

A Professional Services Authorization is attached for D'Huy Engineering in the amount of \$12,500 for Construction Administration Services. The services will include:

- Meetings
- Review and approval of submittals and shop drawings
- Review payment applications and process approved change orders
- Weekly site inspections
- Prepare punchlist and close-out project

D'Huy Engineering was selected for Construction Administration Services due to their extensive experience in roof replacement projects and their previous work for LCA including the construction of Well 12 and the Flow Equalization Basin. D'Huy Engineering also provided the roof survey and bid document preparation for this project.

Pat Mandes
Lehigh County Authority
Waste Water Treatment Plant
Solids Building Roof Replacement
DEI Project No. 12058

September 30, 2013

Pat,

As a follow-up to the September 20, 2013, bid opening for the Lehigh County Authority Waste Water Treatment Plant Solids Building Roof Replacement Project, we have prepared the following bid summary.

The apparent low bidder is Munn Roofing Inc., with a base bid of \$520,400 for the roof replacement work as documented. Attached please find the bid tabulation sheet for your review and record. Munn Roofing Inc. has performed several successful roofing projects for several of our clients and has just completed a roof replacement project for the Easton Area School District under our supervision with acceptable performance.

As we discussed following the bid opening, the selection of alternates is as follows:

Base Bid:	\$520,400
Alternate 2 - Stockpile ballast stone onsite:	<u>-\$1,000</u>
Total	\$519,400

We have reviewed the bid submission for compliance with the bid documents as well as contacted Munn Roofing, Inc. to review their bid and address any questions or concerns if the project is awarded; none were expressed.

As requested, I will be available to attend the October 14th, 2013 meeting to provide any comments or clarifications. Please feel free to call with any questions that you may have.

Sincerely,
D'Huy Engineering, Inc.



Mike Spadafora
Senior Project Manager





D'HUY Engineering, Inc.

LEHIGH COUNTY AUTHORITY
SOLIDS BUILDING ROOF REPLACEMENT
DEI PROJECT NO. 12058

BID TABULATION
August 20, 2013 @ 1:00 PM

Company	Base Bid	ALT 1 DEDUCT cost to provide Garland built-up 20 year roof system in lieu of 30 year	ALT 2 DEDUCT cost to stockpile ballast onsite in an area identified by owner	ALT 3 ADD/DEDUCT cost to perform work May 1, 2014 to June 15, 2014 in lieu of specified schedule.
Atlantic Roofing	No Bid			
D.A. Nolt Inc.	\$ 542,319.00	\$ (33,159.00)	No Charge	\$ 54,231.00
David Randall Assoc.	\$ 787,000.00	\$ (22,000.00)	\$ (500.00)	\$ (13,500.00)
Jottan Roofing	No Bid			
Munn Roofing	\$ 520,400.00	\$ (22,000.00)	\$ (1,000.00)	\$ (5,000.00)
ProCom Roofing	\$ 838,574.00	\$ (53,401.00)	\$ (500.00)	No Charge
Warko Roofing	\$ 826,700.00	\$ (30,200.00)	\$ 0.00	\$ (39,350.00)
Wespol Construction	No Bid			
Whelan Roofing	\$ 779,152.00	\$ (22,243.00)	No Charge	No Charge



Lehigh County Authority

1053 Spruce Street * P.O. Box 3348 * Allentown, PA 18106-0348
(610)398-2503 * FAX (610)398-8413

PROFESSIONAL SERVICES AUTHORIZATION

Professional:
D'HUY Engineering, Inc.
Mike Spadafora
One East Broad St.
Bethlehem, PA 18108

Date: 10/06/13
Requested By: Pat Mandes
Approvals
Department Head: _____
General Manager: _____

Description of Services (Work Scope, Steps, Check Points, etc.):

- Provide Construction Administration Services including:
- a. Pre-construction Meeting
 - b. Review and Approve submittals and shop drawings
 - c. Preview payment applications and process change orders
 - d. Provide weekly site visits
 - e. Prepare punchlist and final project close-out

The scope of work is described in more detail in the proposal dated September 16, 2013.

Cost Estimate (not to be exceeded without further authorization): The scope is not to exceed \$12,500 for Construction Administration.

Time Table and Completion Deadline:
October 2013 through December 2013.

(For Authority Use Only)

Authorization Completion:

Approval: _____ **Actual Cost:** _____ **Date:** _____

EMPLOYEE OFF-TIME DONATION PROGRAM

Effective Date: _____

Program Statement

Lehigh County Authority recognizes that employees may have a health-related emergency that causes a severe impact to them resulting in a need for additional time off in excess of their available sick time. To address this need, all eligible employees will be allowed to donate off-time from their unused balance of their personal days, vacation days and sick days to a pool for their eligible co-worker in need in accordance with the program outlined below. This program is strictly voluntary.

Eligibility

Employees who donate or receive off-time must be employed with the Authority (or with the City of Allentown prior to 8 August 2013) for a minimum of one year.

Employees who request to receive donated off-time from their co-workers must have a situation that is considered a *personal health related emergency*. A *personal health related emergency* for purposes of this program is a medical condition of the employee that will require the prolonged/extended absence of the employee from duty and will result in a substantial loss of income to the employee due to the exhaustion of all paid leave available to that employee. An employee on workers compensation shall not be eligible to receive donated off-time.

Guidelines for Donations

Employees who donate time must have sufficient time in their balance and will not be permitted to exhaust their balances due to the fact that they may experience their own personal need for time off.

Employees who donate off-time from their unused balance of their personal days, vacation days and sick days must adhere to the following requirements:

Donation Minimum = 8 hours total (1 day)

Donation Maximum = 80 hours (10 days)

Other Donation Requirements:

- As a result of this donation, the donating employee's sick bank may not be reduced by more than 50% from their current sick leave balance prior to the donation.
- The donation of off-time must be made up of equal parts sick time and other off-time (personal days or vacation).
- During the last calendar quarter of each year, employees may borrow against the following year's vacation time to donate.
- Employees who are currently on an approved leave of absence cannot donate off-time.
- Off-time donated that is in excess of the time off required by the recipient will be returned to the donors proportionately to their donation.

Guidelines for Receipt of Donations

Employees who receive donated off-time may receive no more than 480 hours (12 weeks) within a rolling 12 month period and such use shall run concurrently with an employee's Family and Medical Leave Act (FMLA) leave entitlement, if available.

Any leave received by an employee will be paid at the receiving employee's normal rate of compensation.

Procedure

Employees who make a request to receive donated off-time are required to complete a *Donated Off-Time Request Form* which includes authorization to present their request to the employees of the Authority for the sole purpose of soliciting donations. The request shall be submitted within thirty (30) days following the medical emergency unless employee's condition renders that impractical and shall include a written letter from a doctor opining medical necessity in line with the requirements of eligibility set forth herein.

Employees who wish to donate off-time to a co-worker in need must complete a *Donation of Off-Time Form*.

All forms should be returned to the Human Resources Manager.

Approval

Requests for donated off-time must be approved by the Human Resources Manager, the employee's immediate supervisor and a senior manager of the Authority (i.e. Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Chief Capital Works Officer or Chief Operations Officer), with the supervisor and senior manager intended to be different people.

Donations of off-time to an approved recipient must be approved by the Human Resources Manager.

If the recipient employee has available sick time, personal days, vacation days or other paid leave time in their balance, this time will be used prior to any donated sick time. Donated off-time may only be used for time off related to the approved request.

General

The Authority reserves the right to unilaterally change this program and its practices and benefits unless restricted from doing so by a collective bargaining agreement or law. The Authority has attempted to structure this program to avoid donated time being considered wages for the donor for tax withholding purposes, but the Authority cannot assure such and employees participate at their own risk for tax liability. Donated time will be considered wages for the recipient and subject to applicable tax withholdings.

DONATION OF OFF-TIME FORM

Donating Employee's Name: _____ Date: _____

Current Off-Time Balances (show in hours):

Sick Time	Personal Holiday	Prior Year Vacation	Vacation

Donation Amounts (show in hours):

Must be 50%	Must total 50%		
Sick Time	Personal Holiday	Prior Year Vacation	Vacation

Who are you donating off-time to?

Receiving Employee's Name: _____

I am donating a portion of my current off-time to the person listed above. I understand that this leave donation is irrevocable.

Donating Employee's Signature: _____ Date: _____

Approvals:

Human Resources Manager Date

DONATED OFF-TIME REQUEST FORM

Date of Request: _____

Employee Name: _____

Supervisor Name: _____

Number of off-time days requested: _____

Reason for request for donated off-time: _____

I authorize the Authority to release information concerning my need to the employees in the company for the sole purpose of soliciting donations of off-time.

Signature of Employee:

Date: _____

Management Approvals (signature):

Human Resources Manager

Date: _____

Immediate Supervisor

Date: _____

Senior Manager other than Immediate Supervisor

Date: _____



Lehigh County Authority

1053 Spruce Street *
PO Box 2210

MEMORANDUM

Date: October 14, 2013

To: LCA Board of Directors
From: Liesel Adam, Chief Administrative Officer
Re: LCA Allentown Division – Interim Water Rules & Regulations

Section 3 of the Lehigh County Authority Rules and Regulations for Water Service, and Section 7 of the Rules and Regulations for Sewerage Service outline terms of the Authority's collections process, including fees and termination procedures. These procedures have been established to ensure timely collection of water revenue including the following terms:

- 5% Late Payment Charge for all bills not paid by the due date, with Past Due notice issued
- 5% Late Payment Charge for all bills not paid an additional 23 days past the due date, with Warning Notice issued to inform the customer of upcoming termination of service for non-payment
- 15-day waiting period after Warning Notice is issued, prior to service termination
- 1.5% Penalty applied each month against additional outstanding amounts on a customer bill

These procedures are intended to apply to all Authority customers. However, due to the transition of all Allentown water and sewer customers into the Authority's system on August 8, 2013, with such customer's being accustomed to a different process that was used by the City, we are recommending an Interim Collections Procedure that would span the first six months of the Authority's operation of the Allentown systems. This Interim Collections Procedure would include:

- Elimination of LCA's 5% Late Payment Charges
- Issuance of Past-Due notices during the first billing quarter to notify non-paying customers of the intent to transition to the Authority's Rules & Regulations
- 1.5% Penalty applied each month against unpaid balances
- Service Termination to be initiated after the customer receives, and fails to pay, their first and/or second billing issued by the Authority, with such service termination occurring in the first quarter of 2014.

After the first quarter of 2014, all Authority Rules & Regulations would be followed for all customers, including those in the City of Allentown.

Because this Interim Collections Procedure deviates from the Authority's adopted policies, Board approval is requested.