

REGULAR MEETING MINUTES

September 14, 2020

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:04 p.m. on Monday, September 14, 2020, Chairman Brian Nagle presiding. The meeting was held via video and audio advanced communication technology (“ACT”), using the Zoom internet application, due to the national COVID-19 pandemic emergency. 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 via ACT, using the Zoom internet application. A Roll Call of Board members present was taken. Chairman Brian Nagle, Richard Bohner, Norma Cusick, Ted Lyons, Linda Rosenfeld, Jeff Morgan, and Amir Famili were present for the duration of the meeting. Kevin Baker entered the meeting during the Emergency Declaration discussion.

Solicitor Michael Gaul of KingSpry was present along with Authority Staff, Liesel Gross, Ed Klein, John Parsons, Chris Moughan, Chuck Volk, Susan Sampson, Andrew Moore, Phil DePoe, Lisa Miller, and Todd Marion.

REVIEW OF AGENDA

Liesel Gross stated that most items on the agenda are for discussion only. Ms. Gross requested that an additional item regarding COVID Customer Relief funding be added to the agenda following the update on bond refinancing. She also requested an Executive Session after the regular meeting to discuss matters of Personnel.

Chairman Nagle announced that the Board received their packet in advance of the meeting.

APPROVAL OF MINUTES

August 24, 2020 Meeting Minutes

On a motion by Richard Bohner, seconded by Linda Rosenfeld, the Board approved the minutes of the August 24, 2020 Board meeting as written (6-0). Norma Cusick abstained.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

2020 Lease Bond Financing Update (Discussion only)

Ed Klein gave a brief update of the Lease Bond financing, reporting that the bond sale held on September 2nd was successful. There was substantial investor interest in LCA’s bonds. The treasury rates also fell 8 basis points prior to the sale of the bonds. Those conditions supported a favorable bond sale which will result in a \$9.9 million net present value savings on the 2020 Bonds. In addition, the Fulton Bank interest rates were locked in at 2.85% for the 2020A Bonds, which will result in a \$1.4 million net present value savings for that issue. Therefore, the total overall savings to the Authority will be more than \$11 million on a net present value basis. Liesel Gross noted that the 2020 Bonds will be closing on September 17, 2020 to complete the transaction.

COVID Customer Relief Fund (Discussion only)

Liesel Gross explained that the pandemic has caused a hardship for some customers. The Authority has seen residential past due balances increase by about \$700,000 or more above normal levels over the past six months. With new rates going into effect in the City Division on October 1st, Ms. Gross anticipates that the problem will worsen, especially since the Authority is not pursuing service termination for non-payment while awaiting direction from state agencies. She explained that the staff is interested in helping customers by establishing a COVID-19 Customer Relief Fund to help with utility payments. The Authority could use a portion of its 2020 debt service cost savings to establish a fund that could be administered by a third-party organization such as the Community Action Committee of the Lehigh Valley and the Dollar Energy Fund. This arrangement would allow for customers to apply for support through the Relief Fund, and income verification would be handled privately by an external agency.

Ms. Gross noted that there has been legislation presented in Pennsylvania for \$25 million in funding for water and sewer utility relief through the PennVEST program. If this funding becomes available, it could supplement what the Authority is able to offer through its own resources. Linda Rosenfeld asked which customers would benefit from the potential Relief Fund. Ms. Gross explained that the legislation is geared towards residential customers, but the Authority could target small commercial customers with its own funding if needed. She also noted that the vast majority of the customers with increasing past-due balances are in the City Division.

There was some Board discussion. Richard Bohner stated he is supportive of this effort, but would not want to see the relief fund in the budget as an expense item, because to do so would indicate it would have to go into the rate calculations. Several Board members expressed support for the program at a conceptual level. Liesel Gross said staff will put more details together for discussion at a later date.

2021 Preliminary Budget Review (Discussion only)

Liesel Gross stated that today's discussion will focus on the drivers and major assumptions included in the 2021 Budget planning process. A preliminary budget will be presented at the next Board meeting. Ms. Gross began the discussion with a presentation of the budget assumptions related to the expected impact of the COVID-19 pandemic next year, 2021 strategic imperatives, staffing changes, and other assumptions impacting costs across the entire organization.

Ed Klein then reviewed the key budget factors for the four major budget categories. In the Internal Services budget, some work is being completed to reorganize internal expenses into departmental budgets to provide improved visibility and accountability for expenses by department managers. Also included in the Internal Services budget will be funding for strategic planning and process improvements.

For the Suburban Water budget, preliminary calculations are based on revenues increasing by 6.5% as planned in prior five-year forecasts. However, due to additional expense increases, including the increase in the cost to purchase water from the City Division, the preliminary budget figures are showing that the desired 1.20 debt service coverage ratio will not be met. This will require further review prior to presenting a preliminary budget. In the Suburban Wastewater budget, increased user revenues, due to higher municipal flows and loads, will generate strong surpluses in 2021. The debt service coverage ratio remains strong for 2021 in this area. For the City Division budget in 2021, key components of the settlement agreement and amended lease agreement are being incorporated. This includes revenue increases due to rate changes and increase in water purchase revenue from

the Suburban Water division, the elimination of legal expenses, and lower debt service due. At this point in the budget development process, any potential new borrowing for capital improvements has not been included. In addition, the potential COVID-19 Customer Relief Fund has not been included in the preliminary budget figures.

Mr. Klein noted the items to be further reviewed by staff, prior to presenting the preliminary budget at the next Board meeting on September 28th. Some Board discussion followed.

Emergency Declaration – Tropical Storm Isaias

John Parsons reported on the flooding and damage resulting from Tropical Storm Isaias, which occurred on August 4, 2020. A list of damages and costs were presented. Mr. Parsons reported that the sewer collection systems incurred significant repair costs for manhole repairs and other damages related to flooding that inundated the sewer system. Lightning damage occurred at Kline's Island Wastewater Treatment Plant. Only minimal damage was sustained at the Water Filtration Plant. The total cost of repairs to Authority infrastructure was \$104,863 in the Allentown Division and \$110,000 in the Suburban Division. Because the total repair costs are above \$50,000, Mr. Parsons is asking for approval of a retroactive emergency declaration in the amount of \$214,863. Liesel Gross stated that if an emergency is declared through the Pennsylvania Emergency Management Agency (PEMA), the Authority will seek reimbursement of costs for damages. Some Board discussion followed regarding specific damages.

On a motion by Linda Rosenfeld, seconded by Richard Bohner, the Board approved the retroactive Emergency Declaration for repairs from Tropical Storm Isaias in the amount of \$214,863 (7-0). Kevin Baker abstained.

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross reviewed the report and noted that there are no additional items other than the 2021 Budget review for the next meeting.

STAFF COMMENTS

None.

SOLICITOR'S COMMENTS

Solicitor Gaul commented on the positive outcome of the bond sale.

PUBLIC COMMENTS / OTHER COMMENTS

None.

EXECUTIVE SESSION

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:22 p.m.

Richard Bohner
Secretary