

## **REGULAR MEETING MINUTES**

### **October 12, 2020**

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The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, October 12, 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 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, Scott Bieber, Richard Bohner, Norma Cusick, Ted Lyons, Kevin Baker, Linda Rosenfeld, Jeff Morgan, and Amir Famili were present for the duration of the meeting.

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

#### **REVIEW OF AGENDA**

Chairman Nagle announced that the Board received their packet in advance of the meeting and received a revised copy of the WLI User Charge Report via email later in the week.

Liesel Gross stated there are no changes to the agenda; however, there will be an item to review under the Staff Comments portion of the meeting. There are no topics for Executive Session.

#### **APPROVAL OF MINUTES**

##### **September 28, 2020 Meeting Minutes**

Richard Bohner presented minor corrections to the September 28, 2020 minutes. On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the minutes of the September 28, 2020 Board meeting as corrected (7-0). Scott Bieber and Linda Rosenfeld abstained.

#### **PUBLIC COMMENTS**

None.

#### **ACTION AND DISCUSSION ITEMS**

##### **2021 Preliminary Budget Review (Discussion)**

Liesel Gross reviewed the budget development timeline. Today is the Board's third review of the 2021 Budget. Discussion will focus on the changes to the budget figures since the Board's last meeting in September, along with a review of proposed rates for the Suburban Water Division. Today's presentation was sent to the Board in advance of the meeting, and posted on the Authority's website for public viewing.

Ed Klein gave a PowerPoint presentation, which reviewed the changes to the 2021 Preliminary Budget since the last presentation in September. He reviewed the budget summary including expected outcomes related to net income, cash flows, capital spending, debt service coverage ratios and operating days cash on hand.

Amir Famili noted the 2020 Budget included \$21 million for capital projects, but the forecast shows the Authority expects to complete only \$11 million of work. He asked whether the Authority borrowed money on the basis of spending the higher amount, and what the impact is if the Authority spends significantly less than budgeted and borrowed. Mr. Klein explained that the Authority did not undertake any borrowing in 2020 for the \$21 million in budgeted capital improvements. As a result, the impact of spending only \$11 million is only seen on the cash flow side. Mr. Famili asked how the 2021 capital budget of \$17 million would be funded. Mr. Klein explained that the Authority plans to use operating cash and reserves for the majority of the 2021 capital program.

Mr. Klein reviewed the Suburban Water Division proposed budget, noting that the primary change since the prior presentation was an increase in revenue. The revenue projections were increased to allow the Authority to achieve its internal target of 1.20 debt service coverage, which is important for providing capital funding as well as coverage for emergencies.

Liesel Gross then reviewed the proposed 2021 rate increases for the Suburban Water Division, which are needed to achieve the revenue targets included in the proposed budget. She explained that an overall revenue increase of 12 percent is needed, but only 10.5 percent will come from rate increases, with the remainder being generated by growth. She reviewed the rate structure in place for the Suburban Water Division, including fixed charges and volume charges applied to customers in different rate classes. In order to distribute the rate increase proportionately to all customers, both the fixed charge and volume charges would be increased. The average residential customer will pay \$28 per year more in 2021 based on the proposed rate structure. All customers would pay between 7 and 12 percent more depending on the volume of water used.

Amir Famili asked how the \$160,000 in new revenue generated by economic growth was estimated and whether it is a conservative figure. Ms. Gross explained that the Authority staff have information provided by new and existing industrial customers regarding their estimated production trends in 2021 that formed the calculation of this figure; however, it is a conservative figure due to the speculative nature of some of the growth projections provided. Housing growth continues to supplement industrial growth. The Authority staff expects the budgeted figure can be achieved realistically. Mr. Famili noted that there is significant upside potential in this figure if it is underestimated, and the impact of the rate increase will be compounded over time if growth is more robust than currently estimated.

Additional discussion followed regarding the adequacy of the proposed rate increase. Scott Bieber noted that the Suburban Water rates will continue to be very low and that there is potential room for higher increases that could further bolster the Authority's capital program. Jeff Morgan noted the Authority's proposed fixed charges and current volume charge of \$2.76 per 1000 gallons is very low when compared across the region.

Ted Lyons asked about the rate structure and how costs are allocated between the fixed charge and volume charge. Ms. Gross explained that a water rate study was conducted by a rate expert three years ago, using an industry-accepted methodology, to allocate fixed and variable costs to different customer classes. She also noted that water utilities are increasingly relying on fixed charges to generate required revenue as many utility costs are not variable, and declining water usage puts revenue at risk when the fixed charge is too low.

Ed Klein then reviewed the Suburban Wastewater Division proposed budget, which was unchanged from the prior presentation.

Mr. Klein reviewed the City Division proposed budget, noting two changes related to capital improvements. The water filtration plant project to replace variable frequency drives for the high-lift pumps was excluded from the prior budget presentation. The Authority expect to spend \$800,000 on that project in 2021. In addition, the Authority staff would like to pursue PENNVEST funding for this project, and this borrowing was added to the budget proposal. Liesel Gross noted City Division water and sewer rates would be increasing by the terms of the amended Lease Agreement, and would be presented to the Board for adoption in November.

Mr. Klein reviewed the Internal Services expenses, and the dashboard of financial metrics for all funds included in the 2021 Proposed Budget. He reviewed the next steps in the budget development process, including budget adoption, which will be requested at the October 26, 2020 meeting. Rates for 2021 will be presented for adoption in November, and updated tapping fees for the Suburban Wastewater Division would be presented in December.

### **WLI User Charge Report**

Jennifer Montero, the Authority's Contracts Administrator, provided a report of the proposed 2021 Western Lehigh Interceptor, Little Lehigh Relief Interceptor Phase 1 and 2 rates. The rates are developed using a cost-of-service methodology outlined in the intermunicipal agreements with the Authority's signatories. The rates also include funding for capital reserves. The billing process includes developing rates for budgeting purposes for the upcoming calendar year, and then actual costs, sewage flows and waste strength data is used to reconcile the charges applied to the municipalities after the end of the calendar year. Based on the budgeted costs and estimated sewage flows and waste strength, the calculated rates result in an estimated 4 percent increase to the average residential sewer customer. Ms. Montero explained that the report was submitted to the municipalities for comment prior to the Authority Board's review.

Chairman Nagle asked if any comments or concerns were received from the municipal signatories. Ms. Montero stated that only a few comments were received, and they were focused on the rate calculation methodology. She stated she was able to answer the questions to the municipalities' satisfaction.

Liesel Gross commented that this report is prepared for municipal signatories, so they have a basis for developing their municipal budgets. The Authority provides preliminary approval of the report in order to communicate with the municipalities that the rates are finalized, which also helps with their municipal budgets. The rates included in the report are incorporated into the Authority's 2021 Preliminary Budget reviewed earlier in the meeting.

On a motion by Linda Rosenfeld, seconded by Richard Bohner, the Board approved the 2021 Western Lehigh Interceptor User Charge Report on a preliminary basis (9-0).

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

Brian Nagle – yes  
Scott Bieber – yes  
Richard Bohner – yes  
Norma Cusick – yes  
Ted Lyons – yes  
Kevin Baker – yes  
Linda Rosenfeld – yes  
Jeff Morgan – yes

Amir Famili – yes

### **MONTHLY PROJECT UPDATES / INFORMATION ITEMS**

Liesel Gross highlighted the items noted in the report for the upcoming meeting, including the approval of the 2021 Budget.

### **STAFF COMMENTS**

Liesel Gross reviewed information received from the Pennsylvania Public Utility Commission (PUC) regarding utility service termination for customer nonpayment as it relates to the COVID-19 pandemic. Last week, the PUC issued a new ruling that utility service terminations may resume for customer nonpayment, effective November 9, 2020, but with restrictions to protect customers who meet certain economic thresholds for low-income households. Even though the Authority is not under PUC jurisdiction, the rules issued by the PUC provide guidance on how the Authority might proceed with its collection of delinquent accounts. Ms. Gross stated that the Authority staff is working to develop protocols to begin applying late fees and conducting service terminations effective January 1, 2021. The plans developed for collections activity will be communicated to the impacted customers over the next three months, along with information about any customer assistance programs the Authority may develop in the intervening time period. More information about a potential customer relief fund will be presented to the Board at a later date. Some Board discussion followed.

### **SOLICITOR'S COMMENTS**

None.

### **PUBLIC COMMENTS / OTHER COMMENTS**

None.

### **EXECUTIVE SESSION**

### **ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 1:29 p.m.

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Richard Bohner  
Secretary