

REGULAR MEETING MINUTES

October 26, 2020

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:01 p.m. on Monday, October 26, 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, 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, Susan Sampson, Andrew Moore, Phil DePoe, Lisa Miller and Mark Bowen. Linda Eberhardt, Accounting Supervisor was also present.

REVIEW OF AGENDA

Liesel Gross stated there are no changes to the agenda but noted that the September Financial report and the two presentations for today were emailed to the Board and posted on the website after the packet was mailed. There are no topics for Executive Session.

APPROVAL OF MINUTES

September 28, 2020 Meeting Minutes

Richard Bohner presented minor corrections to the October 12, 2020 minutes. On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the minutes of the October 12, 2020 Board meeting as corrected (8-0).

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

2021 Proposed Budget Review (Approval)

Liesel Gross noted that today is the Board's fourth review of the proposed 2021 Budget. She reviewed the budget timeline and key components of this year's budget discussions. In particular, the Authority staff reviewed ongoing impacts of the COVID-19 pandemic on the Authority's finances; strategic imperatives for 2021; impacts of the settlement of Lease disputes with the City of Allentown; funding for capital improvements; and rate impacts for the Suburban Water and City Divisions. She reviewed the rate impacts that are driven primarily by updates to the Concession Lease Agreement with the City, which were completed earlier this year. She showed comparative water and sewer rates for communities across the Lehigh Valley, noting that the Authority's rates in its Suburban Water and City Divisions will remain among the lowest.

Ed Klein gave a brief summary of the proposed 2021 Budget and reviewed the expected outcomes related to net income, cash flows, capital spending, debt service coverage ratios and operating days

cash on hand. He noted that there were no changes to the proposed 2021 Budget figures since the last presentation provided to the Board on October 12, 2020.

Liesel Gross pointed out that the budget document looks different from prior years but contains more information and detail. She commended the staff for their efforts to produce a budget document that will be useful for both the staff and Board.

Amir Famili questioned the \$2 million increase in the capital improvements funding from the prior presentation of the proposed 2021 Budget. Ms. Gross explained that the change is due to the planned PENNVEST financing for the water filtration plant variable frequency drive replacement project. This had been discussed with the Board previously and the statements updated to reflect the planned borrowing.

Scott Bieber commented that the Suburban Water Division's five-year capital plan includes projections for annual rate increases of 6.5 percent to provide funding for capital improvements. He asked whether this is included in the proposed 10.5 percent increase for the Suburban Water Division. Ed Klein explained that the rate increase covers both capital and operational requirements for 2021, and that future rate increases of approximately 6.5 percent per year are still anticipated.

Chairman Nagle stated that the new budget document is an improvement and thanked the staff for their efforts to provide financial statements in a format that is meaningful for the Board. He noted he likes the system descriptions and the glossary, which will serve as a good reference throughout the year.

On a motion by Norma Cusick, seconded by Richard Bohner, the Board approved the 2021 Budget (8-0).

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
Jeff Morgan – yes
Amir Famili – yes

LCA Pension Plan – Mandatory Municipal Obligation

Chairman Nagle announced that a revision to this worksheet had been sent to the Board today. Liesel Gross explained the 2021 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's Pension Plan. Ed Klein explained how the formula is calculated for the pension funding obligation and reviewed the additional funding requirements to address the pension program's unfunded liability.

Allentown Division – 26" DI Water Main Condition Assessment (Approval)

John Parsons gave an overview of the project regarding the 36" Ductile Iron (DI) transmission main that runs north along 17th Street in Allentown and was constructed in 1983. After the excavation and repair of the main, resulting from two major main breaks earlier this year, an investigation was

initiated. Preliminary analysis of the pipe material indicated that the pipe thickness was diminished due to external corrosion, most likely caused by corrosive soil types and absence of pipe wrap. Gannett Fleming Inc. currently serves as the Authority's consultant for the water distribution system, and the Authority staff recommends retaining them to perform a more complete assessment of the transmission main. Pure Technologies will perform a robotic enhanced electromagnetic assessment of approximately 5,800 feet of the transmission main as a subcontractor to Gannett Fleming. The purpose of the assessment is to determine the extent of deterioration of the pipe material and develop recommendations for remediation. The transmission main is a critical asset that serves large portions of the City of Allentown.

Mr. Parsons asked for approval of a Professional Services Authorization for Gannett Fleming, Inc. in the amount of \$202,250.00 for the condition assessment.

Chairman Nagle asked how water service customers will be impacted by the shutdown of the water line. Mr. Parsons explained that there are other lines in the system that will remain open and the system will not be shut down for long periods of time. As a planned shut-down operation, the system can be operated safely. Amir Famili asked what the cause of the corrosion was. Mr. Parsons stated the report from US Pipe, who completed the initial assessment of the pipe fragment, indicated it was corrosive soil. There was some Board discussion regarding the standards used for installation of the pipe in 1983. Scott Bieber asked if the City would be responsible for remediation efforts if the study shows the installation was faulty. Mr. Parsons explained that the focus of the study is to determine solutions to prevent additional main breaks.

Jennifer McKenna, City of Allentown Office of Compliance, commented that according to the City's discussion with Authority staff, the 1983 installation of the transmission line was completed following the protocols in place at that time. She asked if the condition assessment will cover all pipe lengths installed in 1983, and whether the 1983-era pipes could be included in the Authority's ongoing pipeline prioritization program to develop future priorities for water main replacements. John Parsons responded that the condition assessment will focus only on the specific 5800 feet of transmission main described, and explained that some portions of the transmission main have already been replaced due to prior work in that part of the water system. Following receipt of the results from the assessment, it will be determined what the next steps are.

On a motion by Norma Cusick, seconded by Jeff Morgan, the Board approved the Professional Services Authorization for Gannett Fleming, Inc. in the amount of \$202,250.00 for the condition assessment (8-0).

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
Jeff Morgan – yes
Amir Famili – yes

Allentown Division – Resolution No. 10-2020-1 – PENNVEST Application – WFP High Service Pump VFD Project (Approval)

Phil DePoe gave a brief description of the project which will replace variable frequency drives at the high service pumping system in the Allentown Division water system. Resolution No. 10-2020-1 will approve the submission of an application for low-interest financing for the project to the Pennsylvania Infrastructure Investment Authority (PENNVEST).

Liesel Gross explained that PENNVEST financing is being sought for this project due to the critical nature of the assets to be replaced and the recent amendment to the Concession Lease Agreement with the City of Allentown. The amended Lease provides funding through increased rates to complete some, but not all, of the Authority's planned capital improvements. While the new rates are being phased in, the Authority expected to borrow for selected high-priority projects. The amended Lease also provides improved cost-recovery mechanisms for debt-funded projects to ensure the Authority can pay the loans for these selected projects. The PENNVEST program is preferred due to the very low interest rates available for infrastructure replacement projects. The application deadline is November 4, 2020 in order to be considered at the next PENNVEST board meeting in January 2021.

Solicitor Gaul commented that he spoke with the PENNVEST attorney about this application due to the complex nature of the relationship between the Authority and the City of Allentown, and the existing Lease bonds and indenture requirements. He stated that PENNVEST suggested these issues could be worked out, but it will take some time to review all the financing documents. If PENNVEST approves a funding offer for this project, financing documents will be prepared, and future Authority Board approval will be sought to authorize the specific terms of the financing. He noted that Resolution 10-2020-1 merely approves the submission of a financial assistance application to PENNVEST for the project, and not the actual issuance of indebtedness for the project. That will happen at a later point in time, if appropriate.

Jennifer McKenna, City of Allentown Office of Compliance, commented that the City is happy this project is moving forward and has been encouraging the Authority to pursue PENNVEST financing.

On a motion by Norma Cusick, seconded by Richard Bohner, the Board adopted Resolution No. 10-2020-1 approving the submission of a financial assistance application to the Pennsylvania Infrastructure Investment Authority (PENNVEST) for funding in the amount of \$2,000,000.00 for the replacement and addition of high service pumping variable frequency drives in the Allentown Division water system (8-0).

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
Jeff Morgan – yes
Amir Famili – yes

Chairman Nagle asked if a roll call vote is necessary for all motions. Solicitor Gaul stated that roll call votes are only necessary when there is not a unanimous vote but is at the Board's discretion.

MONTHLY FINANCIAL REVIEW

Ed Klein gave a presentation of the September 2020 financial statements, noting the variances from the 2020 forecast.

MONTHLY SYSTEM OPERATIONS OVERVIEW

John Parsons reviewed the Monthly Systems Operations report for September 2020, highlighting improvements to the Supervisory Control and Data Acquisition (SCADA) system at the water filtration plant in Allentown.

STAFF COMMENTS

None.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

EXECUTIVE SESSION

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:33 p.m.

Richard Bohner
Secretary