

REGULAR MEETING MINUTES

November 9, 2020

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, November 9, 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, 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, Susan Sampson, Andrew Moore, Phil DePoe, Lisa Miller and Todd Marion.

REVIEW OF AGENDA

Liesel Gross stated there are no changes to the agenda as presented. There are no topics for Executive Session.

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

APPROVAL OF MINUTES

October 26, 2020 Meeting Minutes

On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the minutes of the October 26, 2020 Board meeting as presented (7-0). Linda Rosenfeld abstained.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

2021 Water & Wastewater Rate Schedule

Liesel Gross described the proposed rate changes and reviewed the proposed 2021 water and wastewater rate schedules. Throughout the 2021 Budget process, LCA staff presented information about the cost drivers for the increasing rates across all areas of the organization. She noted that the City Division water and sewer rates calculated are in accordance with the amended lease agreement as approved this summer, and the City administration had previously reviewed the proposed rate schedule. The Suburban Division water rates are increasing by an average of 10.5 percent, driven by increased water purchase costs, expanded preventive maintenance and technology costs, and capital improvements. The proposed Suburban Division water rate changes were calculated in accordance with the methodologies used in the water rate study conducted by Keystone Alliance Consulting in 2018. The Western Lehigh Interceptor user charge rates have been presented to the municipal signatories and are now incorporated into the proposed rate schedule as well. Ms. Gross noted that despite the rate increases presented, the Authority's 2021 rates will continue to be among the lowest in the region.

Amir Famili asked how the Authority will communicate with customers regarding the rate increases. Ms. Gross explained that the Authority has a well-established process for communicating rate changes. The process started in October with communication to municipalities and large industrial customers. The Authority has developed a stakeholder listing, which is broken into various categories for communication on specific rate changes of interest to those stakeholders. For example, the townships are notified about rates with an explanation of what their citizens will be paying for water service. Municipalities that receive either bulk water or regional sewer service from the Authority receive rates that apply to their service area in October as well so they can be incorporated into their municipal budgets. The Authority's website is used to announce proposed rate changes to the general public prior to adoption. Thereafter, if the Board adopts the rates, all customers will have an additional 60 days to provide feedback to the Board prior to the rates being implemented on January 1, 2021. The newsletter included in the first quarter water and sewer bills to Authority customers will contain an explanation of the updated rates.

Linda Rosenfeld made a motion, seconded by Richard Bohner, to approve the 2021 Water & Sewer Rate Schedules as presented (8-0).

Scott Bieber questioned if the Suburban Division water rates are adequate to provide reserves needed for long-term capital planning so that the Authority does not have to borrow money for projects. Liesel Gross explained that the 2021 rates cover the capital requirements for 2021 as well as the increased operation costs. She added that the Authority's five-year capital plan calls for rates to increase by 6 to 7 percent annually over the next several years to continue to build capital reserve and reduce future reliance on borrowing for capital improvements.

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
Linda Rosenfeld - yes
Jeff Morgan – yes
Amir Famili – yes

Customer Assistance Program

Liesel Gross provided a presentation regarding the collections program performance during the COVID-19 pandemic. Currently, all late fees and service terminations for non-payment have been suspended. In November, delinquent notices were modified to inform customers that the Authority will again be applying late fees starting on January 1, 2021. During the six-month period of March to September 2020, the Authority lost approximately \$417,000.00 in penalty revenue which is unrecoverable. In addition, due to customers not paying their water or sewer bills and the suspension of service terminations, past-due bills have increased by more than \$700,000. She noted that this is expected to increase by approximately \$200,000 per month if no action is taken.

Richard Bohner asked if the Authority distinguishes between a customer being an owner, a landlord or a tenant. Ms. Gross explained that the Authority does keep landlord and tenant information in cases where the tenant receives the water bill directly from the Authority. She noted that many of the apartment complexes in Allentown are actually billed based on a master account, so that individual rental units are not bill separately. The water bill is issued to the property manager in those cases.

Ms. Gross reviewed information about other water utilities' collections programs, and noted the Pennsylvania Public Utility Commission issued a ruling in October allowing regulated utilities to resume service terminations in November. She noted that some larger water utilities are also developing customer assistance programs similar to what the Authority is considering. Ms. Gross noted that the CARES Act funding has been very limited in terms of providing assistance for utility customers.

Ms. Gross reviewed the staff's recommended approach to address the need for increased collections activity while also supporting customers who have been hurt economically by the pandemic. First, the Authority must reinstate its collection procedures, including late fees and service terminations, and develop a safe way to re-open the office to allow customers to walk in to make cash payments. In addition, staff is recommending the establishment of a Customer Relief Fund to provide grants to low-income customers to help them pay down their water and sewer balances. The Customer Relief Fund would utilize a one-time block of funding of \$500,000.00 available from proceeds from the 2020 Lease Bond refinancing. A third-party administrator would be selected to assist LCA with establishing program parameters, accept and evaluate customer applications, handle customer information securely and confidentially, disburse funds back to LCA for eligible customers, and support future fundraising efforts. The Authority should expect to pay approximately \$25 in processing fees for each customer grant processed. Options regarding a third-party administrator were reviewed.

Richard Bohner commented that he feels the Authority should not finance the fund directly, as it will increase costs for customers in good standing. The fund should be established as a charity as most such programs are funded this way. Ms. Gross noted that in the future, if the program is extended beyond the initial block of funding, a charitable giving mechanism would be developed to support the program. However, due to the pandemic and the special needs of the community, along with the availability of funding from the bond refinancing proceeds, the Authority is in position to start the program and have no impact on customer rates.

Jeff Morgan asked if it was a requirement to stop charging late fees. Liesel Gross said it was voluntary, but was the standard practice for most utilities in Pennsylvania.

Ms. Gross explained the final recommendation, which is for the Authority to establish payment plan options to provide additional support to customers who either do not qualify for the grants through the Customer Relief Program or who are facing a threat of service termination. The payment plans would be administered by the Authority staff.

Ms. Gross reviewed the proposed next steps including Board approval for the Customer Relief Fund.

There was some Board discussion regarding the funding of the program.

Ms. Gross noted that the \$500,000 available for the Customer Relief Fund is due to the near-historic low interest rates that existed at the time of the 2020 Concession Lease bond refinancing. Those low interest rates, while beneficial to the Authority, were a consequence of the economic impacts of the pandemic. She stated her opinion that in a time when some of the Authority's customers are struggling due to the pandemic, the use of these funds to help the community would be an important and meaningful program for the Authority to offer.

Jennifer McKenna, City of Allentown Office of Compliance, commented that this program is being looked at by the City positively as a way to support the community during the pandemic. She stated that using a third-party administrator has a lot of value in assisting with these types of programs

where citizens are reaching out for help. Ms. McKenna also noted that the program should not be a complete erasure of the bills, but should provide assistance to help customers pay the bills.

Staff Succession Planning Review

Liesel Gross gave a presentation of the Authority's knowledge management and succession planning programs. She reviewed the history of the Authority's program noting how the methods used have changed based on the size of the organization and availability of technology. Succession planning has been a difficult challenge due to a variety of factors including pay compression, the number of unique or hybrid positions in the organization, and some of the Authority's complex legacy processes that are difficult to learn. A retirement risk assessment is completed every other year to identify critical risks to the organization. When the priorities are identified, position-specific succession plans are developed to address the needs of the department and the organization.

Jeff Morgan asked about the cross training that occurs between the water and wastewater plants and if treatment plant operators are licensed to operate both plants. John Parsons explained that most plant operators have both water and wastewater licenses and they work a rotating schedule between both plants to maintain their cross training. There are several treatment plant operators that are eligible for retirement, which is a concern for the Authority.

Chairman Nagle commented that another area to be looked at is management training, strategic planning and strategic thinking, to build up the leadership team's capacity in these areas. Amir Famili agreed and commented that the Authority should assess the organization structure to determine the correct makeup of the leadership team.

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross noted that there are no items for the November 23rd meeting. Unless something new comes up, the meeting will be canceled. Chairman Nagle asked if the SCADA system replacement cut-over had been completed on November 2nd as noted in the report. Chris Moughan stated the cut-over is in process now and will be completed later this week. The Chairman also asked about the Upper Milford–Central Lehigh Division Interconnection project completeness. Chuck Volk noted it will be completed tomorrow, November 10th. Scott Bieber asked when we will receive a report regarding the modeling for the Trexlertown wastewater storage facility. Phil DePoe responded that Arcadis is still working on the hydraulic modeling for this project, which has proven to be more complex than anticipated, so the results will be delayed a few months.

STAFF COMMENTS

Liesel Gross reported that an Authority employee had contracted COVID-19 and was recuperating at home. All employees who had contact with the employee had been sent home to self-quarantine for 14 days.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

EXECUTIVE SESSION

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:55 p.m.

Richard Bohner
Secretary