

REGULAR MEETING MINUTES December 14, 2020

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, December 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 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, Ted Lyons, Linda Rosenfeld, Jeff Morgan, and Amir Famili were present for the duration of the meeting. Norma Cusick and Kevin Baker joined the meeting at 12:05 p.m. and 12:07 p.m. respectively.

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, Todd Marion, Mark Bowen and Jennifer Montero.

REVIEW OF AGENDA

Liesel Gross stated there are no changes to the agenda as presented and there will be an item under Staff comments regarding the pandemic and planning efforts. There will also be an Executive Session after the regular meeting to discuss matters of personnel.

Chairman Nagle announced the Board received the Board packet prior to the meeting.

APPROVAL OF MINUTES

November 9, 2020 Meeting Minutes

Richard Bohner noted one grammatical error. On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the minutes of the November 9, 2020 Board meeting as corrected (8-0).

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Resolution No. 12-2020-1 – Customer Facility Fees; Connection Fees; and Suburban Wastewater Tapping Fees

Liesel Gross explained that the tapping fees are required to be adopted by resolution and the tapping fee legislation sets the parameters as to how those fees are calculated. The fees described in detail in Attachment A to the Resolution are the connection fees, which recapture the actual costs that the Authority bears to install meters or service lines for new customers. Attachment B to the Resolution shows the detailed calculations of the Suburban Division wastewater tapping fees, which were developed by the Authority's rate consultant, Keystone Alliance Consulting, Inc. These fees are paid by new customers who are connecting to the sewer system. The fees are intended to recapture a portion of the replacement costs for the systems as they age.

Kevin Baker asked if there is a carrying cost to having such a detailed breakdown of the costs into the separate systems within the Suburban Division, or if there would be a benefit to consolidate the

rates. Liesel Gross stated that the tapping fee legislation is prescriptive in terms of how the fees must be calculated. Even if fees could be consolidated into a single rate, the same level of detail is necessary to show the calculation complies with the law. She also noted that the Authority's intermunicipal agreements require that certain components of the tapping fees be accounted for separately.

Amir Famili asked what percentage of revenue is generated from the tapping fees for each year. Ed Klein did not have the figure at the time of the meeting. Ms. Gross added that the tapping fee revenues fluctuate from year to year, driven by economic growth in the region.

Solicitor Gaul read the title to Resolution No. 12-2020-1.

On a motion by Linda Rosenfeld, seconded by Richard Bohner, the Board adopted Resolution No. 12-2020-1 approving the Customer Facility fees; Connection fees; and the Suburban Wastewater Tapping fees (8-0).

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

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

2021 Board Meeting Schedule

Liesel Gross explained that the schedule is required to be advertised in the beginning of the year. Chairman Nagle asked if the significant religious holidays were checked. Ms. Gross said the dates were sent to the Board for review and no issues were reported.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved the 2021 Board Meeting schedule as presented (8-0).

Suburban Division – Western Lehigh Service Area: Revenue Planning Tool – Phase 2

Phil DePoe reviewed the background regarding the regional Act 537 Plan that is being developed, and the engineering analysis currently under way to explore the viability of the option to upgrade the Pretreatment Plant (PTP) to full treatment with a new discharge point on the Lehigh River. While the engineering analysis is being completed, with results expected in June 2021, a financial planning tool is also required to support the Western Lehigh municipal signatories' decision-making process. Mr. DePoe noted that the existing inter-municipal agreement dictates how costs are shared among all municipalities and customers. However, the PTP upgrade option would substantially change the way wastewater flows through the system, which will have financial impacts that must be analyzed. The Authority does not currently have a tool available to model different planning scenarios from a financial perspective.

Mr. DePoe explained that the proposed Revenue Planning Tool will take into consideration current and future wastewater flows and strength loads, and will determine the financial impacts on each

municipality based on the different scenarios that are being explored. The intended outcome of this work is a clear understanding of the feasibility and cost associated with upgrading the PTP to full treatment, but the tool will be robust enough to model other scenarios that may be explored in the future. AECOM is the engineering firm leading the analysis of the treatment alternatives, and their financial analysis team has been selected to develop the Revenue Planning Tool as a companion effort. AECOM has completed an initial analysis of the requirements for the Revenue Planning Tool, and the next phase is to create the tool using 2017 financial data as a baseline prior to using the tool to model the PTP upgrade option.

Mr. DePoe is asking for approval of the Professional Services Authorization to AECOM for the Revenue Planning Tool in the amount of \$97,000.00.

Chairman Nagle asked if the Authority will be able to change the existing inter-municipal agreements. Mr. DePoe stated that the Act 537 planning process will include a review of the agreements and determination if any changes are necessary to address the future sewer capacity requirements of the region.

Amir Famili asked if the staff had the capacity to develop the tool internally. He noted that the staff is already conducting the budgeting and billing for the regional system and should have a good understanding of the revenue flows through the system. He also asked about the strategic value of developing the tool six months in advance of having engineering results available. He stated his concern about the cost of having a consultant develop a financial model, and noted that he expects the Authority will potentially need to pay the consultant again to use the model to run the planning scenarios that are being explored.

Mr. Klein and Mr. DePoe explained that having AECOM develop the tool will provide significant benefit to the staff because the existing billing system is not set up to allow for the level of financial analysis needed. Mr. Klein noted that while it may be possible to develop the tool internally, it would require significant staff time that is not available for this effort.

Liesel Gross explained that the current billing system only captures a moment in time based on current wastewater flows, strength loads, expenses and debt service. The Revenue Planning Tool is intended to create a full financial analysis of a series of complex scenarios over the next 30 years. The financial model will include cash-flow and net-present-value analyses to support the region's decision-making. Due to the complexity of the inter-municipal agreements, it is imperative that the Authority have a robust financial modeling tool that will predict the outcome of each scenario being explored, which will aid in the discussion with the municipalities about future cost-sharing arrangements. It is expected the development of the tool will take approximately four months to complete, so starting now is required in order to begin using the tool next summer.

On a motion by Norma Cusick, seconded by Ted Lyons, the Board approved the Professional Services Authorization to AECOM for the Revenue Planning Tool in the amount of \$97,000.00 (8-0).

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

Brian Nagle – 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 noted that there is not a second meeting in December but expects a full agenda for both meetings in January.

STAFF COMMENTS

Liesel Gross informed the Board that the November Financial Review and November System Operations Overview reports will be sent to the Board and posted to the Authority website the week of December 21st.

Ms. Gross updated the Board on the pandemic response stating that the staff has postponed the reopening of the Authority's customer service centers for walk-in customer payments until at least January or sometime in the first quarter due to the increase in COVID-19 cases in the area. Service terminations for non-payment will also be delayed until the first quarter of 2021. However, collection notices and penalties for late payments will begin in January as previously discussed. Staff will bring a proposal for a COVID Customer Relief Fund to the Board in January.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

Jennifer McKenna, City of Allentown Office of Compliance, asked if the monthly Financial statements and monthly Systems Overview reports will be posted online. Liesel Gross stated the reports will be posted online in the upcoming week or so.

Chairman Nagle announced that there is not another meeting in December and the next Board meeting will be on January 11, 2021. He wished everyone a happy, healthy holiday season.

EXECUTIVE SESSION

Chairman Nagle announced that an Executive Session will be held after the regular meeting to discuss matters of personnel.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 12:50 p.m.

Richard Bohner
Secretary