

## **REGULAR MEETING MINUTES**

### **September 13, 2021**

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The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:04 p.m. on Monday, September 13, 2021, Chairman Brian Nagle presiding. The meeting was hybrid via in-person and video and audio advanced communication technology (“ACT”), using the Zoom internet application, including telephone option. 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 in-person or via ACT, using the Zoom internet application, including telephone option. A Roll Call of Board members present was taken. Chairman Brian Nagle, Scott Bieber, Linda Rosenfeld, Richard Bohner, Amir Famili, Jeff Morgan, and Norma Cusick were present for the duration of the meeting. Ted Lyons and Kevin Baker joined the meeting shortly after it began and 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, Phil DePoe, Susan Sampson, Andrew Moore, Chuck Volk, Chris Moughan, Lisa Miller, and Todd Marion.

Chairman Nagle stated that the Board received their electronic and hard copy of the Board packet in advance and asked if anyone did not receive their copy of the packet. A copy of the packet is also available online.

#### **REVIEW OF AGENDA**

There are no changes to the agenda but there will be an item for Staff comments.

#### **APPROVAL OF MINUTES**

##### **August 23, 2021 Meeting Minutes**

Richard Bohner noted a correction to the approval count on the minutes. The vote should be recorded as 6-0, not 7-0. On a motion by Richard Bohner, seconded by Scott Bieber, the Board approved the minutes of the August 23, 2021 Board meeting as corrected (8-0).

#### **PUBLIC COMMENTS**

None.

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

##### **Preliminary 2022 Budget Review**

Liesel Gross reviewed the Authority’s Budget development process that began in July. At today’s meeting, staff will review the assumptions that are being incorporated into the 2022 Budget, and a preliminary review of the Budget figures will be provided at the next Board meeting in two weeks. Rates will be discussed at the first October meeting, and final Budget approval will be requested at the last meeting in October. The Authority’s Budget is required to be approved by November 1<sup>st</sup> each year.

A presentation was shared with the Board to review the 2022 Budget assumptions, including a review of key factors by fund, preliminary Budget summary, and next steps.

Ms. Gross reviewed the expected impact of the COVID-19 pandemic on the 2022 Budget. The primary impact relates to recovery of past-due receivables, which increased significantly since March 2020. The Authority's customer assistance program and other collections efforts are intended to address this issue, and these efforts will continue in 2022.

Ms. Gross also reviewed several key strategic priorities that are being considered for addition to the 2022 Budget, and these items are being drawn from the preliminary Strategic Plan project that is still under way. Staffing needs to implement these strategies will be considered as the 2022 Budget proposal is being developed. Chairman Nagle asked for an explanation of the items listed in the strategic initiatives related to "onboarding." Ms. Gross explained that the Authority does not currently have a standard process for introducing new employees to the Authority's team, processes, culture, and training programs. In addition, when an employee is promoted into a supervisory position, the Authority does not have a standard orientation for those situations. The goals related to "onboarding" are referring to standardizing these processes.

Ms. Gross also reviewed other organizational issues affecting the 2022 Budget including compensation increases and insurance costs. Chairman Nagle asked if the workers compensation increase shown in the presentation is related to the Authority's performance or other factors. Ed Klein said this increase is being applied to all employers within the pool that the Authority participated in for workers compensation. He noted that while the increase is 16 percent, the Authority also expected to receive some credit funding back from the pool for strong performance, which will offset this increase.

Mr. Klein then reviewed the key factors that will impact the Authority by fund. In the Internal Services area, the 2022 Budget will be organized by department to increase visibility and accountability for expense management by the department managers. Within the Suburban Water fund, a key factor that will affect the 2022 Budget is the increase in water usage and rates related to the purchase of water from the Allentown system. Chairman Nagle asked if the Authority has considered increasing the use of groundwater wells to reduce the impact of the Allentown water cost increase. Phil DePoe explained that the Authority must develop a water supply plan to evaluate well supply capacity, and this study will take place in 2022. Mr. Klein noted that the Suburban Water rates will increase more than expected as a result of the additional expenses. Ms. Gross noted that a water rate study will be completed in 2022 to evaluate the rate structure since several major items have changed since the last rate study was completed. Jeff Morgan commented that the water purchase cost increase was tied to the updated water purchase agreement with Allentown, which ensures that capital costs for the water filtration plant are shared equitably among all municipalities. Scott Bieber asked if the rate study will be done in-house. Ms. Gross explained that the study is done by Keystone Alliance Consulting.

Mr. Klein then reviewed the Suburban Wastewater fund and key factors expected to impact the 2022 Budget. He noted that the sewer signatory revenues are being calculated and draft rates will be presented to the Authority Board and the signatories in October.

For the City Division, Mr. Klein explained the revenue impacts associated with the 2020 lease agreement amendment, with the next phase of rates going into effect on January 1, 2022. The 2020 bond refinancing will affect the debt service expenses in 2022. He also explained that some costs were previously classified as capital expenses, which now need to be moved into the operating budget. This will impact the operating budget by \$610,000 in 2022.

The next steps include incorporating the strategic goals into the Budget, review of expenses in the Suburban Water and City Division funds, refine the borrowing requirements for Suburban Water

capital improvements, review Suburban Water rates, and review all capital improvements planned for 2022.

Mr. Klein showed the preliminary Budget figures in summary form, which are based on current assumptions as presented during the meeting. Scott Bieber asked what Suburban Water rates were included in the initial 2022 Budget results presented. Mr. Klein explained that he calculated the total revenue needed to cover the projected expenses, and this additional revenue equated to a 13 percent increase. Chairman Nagle and Ted Lyons both commented that they would like to see an explanation of the variances shown between 2021 Budget and 2021 Forecast. Kevin Baker commented about the effect of volume increases, and that over time the system growth could result in lower overall cost.

### **Suburban Division – Miscellaneous Act 537 Plan Updates**

Phil DePoe gave a presentation regarding the regional Act 537 Sewage Facilities Plan, and the current work on the treatment alternatives analysis and financial planning tools.

Chairman Nagle asked for an explanation of the history of the regional plan and whether any prior regional sewage facilities plans have been completed. Mr. DePoe explained this would be the first regional Act 537 Plan for the Kline's Island Sewer System, and prior plans had been completed at the municipal level for each of the municipalities that use the system. He also noted that the last major upgrades to the regional system were completed in the 1970s and 1980s.

Mr. DePoe presented the two primary options to meet the future wastewater treatment capacity needs are: 1) continue to treat all wastewater at the Kline's Island Wastewater Treatment Plant in Allentown, which would need upgrades for dry-day and wet-weather flows; and 2) upgrade the Authority's Pretreatment Plant (PTP) in Fogelsville to a full treatment facility, which would require a Lehigh River discharge location and also dry-day and wet-weather upgrades. He explained that AECOM, Jacobs and Arcadis worked together since last year to study the PTP upgrade option with the goal of determining whether it is feasible and whether it should be retained as an option for the full alternatives analysis that will occur between 2021 and 2025 for the Act 537 planning process. The alternatives analysis covers regional sewer system needs from 2026 through 2050. The presentation reviewed the major assumptions and cost factors that were evaluated as part of this engineering study. The team also evaluated the Kline's Island option from a cost perspective to ensure the costs were being analyzed using comparable economic factors for inflation and construction considerations. The results showed the Kline's Island option would cost \$386 million to \$418 million. The PTP upgrade option would cost \$436 million. Mr. DePoe explained these figures include the conveyance system upgrades that are needed in addition to the treatment plant upgrades. The costs are based on current construction prices, which may come down in the future as current pricing is highly inflated.

Chairman Nagle asked if all the municipal collection system improvements to remove inflow and infiltration (I&I) had been factored into these costs. Mr. DePoe explained the study only included cost evaluations for the regional components of the system. I&I reduction programs and system rehabilitation would be factored into the analysis at a later date.

Jeff Morgan asked if there were other options for a new discharge location that would be less costly due to the distance from the PTP, such as the Jordan Creek. Liesel Gross said the Jordan Creek discharge location was studied previously and ruled out due to stringent permit requirements that made this option cost prohibitive. Regarding the wet-weather improvements at the Kline's Island Wastewater Treatment Plant, Mr. Morgan asked if blending is still an option. Mr. DePoe explained

that the blending option was no longer being considered, but alternatives for wet-weather management at the plant are still under evaluation including the option of installing equalization tanks to hold back peak flows during wet-weather events.

Amir Famili asked if the cost escalations due to current economic conditions was factored into all of the options presented, and if any of the options were affected more by the current inflation of construction materials pricing. He also asked if operations and maintenance costs of each option were considered. Mr. DePoe explained that all options were analyzed based on current pricing for materials. Some components, such as pipe materials, are affected more by the current economic factors, so that was included in the cost estimates for the options that have more emphasis on conveyance system improvements. Operations and maintenance costs were not included in the current analysis but will be discussed and analyzed as the planning effort continues.

There was some additional discussion about the treatment alternatives and the benefits of the PTP upgrade option. The downstream conveyance system improvements would be significantly reduced if the PTP upgrade option is implemented, which may have environmental benefits. Mr. DePoe explained that due to these potential benefits, and because the cost difference between the options is not significant at this level of analysis, the PTP upgrade option would be included in the overall Act 537 Plan alternatives analysis that will be completed in the upcoming years. The next step in this evaluation is to consider major factors such as construction challenges, permitting, community drivers, environmental impact, sequencing, and the existing intermunicipal agreement structure.

Jeff Morgan left the meeting at 1:41 p.m.

Solicitor Mike Gaul asked if the alternatives evaluation included a review of land acquisition required for the projects. Mr. DePoe said land acquisition would be a major factor for either of the two treatment alternatives included in the study. The costs are included in the estimates, but the need to acquire significant easements would be evaluated further and will put pressure on the construction schedule for either option.

Scott Bieber left the meeting at 1:45 p.m.

Mr. DePoe presented an update on the Revenue Planning Tool, which was authorized by the Board in December 2020. The Revenue Planning Tool was developed in collaboration with AECOM to capture the financial obligations currently structured within the intermunicipal sewer agreements, so that the municipalities and the Authority can better understand the impact of the alternatives that are being considered within the Act 537 Planning process. The intermunicipal agreements are complex, and it is difficult to model financial impacts over time when there are multiple projects that would be phased in over many years. The tool is spreadsheet based in Microsoft Excel so staff will be able to use it to analyze a variety of scenarios. The tool allows up to 10 projects to be included in a single scenario, with each of the individual projects phased in over time.

Mr. DePoe displayed some examples of the inputs that could be entered into the Revenue Planning Tool, including project details by year, operations and maintenance costs, and capital costs with contingencies. The outputs of the financial model include cash flow impacts by municipality and by Authority fund, and net present value.

Some Board discussion followed regarding the use of the Revenue Planning Tool to analyze the treatment alternatives discussed previously. Mr. DePoe explained that Authority staff would be conducting extensive testing of the Revenue Planning Tool and the PTP upgrade option discussed previously could be used as a test case to learn how to use the model.

Chairman Nagle commented that the intermunicipal agreements are very complex and that the Revenue Planning Tool might help the Authority and the municipalities determine how to simplify the agreements. Liesel Gross explained that a review of the intermunicipal agreements is also part of the Act 547 Planning process, and the Pa. Department of Environmental Protection is looking for regional approaches to be considered. This will require the intermunicipal agreements to be reviewed and possibly revised. The Revenue Planning Tool is currently structured to evaluate financial impacts using the structure of the existing agreements. If the intermunicipal agreements are revised, the tool would need to be modified to analyze the new terms of the agreements at that time.

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

Liesel Gross reviewed the September 2021 project update report that was sent out with the Board packet and highlighted key action and discussion items that will be on the agenda for upcoming meetings. She noted that the Strategic Planning work is moving forward and will be presented in October or November. Small group meetings are being scheduled with Board members over the next week to review progress to date. Board members who have not yet responded to the schedule request for these meetings should get back to Ms. Gross as soon as possible.

#### **STAFF COMMENTS**

Liesel Gross noted that the Strategic Plan item was already covered in the prior item and there were no further staff comments.

#### **SOLICITOR'S COMMENTS**

None.

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

None.

#### **EXECUTIVE SESSION**

None.

#### **ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 2:00 p.m.

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Richard Bohner  
Secretary