

## **REGULAR MEETING MINUTES**

### **October 11, 2021**

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The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:01 p.m. on Monday, October 11, 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, Richard Bohner, Norma Cusick, Linda Rosenfeld, Jeff Morgan, and Amir Famili were present for the duration of the meeting. Scott Bieber joined the meeting after it began and was 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, Todd Marion, and Jennifer Montero.

Chairman Nagle announced that the Authority had a new audio system installed and stated that if anyone has any difficulty hearing the meeting, they should let it be known. He also 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 and no Executive Session is planned.

#### **APPROVAL OF MINUTES**

##### **September 27, 2021 Meeting Minutes**

On a motion by Richard Bohner, seconded by Amir Famili, the Board approved the minutes of the September 27, 2021 Board meeting (6-0).

#### **PUBLIC COMMENTS**

None.

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

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

Liesel Gross noted that today's review of the 2022 Preliminary Budget will include the 2022 Budget summary, a review of the proposed staff additions related to the strategic initiatives, a review of any changes by fund from the preliminary budget previously presented at the September 27 Board meeting, and a detailed discussion regarding Suburban water rates.

Ed Klein reviewed the 2022 Budget summary of revenues, expenses, capital expenses and key benchmarks including debt service coverage ratio and the number of days of operating cash on hand.

Ms. Gross reviewed the current status of the strategic planning effort, noting that critical feedback was received from the Board, staff, and stakeholders regarding the Authority's priorities. Key priorities identified include continuous improvement, employee development and training, infrastructure and asset management, process standardization, and leadership development within the water industry and in the region. The next steps in the strategic planning process are to finalize the implementation approach and develop meaningful metrics. There will be more Board discussion for approval of the plan in November or December. She also reviewed staffing requirements for the strategic initiatives highlighting key activities and benefits for each of the three proposed new positions, which cover the areas of employee development, process improvement, and asset management. The positions are not finalized in terms of job scope, salary, or educational qualifications but these items will be developed prior to filling these positions.

Amir Famili asked about the reporting structure for the asset management position, and other details about this position. Ms. Gross stated these questions can be answered after the job description, qualifications, and reporting structure are developed, which will be completed prior to filling the position.

Mr. Famili also asked about the process improvement position, inquiring what improvements are needed and whether the cost of the position will be covered through cost savings generated by the process improvement. Chairman Nagle commented that the Authority should be evaluating whether the organization structure needs to change so that it can be more effective, efficient, and streamlined. He noted that some process improvement savings and efficiencies can be difficult to quantify. Amir Famili commented that if the Authority streamlines these processes, there should be cost savings, but the Authority may not have a culture of measuring these results. He asked if it makes sense to take some of the budgeted salary from these positions and hire a consultant to look at operational tasks to understand where the savings are.

Jeff Morgan asked how we are paying for the additional positions. Liesel Gross explained that the three positions are included in the 2022 Budget as presented to the Board and are covered by the rate structures proposed in the 2022 Budget. If the position would not be filled, it would be a positive variance for personnel expenses, but it would be difficult to move forward on the Authority's strategic priorities without the positions being added. Ed Klein commented that since he has been in this position, there have been a lot of things identified that would help improve the organization and these positions will be helpful in addressing these areas. Amir Famili noted that he would like to know more about the top three or four process improvement opportunities, and what savings will be generated by those items. Ms. Gross said the analysis can be done.

Chairman Nagle commented that the Board approves the budget that includes the staffing requests, but the Board does not get to see who gets hired for these positions or the return on investment. Mr. Nagle would like to review the organizational structure to be sure the Authority has the right people in the right structure for the organization. He noted this has not been done for quite some time. Liesel Gross explained the organization structure is reviewed regularly by the staff, and adjustments made on an as-needed basis to address the needs of the organization.

Ed Klein reviewed the Suburban Water funds noting there are no changes from the prior presentation of the preliminary budget to the Board. He explained the 2022 Budget is structured around a 24 percent revenue increase that is required to cover all operating costs, debt service, and a portion of the capital improvements planned for 2022.

Liesel Gross explained that one of the drivers for the need for additional revenue in the Suburban Water division is the increase in the water purchase cost of \$754,000 from Allentown in 2022. This

increase is due to the increase in the purchase of water as well as the resumption of pay-go capital improvements at the Water Filtration Plant.

Ms. Gross explained another key driver for the cost increase is the inclusion of \$2.4 million in capital improvements into the rate structure, noting that the Board should discuss its preferred strategy regarding funding for capital improvements. The capital improvements are expected to continue annually for repair and replacement of aging infrastructure for the foreseeable future, and the Board should determine whether funding for those projects should come from the rates or through additional borrowing.

Regarding the Suburban Water rates, Ms. Gross reviewed two options. Option 1 would include the full 24 percent rate impact into the 2022 Budget, which will result in lower increases in the future. Option 2 would include a phased-in approach of rates, which will result in the need to borrow more over the next five years to cover these capital improvements. Ed Klein reviewed a 10-year cash-flow forecast for each of the options. Ms. Gross summarized the options, explaining that the phased-in approach will cost the Authority and its customers more over time, but may be preferable to some customers who will find the phased-in rate increases easier to manage.

Ms. Gross then reviewed the proposed rate structures for both options. Under Option 1, the average residential customer would see an increase of approximately \$18.75 per quarter or \$75 per year. For Option 2, the average residential customer would see an increase of approximately \$5.40 per quarter or \$22 per year. The impact to large commercial and industrial customers varies depending on usage. The Authority's large industrial customers have been notified of the increase. Ms. Gross noted that feedback from these large customers is that a phased-in approach to the rates would be preferred. She noted that the long-term impact of doing a larger increase in 2022 is that the rates will stabilize sooner due to lowering the need for borrowing.

Ms. Gross asked the Board to provide direction on the Suburban Water rate options, so the 2022 Budget can be finalized. Chairman Nagle asked if the increase could be split in half for 2022 and what impact that would have on borrowing. Ed Klein explained it would extend the borrowing period and the long-term rate impact would be higher because of the additional borrowing. Amir Famili asked what percent comes from the large users vs. small residential users. Ms. Gross noted the page in the 2022 Budget proposal document where that information is displayed. Jeff Morgan commented that if the Authority is making capital improvements that will last 50 years, is it appropriate to make the current customers pay the cost upfront. If the Authority were to borrow for the projects, then customers would pay more gradually over the life of the bonds. Liesel Gross responded that because of the recurring nature of the capital improvements to repair and replace aging infrastructure, the costs will be repeated annually for the foreseeable future. As a result, all current and future customers will be paying toward the improvements.

There was some additional Board discussion, followed by general consensus that the Option 1 rates should be used to finalize the 2022 Budget.

Mr. Klein then reviewed the Suburban Wastewater and City Division funds and key factors expected to impact the 2022 Budget. He noted minor changes from the preliminary budget that was previously presented to the Board.

Liesel Gross said the next steps will include further communication with the Suburban Water industrial customers, City review of the Allentown Division rates, and publication of the 2022 proposed rates to the Authority's website. Staff will ask the Board for approval of the 2022 Budget at the October 25 meeting, and rate approvals will be sought in November.

**WLI – User Charge Report**

Jennifer Montero, the Authority's Contracts Administrator, provided a report of the proposed 2022 user rates for the Western Lehigh Interceptor and Little Lehigh Relief Interceptor, Phases 1 and 2. The rates are combined revenue that encompass approximately 75 percent of the wastewater fund and accomplishes two things: 1) O&M cost coverage for the Western Lehigh Interceptor and Little Lehigh Relief Interceptor Phase 1 and 2 budgets, and 2) builds reserves for future capital improvements. This year, funds have been earmarked for the Trexlertown Interceptor solution, Western Lehigh Interceptor fund, and the Park Pump Station Force Main rehabilitation. The report is prepared for municipal signatories, so they have a basis for developing their municipal budgets. Ms. Montero reported that she has not received any comments from the Suburban signatories. This year's rates are increasing 2 percent to the average residential user in the Suburban signatories.

Liesel Gross clarified that the Authority does not bill the sewer customers directly, and so the municipalities will decide how to pass the costs on through their own rate structures. Chairman Nagle commented that an annual true-up is completed after actual costs are calculated and asked when this true-up process occurs. Ms. Montero said the true-up will occur in the third quarter billing.

On a motion by Amir Famili, seconded by Scott Bieber, the Board approved the 2022 WLI, LLRI-Phase 1 and Phase 2 User Rate charges (7-0).

Chairman Nagle thanked Jennifer Montero for presenting the User Charge Report.

**MONTHLY PROJECT UPDATES / INFORMATION ITEMS**

Liesel Gross noted that at the next meeting on October 25<sup>th</sup>, Staff will ask for approval of the 2022 Budget. At a November meeting, Staff will provide the 2020 audited financial statements, pending numbers from the Pennsylvania Municipal Retirement System (PMRS). Also, there will be additional discussion of the Strategic Plan either at the next Board meeting or the first meeting in November.

**STAFF COMMENTS**

None.

**SOLICITOR'S COMMENTS**

Solicitor Mike Gaul commented on the amazing amount of work that goes into the Budget.

**PUBLIC COMMENTS / OTHER COMMENTS**

None.

**EXECUTIVE SESSION**

None.

**ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 2:08 p.m.

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Richard Bohner  
Secretary