

## **REGULAR MEETING MINUTES**

### **September 27, 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, September 27, 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, Richard Bohner, Norma Cusick, Ted Lyons, Linda Rosenfeld, Jeff Morgan, and Amir Famili were present for the duration of the meeting. Kevin Baker 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 Jason Peters.

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**

##### **September 13, 2021 Meeting Minutes**

Richard Bohner noted a correction to the minutes regarding the approval of the August 23, 2021 meeting minutes. The September 13, 2021 meeting minutes should be corrected to state that the August 23, 2021 meeting minutes were approved by a vote of 6-0, not 7-0. On a motion by Richard Bohner, seconded by Linda Rosenfeld, the Board approved the minutes of the September 13, 2021 Board meeting as corrected (8-0).

#### **PUBLIC COMMENTS**

None.

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

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

Liesel Gross noted that the preliminary 2022 Budget book has been distributed at today's meeting emailed to all Board members, posted on the Authority website, and will be mailed to Board members attending today's meeting virtually. She noted the deadline for budget adoption is the end of October.

A presentation was shared with the Board to review the 2022 Budget assumptions, including a review of fund financials, and next steps.

Ms. Gross highlighted budget assumptions that had been reviewed previously, including the COVID-19 impact and the draft Strategic Plan goals. She reviewed the proposed staffing changes, including three new positions to support the strategic plan goals: 1) an Employee Development Coordinator to assist with employee training, development and engagement activities; 2) a Process Improvement Coordinator to assist with process improvement goals; and 3) an Asset Management Coordinator to support the development of an asset management program for the Authority. Amir Famili commented that, if costs are being added for process improvement, the Authority should have cost savings to justify the addition of the position. Chairman Nagle commented that some improvements will provide intangible benefits, but the Board would like to have an explanation of how these staff additions will affect efficiency and improve organizational performance. Ms. Gross said this will be developed for discussion at the next meeting. Jeff Morgan asked if the process improvement and asset management work could be completed by a consultant, rather than hiring new employees permanently. Ms. Gross said that these are proposed as long-term internal staff positions to develop and implement the programs. A consultant may be helpful to assess the Authority's needs and provide structure to process improvement or asset management, but staffing is required to implement and manage the programs over time. She noted that on the process improvement side, a staff assessment has been completed and a listing of more than 100 process improvement opportunities has been generated. Amir Famili asked if anyone in the organization has six sigma training and certification. Ms. Gross said that Chris Moughan does, and there are other individuals in the organization as well. Mr. Moughan explained his background and commented that there are other internal employees who could support process improvement.

Ted Lyons stated that it would be helpful to have an example of what activities these positions will be responsible for completing. Ms. Gross explained that the Employee Development Coordinator would work on employee relations with the union and develop training programs for supervisors, including supervisor "onboarding", training on policies, and working on developing the technical training requirements for specific positions. The Process Improvement Coordinator would work with Chris Moughan on the list of opportunities already identified for process improvement and work with teams across the organization on projects to improve efficiencies and eliminate manual processes. The Asset Management Coordinator would work across the organization as well, connecting technology groups with capital works, planning, and operations to develop a standardized asset management approach for the organization.

Ed Klein then reviewed the key factors that will impact the Authority's 2022 Budget by fund. In the Internal Services area, there is an increase due to rising insurance costs, upgrades to the computer software, and some miscellaneous costs. There was some discussion about how personnel costs, including benefits, are captured within the Internal Services budget versus other operating budgets. Chairman Nagle asked if the increase in property and liability insurance costs was due to the main breaks experienced by the Authority. Mr. Klein said these increases are affecting the entire industry and are not specific to the Authority's performance.

Mr. Klein reviewed the Suburban Water fund, including the increase in water usage and rates related to the purchase of water from the Allentown system. Chuck Volk highlighted the large capital improvements included in the preliminary 2022 Budget for Suburban Water. Mr. Klein explained that a 24 percent increase in revenue is required to cover the expenses. Liesel Goss reviewed the five-year growth history showing 1 to 3 percent growth is expected, which will offset the rate increase somewhat. She explained that the revenue projection includes an additional \$2.4 million in pay-as-you-go capital improvements, and the Board should discuss its preferred strategy regarding funding for capital improvements. She noted a more detailed rate proposal would be presented at the next Board meeting.

Amir Famili said he is concerned with how the Authority is managing these costs because a rate increase of more than 20 percent is a lot of money for some people. Amir Famili asked if there would be an increase to large industrial customers, or if some large customers have contracts that limit the rate increases they will pay. Ms. Gross explained that all water customers pay the same rate according to the rate schedule, and no customers have special contracts related to water rates. Ted Lyons commented that it would be helpful to have a simple way of explaining why the increase is necessary and what benefits customers will receive as a result of paying more. Amir Famili said it would be helpful to see the projections of rates for the Suburban Water fund so the Board can see when rate increases will stabilize.

Mr. Klein then reviewed the Suburban Wastewater fund and key factors expected to impact the 2022 Budget. Ted Lyons commented that depreciation could be included in the rate calculation to help the Authority pay for capital improvements on an ongoing basis. Ms. Gross said the Suburban Wastewater revenues are almost exclusively derived from municipal signatory rates, which are controlled by intermunicipal contracts that do not allow depreciation to be included. Jeff Morgan noted the healthy project reserves in the Suburban Wastewater fund and asked if the Authority could lend money from the Suburban Wastewater fund to the Suburban Water fund to lower the borrowing cost for capital improvements. Mr. Klein explained the restrictions within the various bond indentures that prohibit this type of inter-fund borrowing. Chuck Volk highlighted the large capital improvement projects included in the preliminary 2022 Budget for the Suburban Wastewater fund. Amir Famili asked if there are current capital improvements that could be completed at the pretreatment plant now to reduce future costs associated with long-term capacity plans. Mr. Volk said that the cryogenic plant is aging and there are options being discussed to replace the system, which will reduce future costs. Jeff Morgan asked if the hauled waste offsets some the costs and where this is shown in the budget. Ms. Gross stated page 20 in the budget document breaks out the revenue sources. The pretreatment plant budget includes \$2.8 million in revenue derived from waste haulers.

For the City Division fund, Mr. Klein reviewed key factors affecting the preliminary 2022 Budget, including the additional revenues associated with the Lease Agreement amendment that was approved last year. He explained the cash flow outlook is positive for the City Division and all bond covenant requirements will be met. The City Division fund will receive additional revenue from the Suburban Water fund as a result of the increased water purchase and rates discussed previously. He also explained some major maintenance expenses that were previously classified as capital expenses that are now required to be shown as operating expenses. Mr. Volk reviewed the highlights of the capital projects included in the preliminary 2022 Budget for the City Division.

Liesel Gross explained that at the next Board meeting, staff will present any major changes or refinements to the 2022 Budget proposal, and there will be a detailed review of the Suburban Water rate proposal. Jennifer Montero will be in attendance to present the Western Lehigh User Charge Report that goes to the signatories and is incorporated into the budget figures. Board approval of the 2022 Budget will be requested at the October 25, 2021 Board meeting.

#### **LCA Pension Plan – Mandatory Municipal Obligation**

Ed Klein presented the 2022 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's pension plan, which is required to be provided to the Board annually. He noted the Authority's pension plan is 97 percent funded. No action is required.

#### **Suburban Division – Heidelberg Heights 2021 and 2022 Sanitary Sewer Replacement Project – Construction Phase Authorization**

Chuck Volk introduced the project which is an annual sanitary sewer rehabilitation project required by DEP as part of the Heidelberg Heights Sanitary Sewer System Consent Order and Agreement to replace old leaking pipes. Phase 4 of the project was bid with an expansion in scope to include Phase 5 in an attempt to gain economy of scale. Phase 4 consists of approximately 700 feet of 8-inch vitrified clay pipe (VCP) sewer main and 20 residential sewer laterals. Phase 5 of the project consists of replacement of approximately 820 feet of 8-inch VCP sewer main and 12 residential sewer laterals. Existing manhole structures are to be re-used with new frames, covers and watertight manhole chimney wrap. The replacement of all VCP in the system will be approximately 85% complete after Phase 5.

Ted Lyons commented about the bid cost differences that were received. Chuck Volk said he feels the wide disparity in bid pricing is an indication that the contractors are uncertain about materials, pricing, inflation, and delivery times. Scott Bieber asked if the Authority has checked the references for the lowest bidder, Barrasso Excavation, Inc. Mr. Volk said references were checked and found to be satisfactory. Amir Famili asked if there is a provision in the contract to account for the increasing cost of materials. Mr. Volk said this is not included in the contract.

Mr. Volk explained that there is one additional phase left in the sewer pipeline replacement project. He noted that the wastewater treatment plant is operating well but bypasses continue because of the high flows during wet weather or high groundwater conditions. As most of the Authority's portion of the system has been replaced or will soon be replaced, the remaining issues will have to be addressed on the private side including correcting broken sewer laterals and eliminating unauthorized connections like sump pumps. Chairman Nagle asked if the Authority has performed any smoke testing. Mr. Volk said smoke testing and other private-side inspection work will begin next year.

On a motion by Scott Bieber, seconded by Richard Bohner, the Board approved the Capital Project Authorization for the Construction Phase in the amount of \$558,630.00 which includes the Construction Contract Award for General Construction to Barrasso Excavation, Inc. in the amount of \$498,630.00 and the Professional Services Authorization for the Construction Inspection to Keystone Consulting Engineers in the amount of \$27,500.00 (9-0).

### **MONTHLY FINANCIAL REVIEW**

Ed Klein reviewed the August 2021 financial statement presentation, highlighting the variances between actual expenses and budgeted or forecasted expenses.

Scott Bieber left the meeting at 1:47 p.m.

Kevin Baker noted that capital expenses seem to be running lower than the forecast. He asked if this means projects are running behind schedule or are project costs coming in lower than expected. Chuck Volk said the variance is due primarily to timing issues and the long lead time for materials, equipment and supplies. The delivery times have increased over the past year due to supply chain issues.

### **MONTHLY SYSTEMS OPERATIONS OVERVIEW**

John Parsons reviewed the August 2021 Monthly Systems Overview report, highlighting items of interest on the report. He reviewed the Notice of Violation (NOV) that was issued by DEP for the Wynnewood Terrace Wastewater Treatment Plant due to permit violations that had occurred over

the prior several years. He explained the violations were historical and have been addressed with the replacement of the plant. The new plant went online in October 2020.

Mr. Parsons reviewed the condition assessment report for a section of 36-inch and 30-inch ductile iron pipe located within the City of Allentown. The report was prepared by Pure Technologies and presented six recommendations for moving forward with additional assessments of the pipe condition. He noted that 328 segments of pipe were analyzed and seven pipe segments were noted to have changed in pipe wall thickness that warrants additional investigation. Many of these affected pipe segments are located in close proximity to one another. Pure Technologies provided a set of recommendations for further investigation, which Mr. Parsons reviewed.

Amir Famili asked about the corrosion that was discovered and if there is information regarding why this corrosion has occurred in the specific locations noted in the report. Chairman Nagle asked if this kind of condition assessment should be conducted in other sections of the City water system. Mr. Parsons said that these questions can be answered following the Authority's additional investigation and following the recommendations provided in the report. Richard Bohner asked if new pipe is inspected after it is purchased and prior to being installed in the system. Chuck Volk said a full-time inspector is on site for all main replacement projects, and every pipe is pressure tested prior to being placed in service. The Board suggested having Pure Technologies or Gannet Fleming attend a Board meeting in the future if additional information on this topic is to be presented.

#### **STAFF COMMENTS**

Liesel Gross noted that the County of Lehigh has asked the Authority to host a ballot box in the lobby from October 18<sup>th</sup> through November 2<sup>nd</sup>.

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

None.

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

None.

#### **EXECUTIVE SESSION**

None.

#### **ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 2:16 p.m.

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Richard Bohner  
Secretary