

## **REGULAR MEETING MINUTES**

### **October 24, 2022**

*Notice of Preparation of Authority Meeting Minutes: Authority staff who are in attendance at each Authority Board meeting prepare a draft of the Minutes, which are subsequently distributed to all Board members for review. Board members may offer corrections prior to a vote of the full Board of Directors to approve the Minutes.*

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, October 24, 2022, 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. Brian Nagle, Scott Bieber, Richard Bohner, Norma Cusick, Ted Lyons, Linda Rosenfeld, and Jeff Morgan were present for the duration of the meeting.

Solicitor Michael Gaul of KingSpry was present along with Authority Staff, Liesel Gross, Ed Klein, Chris Moughan, Chuck Volk, Andrew Moore, Phil DePoe, Susan Sampson, Albert Capuzzi, and Lisa Miller.

Chairman Nagle announced that the Board received their electronic and hard copies 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.

Liesel Gross introduced Albert "AJ" Capuzzi, the Authority's new Director of Engineering & Asset Management. Mr. Capuzzi gave a brief overview of his background in engineering and consulting, and asset management in the water and wastewater industry.

### **REVIEW OF AGENDA**

Liesel Gross announced that there are no changes or additions to the agenda and noted that the September 2022 Financial report was distributed and posted to the website after the Board packet mailing. No Executive Session is planned.

### **APPROVAL OF MINUTES**

#### **October 10, 2022 Meeting Minutes**

Richard Bohner noted a grammatical error. On a motion by Scott Bieber, seconded by Ted Lyons, the Board approved the minutes of the October 10, 2022, Board meeting as amended (7-0).

### **PUBLIC COMMENTS**

None.

#### **Suburban Water Rate Study – Preliminary Review**

Liesel Gross commented that rate studies for the Suburban Water Division are normally conducted every five years, and the last rate study was completed in 2017, with updates in 2018. Since the last rate study, the cost structure for the Suburban Water System changed significantly due to the increased cost for water purchases from the City of Allentown via the amended water purchase agreement, along with changes in how the Authority pays for recurring system improvements to reduce reliance on borrowing for those projects. The purpose of the water rate study is to ensure the Authority adheres to a "cost of service" model for the Suburban Water system. Due to the wide

range of customer types including very small and very large water users, the Authority's rate study is intended to make sure the costs to operate the system flow through the rate structure appropriately to the customers who use the service.

Ms. Gross introduced David Busch from Keystone Alliance Consulting, who conducted the study and was present to give an overview of the results from the Suburban Water Rate Study. He stated that the goals of a rate study were to ensure the Authority's revenue requirements are met, achieve equity among the different customer classes based on their water usage, and to develop a transition plan to the new rates. He reviewed the calculations completed to show the Authority's current and projected revenue requirements. The proposed water rates for the 2023-2027 study period are determined to generate adequate revenue to meet the current system cost projections, although the rates can be adjusted annually by the Authority as needed. Mr. Busch then reviewed the updated system cost projections with the additional revenue included from the recommended rate adjustments, illustrating that the Authority's revenue requirements will be met. He explained the impact of the rate change for 2023, noting that customers will see different impacts in their water bill depending on usage and meter size.

Liesel Gross explained that the next step is to communicate the rates with the Authority's customers and municipalities. Staff will present the proposed 2023 rates to the Board for adoption at the next meeting in November.

### **2023 Budget – Final Review and Approval**

Liesel Gross announced that today's presentation is the final one for the proposed 2023 Budget, and the Board will be asked to approve the budget. Ed Klein reviewed the budget preparation process and timeline. Changes to the 2023 Budget from the previous review include the addition of the Executive Summary and an increase in the Contract Operating Services budget for the Pretreatment Plant. This expense increase was added to the budget after the Authority received refined cost estimates provided by the contract operator, Jacobs. There was some discussion about this cost change, which will impact several other areas of the Pretreatment Plant budget including revenues and cash reserves. Liesel Gross noted that the 2023 Budget summary provided in the Executive Summary captures the result of these adjustments.

Ms. Gross reviewed the highlights of the 2023 Budget, summarizing the impact of the strategic initiatives and staff changes. She also reviewed the proposed customer rates for 2023 and a rate comparison among other communities in the Lehigh Valley. There was some Board discussion regarding the rate increases and how to compare the rates that Authority customers pay versus the water or sewer rates applied in other communities. Ms. Gross explained that other communities take different approaches to setting rates, and the rate comparison graph does not take into consideration differences in financial strategies of other communities such as the amount of outstanding debt the system holds or how much capital spending is included in the rates.

Ed Klein reviewed the 2023 Budget summary, noting the positive cash flows and achievement of the Authority's debt service coverage ratio goals.

On a motion by Linda Rosenfeld, seconded by Scott Bieber, the Board approved the 2023 Budget as presented (7-0).

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

### **LCA Strategic Plan – 2022 Quarterly Progress Reporting**

Liesel Gross reviewed the Authority's progress on the strategic initiatives during the third quarter of 2022, touching on key points included in the report that was provided to the Board as part of the agenda packet. She noted most of the updates provided in the report are well known to the Board as they are frequently discussed at Board meetings.

She expanded upon the information included in the Employee Engagement and Safety strategy area, as this is an area not often discussed with the Board. An all-employee meeting was held in September, during which feedback was solicited regarding levels of engagement and how to support newer employees. Strong feedback was received from employees expressing a desire for broader exposure across the organization to learn more about the Authority's services and facilities, and how the individual employee's work supports overall organizational strategy. Programs can be developed in-house to support this type of employee engagement enhancement. Regarding safety, Ms. Gross explained that an employee health and safety (EHS) steering committee would be formed during the fourth quarter to provide internal leadership to the Authority's safety program. The EHS steering committee will be led by Ed Klein. Mr. Klein commented that the goal of the committee will be to develop a safety program that benefits the entire organization and to focus on the development of accident investigation protocols and safety metrics that can be shared with the Board.

There was some Board discussion regarding employee engagement and employee vacancies.

### **Asset Management Roadmap & Strategic Asset Management Plan**

Liesel Gross introduced Mark Bottin from Hazen & Sawyer, the firm recommended for the development of the Authority's strategic asset management plan. Ms. Gross gave a brief presentation and background of the project to develop a comprehensive asset management program for the Authority's water and sewer system assets. The initial work covered under the authorization requested today includes developing an implementation roadmap and a strategic asset management plan. The goal of asset management is to increase the level of service provided to customers while lowering the overall risk and lifecycle cost. To achieve these goals, an integrated approach is needed. Considering the high volume of large capital improvement projects that are needed in the years ahead, and the rate impact the Authority's customers will face as a result, having a comprehensive asset management approach in place will be highly beneficial in supporting decisions that will have large financial impacts.

Ms. Gross reviewed the challenges the Authority has faced in developing a comprehensive asset management approach and explained that an internal team has been working since January to assess internal capacity for this project. The staff recommends using a consultant with strong industry experience in asset management to guide the development of the strategic asset management plan. This will fast-track the Authority's progress on this program, which is a key strategy outlined in the 2023-2027 Strategic Plan approved by the Board in December 2021.

There was some Board discussion about the use of asset management to drive decisions, and also to record financial information more accurately regarding asset values and remaining useful life.

Ms. Gross reviewed the consultant selection process, which included extensive team interviews to ensure the selected consultant would meet the technical requirements for the work and provide a strong cultural fit for the organization. She noted the broad cross-organizational employee involvement anticipated for this project, and the importance of communication and change management for the success of the project. The staff team agreed that Hazen & Sawyer's proposal and project team offered the best fit for the Authority's needs. If approved, the project will kick off in November with the roadmap completed by the summer of 2023 and a strategic asset management plan developed by December 2023.

Mark Bottin thanked the Authority for the vote of confidence in Hazen & Sawyer's abilities to assist with this program. He feels that there is a great team assembled, with a high level of collaboration and ability to leverage existing data systems to achieve the Authority's goals. Jeff Morgan commented that he has worked with Hazen & Sawyer on other projects, which have all been positive and successful.

AJ Capuzzi commented that the way the program is laid out is smart and will set the groundwork for the ongoing process of developing the Authority's asset management program.

Solicitor Gaul asked how this program will align with current proposed legislation related to asset management plans for water utilities. Liesel Gross explained some of the details of Senate Bill 597, which would require utilities to have an asset management plan and would require planning for specific assets such as large diameter valves. The Authority would likely be able to comply with this legislation, if passed, using its existing plans.

There was some additional Board discussion regarding the use of asset management software and the way data generated from this program would be used to support financial decisions in the future.

On a motion by Jeff Morgan, seconded by Linda Rosenfeld, the Board approved the Professional Services Authorization to Hazen & Swayer for the Asset Management Roadmap & Strategic Asset Management Plan in the amount of \$283,878.00 (7-0)

Jennifer McKenna, City of Allentown Office of Compliance, said that she and Brian Chamberlain are happy that the Authority is embarking on this project. She emphasized that taking care of the assets with regular preventative maintenance will extend the asset life, and that information should be captured as part of this project.

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

### **MONTHLY FINANCIAL REVIEW**

Ed Klein gave a presentation and review of the September 2022 financial statements highlighting the variances between actual expenses and budgeted or forecasted expenses.

**MONTHLY SYSTEM OPERATIONS OVERVIEW**

Andrew Moore reviewed the highlights of the September 2022 Operations report, noting that water usage is returning to more normal usage following the end of the warmer summer weather. He noted that, with the 3.47 inches of rainfall received in September and subsequent rain events in October, the Department of Environmental Protection has lifted the drought watch for Lehigh County. However, a substantial storm in September placed the Heidelberg wastewater system in bypass mode. One injury occurred where an employee cut his finger. There was an emergency repair at the Water Filtration Plant due to a leak that was found in close proximity to the filter building. There was also an emergency pump replacement in the Clearview Farms Division. A boil water advisory was avoided by maintaining pressure using hauled in water. Chris Moughan reported that the Smart Ball project in the City Division went well, with no issues and no service interruptions. He is waiting on the final report.

**STAFF COMMENTS**

None.

**SOLICITOR'S COMMENTS**

None.

**PUBLIC COMMENTS / OTHER COMMENTS**

None.

**BOARD MEMBER COMMENTS**

Scott Bieber asked about the map or sketch showing water main replacements to date in the City. Liesel Gross said that Chuck Volk is working on this and staff will provide the requested information to the Board when complete.

**EXECUTIVE SESSION**

None.

**ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 2:05 p.m.

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Richard Bohner  
Secretary