

## **REGULAR MEETING MINUTES**

### **October 9, 2023**

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:00 p.m. on Monday, October 9, 2023, 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, Ted Lyons, Linda Rosenfeld, Jeff Morgan, Sean Ziller, and Marc Grammes were present for Roll Call, and remained for the duration of the meeting.

Attorney Mike Gaul of KingSpry, the Authority’s Solicitor, was present along with Authority Staff, Liesel Gross, Ed Klein, Andrew Moore, Albert Capuzzi, Sue Sampson, Phil DePoe, Chuck Volk, and Lisa Miller.

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

#### **REVIEW OF AGENDA**

Liesel Gross noted that there are no additions to the agenda or Executive Sessions planned; however, the Sand Spring WWTP Treatment Process Modification item listed on the agenda will not be presented at today’s meeting.

Kevin Baker entered the meeting at 12:02 p.m.

#### **APPROVAL OF MINUTES**

##### **September 11, 2023 Meeting Minutes**

On a motion by Linda Rosenfeld, seconded by Sean Ziller, the Board approved the minutes of the September 11, 2023 meeting (7-0).

##### **September 18, 2023 Meeting Minutes**

Linda Rosenfeld noted a grammatical error. On a motion by Linda Rosenfeld, seconded by Sean Ziller, the Board approved the minutes of the September 18, 2023 meeting as corrected (7-0).

#### **PUBLIC COMMENTS**

None.

##### **2024-2028 Capital Plan**

Liesel Gross provided a presentation summarizing the 2024-2028 Capital Plan and recapped the planning process and public input process. Comments were received from the City of Allentown and the Lehigh Valley Planning Commission. The comments will not require any changes to the Plan. Chuck Volk reviewed the minor adjustments and refinements made to the project costs for 2024 since the Plan was presented to the Board in August. Ed Klein noted that these minor project cost adjustments did not impact the financial analysis. He reviewed the results of that analysis, which illustrates the need for rate increases and additional borrowing to complete all the listed projects in the Plan.

Ms. Gross provided a total Plan summary, noting \$261 million in project costs is a significant increase from prior Capital Plans. She reviewed the drivers for the cost increases, including the sewer wet-weather program and the regulatory-driven projects. The regulatory drivers are PFAS Treatment and Lead Service Line Replacement projects, and the Authority will be working to secure grant funding for these projects.

Norma Cusick entered the meeting at 12:13 p.m.

There was some discussion regarding the approach to replacing the lead service lines.

Ms. Gross explained the 2024-2028 Capital Plan does not include major projects that are being developed as part of the regional Act 537 Plan for the Kline's Island Sewer System. These projects will be incorporated into future capital plans after the program is more fully developed.

Ed Klein reviewed the funding sources for the Plan, stating that 50 percent will come from operating revenue and 50 percent from new borrowing and grants. He also reviewed rate projections for the next five years based on the Plan financial analysis.

On a motion by Sean Ziller, seconded by Jeff Morgan, the Board approved the 2024-2028 Capital Plan (8-0).

#### **2024 Budget: Preliminary Review**

Liesel Gross noted that today's presentation is focused on reviewing any changes from the prior presentation and the proposed 2024 rates. Approval of the Budget will be requested at the October 23<sup>rd</sup> Board meeting with rate adoption at the November 13<sup>th</sup> Board meeting. A printed copy of the proposed 2024 Budget was provided to all Board members and posted on the Authority's website along with the presentation from today's meeting.

Ed Klein reviewed the Budget summary including financial metrics and analysis of reserve balances. He then reviewed the changes to the Budget since it was presented at the September 18 meeting. In the Suburban Water Division budget, the revenue was lowered slightly and operating expenses adjusted downward due to refined calculations of the cost of water purchases. These changes resulted in improved cash flows for this fund.

Liesel Gross reviewed the proposed Suburban Water Division rates for 2024. She reviewed the primary results of the Water Rate Study that was completed in September 2022. Based on this study, the proposed 2024 water rates were developed including no change in the standard fixed charges or private fire service fees. The volume charge includes a proposed increase of 5 to 6 percent depending on usage. The public fire hydrant charges will increase 4 percent. The average residential customer will see a change in their water bill of approximately 3.9 percent, and industrial customers will see their water bill increase by up to 6 percent, depending on usage.

Mr. Klein then reviewed the Suburban Wastewater Division budget noting that there were some significant changes since the previous meeting. There is an increase in operating expenses due to higher treatment and transportation charges resulting from a refinement of the signatory rate model. Revenues were reduced by nearly \$2 million based on signatory rate model refinements as well. The capital budget was increased slightly to reflect additional work expected in 2024 on the regional Act 537 Plan. Borrowing has also increased. Ms. Gross explained that the Suburban Wastewater Division rates are determined by the signatory agreements and will be presented separately later in the meeting. The current Budget proposal shows no change in sewer rates to the Authority's direct customers, but these rates will be reviewed in 2024 to consider the increased capital needs of the Authority's small sewer systems.

For the City Division budget, Mr. Klein noted the revenue was increased following a review of the 2024 water and sewer rates. Other minor adjustments in expenses were made following staff review. Ms. Gross reviewed the process for updating the City Division water and sewer rates, which are calculated based on the formulas included in the Allentown Water & Sewer Lease Agreement. In 2024, the standard fixed charges will increase by inflation (CPI-U), plus 2.5 percent, plus a final step increase determined in the 2020 Lease amendment. The water volume and sewer flow charges will increase by inflation (CPI-U), plus 2.5 percent, totaling to a 4.7 percent increase. Other rates will increase based on updated information on completed capital improvements and updated expenses related to the Administrative Order. After reviewing all the individual rate components, Ms. Gross summarized the overall impact to the average residential customer, whose 2024 water and sewer bill will increase by approximately 11.6 percent.

Mr. Klein reviewed the capital spending included in the proposed 2024 Budget, noting that spending in 2024 is approximately \$51 million split between all three funds, which is in line with the 2024-2028 Capital Plan discussed earlier in the meeting.

He reviewed the next steps in the budget process, including review of the Suburban Division Wastewater User Charge Report. Presentation of the final 2024 Budget for approval will be made at the October 23<sup>rd</sup> meeting. The 2024 water and sewer rates will be presented for adoption at the first meeting in November. Rates will be published following today's meeting, allowing for public comments prior to adoption.

There was some discussion regarding capital spending and rate increases. Sean Ziller asked about the use of reserves and the appropriateness of the reserve balances. There was some discussion about the need for reserves for emergency situations and risks associated with reliance on large industrial user revenue. Marc Grammes noted that the County of Lehigh uses a financial model to show budget impacts based on different tax rate proposals, including options for no tax increases, and inquired if the Authority has a model like this to show budget alternatives. Mr. Klein explained that revenue requirements and rate increase recommendations are determined based on ensuring the Authority maintains strong performance on its financial metrics including debt service coverage ratios and days of cash on hand. These metrics are important for achieving high bond ratings.

Liesel Gross asked that any questions or comments from the Board about the proposed 2024 Budget be sent to her by the end of next week so the staff can consider any final changes to the Budget prior to seeking Board approval at the next meeting.

### **Western Lehigh Interceptor (WLI) User Charge Report**

Jennifer Montero, the Authority's Contracts Administrator, presented the 2024 Wastewater User Charge Report explaining the derivation of the various billing rates that are charged to the users of the Western Lehigh Interceptor, Little Lehigh Relief Interceptor Phase 1, and Little Lehigh Relief Interceptor Phase 2. The rate calculation reflects the actual 2024 capital spending being recovered in the calendar year through the rates. For 2024, the rate increases will have the impact of increasing charges to an average residential customer by 0.1 percent.

Ms. Montero commented that the rates shown in this report are charged to the municipalities. The municipalities then determine their own sewer rates to their customers, so the rate impact calculated in this report may be different depending on the actual municipal sewer rates applied to the customers. The municipalities received this User Charge Report in September, and no comments were received. She explained that the municipalities understand the rate increases because the subject is discussed at the regular monthly meetings that LCA staff and the municipalities' representatives hold.

On a motion by Ted Lyons, seconded by Linda Rosenfeld, the Board gave preliminary approval of the 2024 WLI, LLRI-Phase 1 and Phase 2 User Charges (8-0).

**Allentown Division – 30” & 36” East Side Transmission Main Repair Report**

Chuck Volk summarized the project that is based on the Smart Ball study that was performed on the East Side Transmission Main in Allentown to locate potential points of failure in this critical asset. Jason Peters described how the Smart Ball inspection works and how leaks are discovered. He noted that six leaks were identified at various locations on the transmission line as a result of the study. The project will address all six leaks due to the amount of water loss and the critical nature of this facility.

On a motion by Sean Ziller, seconded by Marc Grammes, the Board approved the Capital Project Authorization, Design Phase, for the East Side Transmission Main Repair project in the amount of \$104,300.00 which includes the Professional Services Authorization to Gannett Fleming in the amount of \$89,300.00 (8-0).

**MONTHLY PROJECT UPDATE REPORT**

Liesel Gross highlighted the items in the report that are listed for the next meeting in October and a few items that will be covered in November.

**STAFF COMMENTS**

None.

**SOLICITOR’S COMMENTS**

None.

**PUBLIC COMMENTS / OTHER COMMENTS**

None.

**BOARD MEMBER COMMENTS**

Sean Ziller commended the staff and their teams for their work on the Budget.

**EXECUTIVE SESSION**

None.

**ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 1:53 p.m.

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Linda A. Rosenfeld  
Secretary