

REGULAR MEETING MINUTES

January 13, 2025

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, January 13, 2025, Vice Chairman Amir Famili 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. Amir Famili, Ted Lyons, Jeff Morgan, Norma Cusick, Linda Rosenfeld, and Marc Grammes were present for Roll Call, and remained for the duration of the meeting. Kevin Baker entered the meeting at 12:05 p.m. and was present for the duration of the meeting. Sean Ziller entered the meeting at 12:50 p.m. and was present for the remainder of the meeting.

Attorney Kevin Reid, the Authority’s Solicitor, was present along with Authority Staff, Liesel Gross, Ed Klein, Andrew Moore, Chris Moughan, AJ Capuzzi, Chuck Volk, Phil DePoe, Susan Sampson, and Lisa Miller.

Vice Chairman Famili announced that the Board received their electronic and hard copies of the Board packet in advance. A copy of the packet is also available online.

REVIEW OF AGENDA

Liesel Gross announced that there are no changes to the agenda; however, the agenda was reformatted to add the Special Agenda Items for the Lead Service Line Replacement. Also, an Executive Session is planned after the regular meeting to discuss potential litigation.

APPROVAL OF MINUTES

December 9, 2024 Meeting Minutes

On a motion by Jeff Morgan, seconded by Linda Rosenfeld, the Board approved the minutes from the December 9, 2024 meeting as written (6-0).

PUBLIC COMMENTS

Liesel Gross introduced Shorav Kaushik from King Spry’s office who will be taking on some of the Authority’s projects. She also introduced Reni Keane-Dengel who started work as the Authority’s Lead Program and Compliance Manager in December. The Board welcomed Mr. Kaushik and Mr. Keane-Dengel to the meeting.

Rescinding Approval for Resolution 11-2024-2: Revised Borrowing Resolution, PENNVEST Financing

Liesel Gross explained the background of the planned Pennvest funding for the Lead Service Line Replacement Program, Cycle 1 project. The Authority applied for funding in 2023 and received a partial grant award in July 2023. The Authority planned to close on the funding on November 14, 2024, but closing was postponed indefinitely following notification from Pennvest of an obstacle within the Authority’s existing bond document. Pennvest’s stated concern related to the Allentown Water & Sewer Lease Bonds and associated Trust Indenture, which does not allow for adequate security for Pennvest to feel comfortable with the subordinate debt position of the funding offered to the Authority for this project.

After reviewing several options with Pennvest, it was determined that there would be no avenue available to resolve the issue in a timely manner. This resulted in an internal discussion to determine a different approach and how to reshape the scope of the project. As part of the alternative strategy, the Board needs to rescind its approval of Resolution 11-2024-2, which was approved in November 2024 and authorized the Authority to accept funding from Pennvest. By rescinding approval of Resolution 11-2024-2, the Authority would formally decline the funding from Pennvest for this project.

On a motion by Linda Rosenfeld, seconded by Jeff Morgan, the Board rescinded its prior approval of Resolution 11-2024-2 (7-0).

Allentown Water & Sewer Lease Bonds, Trust Indenture Amendment: Bondholder Consent Process Authorization

Ed Klein explained the bondholder consent process that would be required to amend the Trust Indenture for the Allentown Water & Sewer Lease Bonds. An amendment to the Trust Indenture is required to make the language more favorable to subordinate lienholders. In particular, Pennvest requires this change in order for the Authority to receive grant or low-interest loan funding through the Pennvest program. Mr. Klein explained the lengthy process that may take six months or longer, to identify the bondholders and receive consent from a majority – 51 percent – of the bondholders for the change in the Trust Indenture. He noted that a special consultant will be required to complete this work. He has spoken with some qualified firms and selected one that will begin the process for a nominal fee of \$4,000 to begin identifying the bondholders. Future costs will be determined after the bondholders have been identified.

Tim Horstmann, the Authority's bond counsel from McNees, Wallace & Nurick, was present for the meeting and clarified what language changes would satisfy Pennvest. He will be working directly with Pennvest to ensure their objections are addressed in the amendment.

There was further Board discussion regarding the bondholder consent process and what would motivate a bondholder to approve of the language change in the Trust Indenture. Liesel Gross commented that the primary driver for the language change is to ensure the Authority is eligible to receive grants and low-interest loans from programs like Pennvest, which will have a beneficial impact for the system and customers, as well as the Authority's overall financial performance.

Ed Klien said he will keep the Board updated on the bondholder consent process as it progresses.

Lead Service Line Replacement Program, Cycle 1 – Capital Project Authorization Amendment – Construction Phase

Liesel Gross provided background on the new regulations driving the Lead Service Line (LSL) Replacement Program and the specific challenges with the Cycle 1 project related to the loss of Pennvest grant funding, as discussed in detail in prior agenda items during this meeting. She reviewed the project alternatives that were evaluated by the Authority staff, and emphasized the importance of completing the project, which was intended to serve as a pilot project to develop the procedures and documents that will be used for the remainder of the program over the next 13 years. She also noted that 44 customers have already signed Right-of-Entry agreements, and it is important for the Authority to follow-up with those customers to complete the lead service line replacements for them in a timely manner. As a result of the internal staff evaluations, Ms. Gross recommended a change in project scope that would result in a lower project cost while still achieving the goals of a pilot project. With a narrower project scope and lower cost, the Authority will self-fund the project and minimize the financial impact of losing the Pennvest grant.

Chris Moughan reviewed the three major components to the revised project scope: Self-Performed LSL Identification & Public Service Line Replacements, Plumbing Contractor Performed Private Service Line Replacements, and Post-Construction Paving. The Authority's Field Services department staff are prepared to remove the targeted 100 public-side lead lines in the project area. In 2024, the team replaced 168 public-side lead lines in emergency situations, and the Authority has the equipment and expertise to perform the work. A plumbing contractor will be required to complete the private-side lead line replacements.

Ted Lyons asked for a description of the service line replacement process, with more detailed description of the technical process and the differentiation between the public and private facilities. Liesel Gross provided a diagram of the service line configuration and explained the requirements of the program. Chris Moughan reviewed the technical components of the service line replacement process. There was additional discussion regarding the excavating process. Ms. Gross explained that the technical aspects of the project are well understood and historically completed by Authority staff or qualified contractors for other projects. However, the main driver for this project is to develop all the remaining processes, documentation, and data tracking systems that will support the program moving forward. The projects are heavily focused on individual customer interactions to gain entry to complete the replacements and identify where the lead service lines are that need to be replaced.

Based on the scaled-down project scope and approach, the Authority will achieve the goals of the pilot project while eliminating approximately \$2.3 million in project costs. There was further discussion regarding funding. Ms. Gross reviewed the Board actions requested, including termination of the general construction contract due to the change in project scope and funding.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the Capital Project Authorization Amendment: Lead Service Line Replacement Program, Cycle 1, Construction Phase in the amount of \$1,756,514.00 (8-0).

On a motion by Norma Cusick, seconded by Marc Grammes, the Board approved termination in full of the General Construction Contract with Pact One LLC in the amount of \$2,376,445.00 effective immediately and in a manner consistent with the contract, further authorizing the CEO and CFO to take any actions associated with this contract termination (8-0).

Regional Sewer Capacity & Wet-Weather Planning – Regional Act 537 Plan Preparation

Liesel Gross provided background of the project and reviewed a presentation showing updates and next steps. She noted that some of the challenges are with the complex relationships related to the ownership of the systems and the old inter-municipal agreements that are not structured to address the challenges the system faces today. The Kline's Island Sewer System (KISS) faces significant challenges related to aging infrastructure, leaking pipes and manholes, and undersized interceptors. These problems result in sanitary sewer overflows during peak wet-weather events, and regulatory oversight of new connections to the system is in place until a solution is in place. She reviewed the status of the evaluation of alternatives for the Industrial Pretreatment Plant, which requires full-scale replacement, noting that a solution has been developed to design a smaller plant for specific current industries.

Phil DePoe reviewed the specifics of the project including a brief history of the engineering work that has been completed since 2021. After reviewing the options, the KISS municipalities have agreed on an approach to expand the existing infrastructure at the Kline's Island Wastewater Treatment Plant to handle the wet-weather flows, expand the interceptors to remove bottlenecks, address pretreatment needs with industries directly, and reduce the inflow and infiltration. However, in discussion with the Pa. Department of Environmental Protection (DEP), it was determined that the actual Act 537 Plan submission will focus on the projects to be completed in the next five years.

Liesel Gross explained the cost summary for the full scope of projects expected in the next 10 years, and how that compares to the five-year plan to be submitted to DEP. She reviewed the timeline and sequence of actions that will be required to formally present the KISS Act 537 Plan to the municipalities and the public, with the goal of receiving municipal approvals by the end of August 2025. The six-month review and approval process is scheduled to begin in March. She explained that while the plan documents are being finalized, the primary remaining challenge is to develop the proposed terms of a new intermunicipal agreement. A draft "term sheet" has been prepared to provide details of the proposed new cost-sharing methodology for future operations and capital costs, and other updated agreement terms. The term sheet is currently under review by the municipalities.

Sean Ziller commented on the duration of the program, noting that staff turnover and consultant turnover will occur over the course of a lengthy program like this. He expressed interest in understanding the Authority's approach to managing knowledge sharing and succession planning to ensure the continuity of the program over time. Liesel Gross explained the mix of internal and external resources in place today, and general plans to add resources that will help expand the Authority's internal capacity to manage the program.

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross reviewed the January report and noted the items for the January 27 meeting. Review of the December 2024 Financial report will be moved to the February 10 agenda to allow the accounting department to complete various year-end processes. She also noted that the Main Parking Lot expansion is currently underway and is expected to be completed in April.

STAFF COMMENTS

Liesel Gross reported that the Omnibus Resolution has been updated and reviewed by the Governance Committee and will be brought before the Board at the next meeting.

Ms. Gross also reported that the Emmaus Interconnection project that was discussed at the December meeting has been removed from the project listing. She noted that after staff review, it was determined the project did not present a cost-effective or timely approach for addressing PFAS in the water supplied by the Borough of Emmaus. The Authority will pursue purchase of water filter pitchers for customers who request them in the interim period while the Borough is completing their treatment upgrade project.

Ms. Gross also reported that Upper Macungie Township has approved a contract with the Authority to maintain six of the Township's sewer pump stations. This was discussed conceptually by the Authority Board during the 2025 Budget discussions as a potential opportunity for expansion of the Authority's services to the municipalities. The agreement with the Township will be brought before the Board for approval at the next meeting.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

BOARD MEMBER COMMENTS

None.

EXECUTIVE SESSION

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 1:41 p.m.

Jeffrey J. Morgan
Secretary