

REGULAR MEETING MINUTES

September 22, 2025

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:00 p.m. on Monday, September 22, 2025, 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, Jeff Morgan, Sean Ziller, and Peter Dent were present for Roll Call and remained for the duration of the meeting. Kevin Baker entered the meeting at 12:03 p.m. and remained for the duration of the meeting.

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

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 stated there are no changes to the published agenda and no Executive Session is planned.

APPROVAL OF MINUTES

September 8, 2025 Meeting Minutes

On a motion by Jeff Morgan, seconded by Sean Ziller, the Board approved the minutes from the September 8, 2025 meeting as presented (5-0).

PUBLIC COMMENTS

None.

LCA Pension Plan – Mandatory Municipal Obligation

Ed Klein presented the 2026 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's pension plan, which is required to be provided to the Board annually. No action is required.

2026 Preliminary Budget Review

Liesel Gross noted that today's presentation would provide a more detailed review of the preliminary 2026 Budget figures. A rate overview will be provided at the next Board meeting in October. Board approval of the 2026 Budget is scheduled for the October 27 Board meeting, with rates being adopted in November.

Ms. Gross provided a summary of the budget assumptions for the operating and capital budgets. She provided an overview and summary of the new staffing levels recommended for 2026 and other major cost drivers associated with the Authority's strategic initiatives. The 2026 Budget for personnel costs is \$24.8 million which is a 7.7 percent increase from the 2025 forecast. Factors affecting the increase are the timing of the new hires, an estimated 10 percent benefit cost increase, and wage increases. A summary of other budget assumptions was reviewed.

Ed Klein reviewed the key factors for the Suburban Water Budget noting that operating expenses will increase 7.3 percent from the 2025 forecast. The capital budget of \$6.3 million will be covered using current rates and reserves. No borrowing will be required. A 4 percent revenue increase will be needed to attain desired financial performance metrics for debt service coverage and cash on hand.

The Suburban Wastewater Budget operating expenses will increase 7.2 percent from the 2025 forecast. The capital budget of \$6.9 million will come from current rates and cash reserves with no new borrowing and no new debt service. Signatory rates are under review and will be impacted by capital expenses and pass-through costs from the City Division. A 5 percent rate increase for the Authority's common rate collector systems is planned, which is the first increase since 2013, but likely required annually to support improved cash flows for these small systems. He noted that the approach to eliminate borrowing for 2026 will result in a significant depletion of cash reserves, so that the metric related to days cash on hand will not be met. Liesel Gross explained that this conservative approach is recommended due to the uncertainties regarding future revenues particularly for the Industrial Pretreatment Plant.

The City Division operating expenses will increase 6.3 percent from the 2025 forecast. The capital budget of \$50.4 million will be funded by \$5.7 million in borrowed funds, \$6.6 million in grants, and the remainder from current rates and reserves. Cash flow will be negative due to using up previous funds from borrowing.

Mr. Klein provided a preliminary summary of the 2026 Budget including net income, cash flows, debt service, and capital spending.

Liesel Gross provided a look ahead for the 2026 Budget process which includes a refinement of the budget numbers and an overview of the rates for 2026. Also at the next meeting, there will be another review of the Capital Plan along with any comments that may have been received.

Kevin Baker asked how the recommendations are determined regarding the use of reserves versus borrowing for capital improvements. Ed Klein explained how he calculates the financial metrics and balances the amount of cash on hand in relation to capital needs prior to determining if a new borrowing is required.

Suburban Division – Industrial Pretreatment Plant Master Plan

Jim McQuarrie from AECOM was present to provide an overview and presentation of the study conducted by AECOM that evaluated the options for the next life cycle of the Industrial Pretreatment Plant (PTP). The most critical needs were identified, and projects were developed to address the critical process renovations needed to bridge the reliability of the plant until 2032 at which time significant refurbishment of the plant would occur.

Mr. McQuarrie reviewed various flow and loading scenarios including presentation of process diagrams depicting these scenarios. The evaluation focused on a transition from the current PTP operation to a future state in which Boston Beer and Ocean Spray are pretreating their high-strength waste independently. These industrial flows, along with a portion of Upper Macungie Township's flows, would be re-routed to bypass the PTP, and the facility modified to manage reduced flows and loadings generated by the remaining industrial users and a portion of the Upper Macungie Township flows. The analysis included a review of resulting downstream loadings being discharged to the City of Allentown at Keck's Bridge.

Mr. McQuarrie provided a detailed overview of the sequencing timeline and outlining critical improvements. The initial phase of projects would occur while the Boston Beer on-site treatment project is under construction. Following an acceptable "proving period" to ensure the Boston Beer

treatment system is effective, a second phase of projects would be completed at the PTP to transition to a new operational approach to address the decrease in flows and loads. A breakdown of the construction costs of each scenario was provided, noting the recommended alternative is estimated to cost \$48.1 million in 2025 dollars. The study also reviewed the Hauled Waste Program and showed that there is room to increase the rates and still be competitive.

Mr. McQuarrie reviewed the benefits of the recommended approach, including the availability of capacity for future economic growth, continued removal of fats, oils, and grease from the Western Lehigh Interceptor, and continued operation of the PTP's flow equalization basin to support wet-weather operations.

Mr. Capuzzi reviewed the next steps and critical discussions that must be conducted with the industries in order to move the decision on this project forward. There was some Board discussion regarding cost recovery and participation in the project by the industries and municipalities. Amir Famili commented that the PTP must be self-sustaining and the Authority needs to have commitments from the industrial customers prior to spending the money to upgrade the plant.

Suburban Division – Pretreatment Plant Critical Upgrades

AJ Capuzzi provided an overview of the amendment request to provide additional construction phase services for the Pretreatment Plant Critical Upgrades project. The additional work involves additional inspection services and planning assistance during construction to make sure the plant maintains its required operational performance during the period of time when the clarifiers are taken offline.

On a motion by Jeff Morgan, seconded by Sean Ziller, the Board approved the Professional Services Authorization Amendment: PTP Final Clarifier Rehabilitation Construction Phase Inspection Services to AECOM in the amount of \$147,900.00 (5-0).

Sewer Operations Agreement – Lower Macungie Township Sewer Pump Station & Force Main

Liesel Gross provided an overview of the Sewer Operations Agreement with Lower Macungie Township for the operation of a pump station that is within the Authority's service area. The agreement is similar to an agreement executed with Upper Macungie Township earlier in 2025 for similar services. There was some additional discussion about Authority staffing and the availability of licensed operators.

On a motion by Sean Ziller, seconded by Peter Dent, the Board approved the agreement, including authorizing the Chief Executive Officer to sign the agreement pending final review by the Solicitor (5-0).

MONTHLY FINANCIAL REVIEW

The August 2025 Financial Statements will be provided to the Board separately.

MONTHLY SYSTEM OPERATIONS OVERVIEW

Andrew Moore reviewed the August 2025 report, noting there was one recordable injury accident where an employee injured their finger following an incomplete lock-out procedure on a piece of equipment. Amir Famili asked if the lock-out tag-out procedure was reviewed and action taken to prevent this from happening in the future. Mr. Moore said the Safety Manager is reviewing the incident, so this doesn't happen in the future. He then reviewed other system operational data in the report noting that the water level of the Lehigh River is extremely low. He noted that the Authority's

response to the notice of violation received from the City of Allentown in July is included in this report. There were no boil water advisories, bypasses, or permit exceedances in August.

STAFF COMMENTS

None.

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 1:23 p.m.

Liesel M. Gross
Chief Executive Officer