

REGULAR MEETING MINUTES

September 24, 2018

The Meeting of the Lehigh County Authority was called to order at 12:01 p.m. on Monday, September 24, 2018, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, and Ted Lyons. Authority Staff present were Liesel Gross, Brad Landon, Chuck Volk, Ed Klein, Pat Mandes, Susan Sampson, Chris Moughan, John Parsons, and Lisa Miller.

REVIEW OF AGENDA

Chairman Nagle announced that today's Board meeting is being videotaped and streaming live and recordings will be posted to the Authority's website.

Liesel Gross stated there are no changes to the agenda and verified the Board received the 2013C Bond refinancing supplemental paperwork that was emailed the week prior. Ms. Gross also verified the Board had a hardcopy of the 2019 Preliminary Budget which was distributed at today's meeting and copies of the August 2018 Financial Review which was also previously emailed and distributed at today's meeting. There will also be an Executive Session at the end of the meeting to discuss matters of potential litigation.

APPROVAL OF MINUTES

September 10, 2018 Regular Meeting Minutes

Richard Bohner noted that the word *Assistant* should be removed from his title on page three under his signature.

On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of the September 10, 2018 meeting as corrected (5-0). Linda Rosenfeld abstained.

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Resolution No. 9-2018-1 – Allentown Division 2013C Bond Refinancing

Liesel Gross announced that, along with Ed Klein, Chris Gibbons from Concord Public Financial Advisors, Inc. and Tim Horstmann from McNees Wallace & Nurick were present to review the refinancing of the 2013C Bond and answer any questions. Ms. Gross distributed a printed copy of the Lehigh County Authority – City Water/Sewer Lease Bond Debt Service handout that was emailed to the Board prior to the meeting. LCA Staff have been working on a plan to refinance the 2013C Bonds prior to their maturity date of December 1, 2018. On Friday, September 14, 2018, LCA received a fully executed copy of a revised consent agreement, signed by the Authority, the City of Allentown, and the bond trustee, M&T Bank, allowing the refinancing of the 2013C Bonds to be completed on a parity basis with the original bond issue. On this basis, LCA also received a proposal from Lafayette Ambassador Bank to purchase the 2018 Bond in the maximum principal amount.

Kevin Baker arrived at 12:06 p.m.

Chris Gibbons explained the terms of the loan and the financing proposal.

Tim Horstmann gave an overview of Resolution No. 9-2018-1 which authorizes and directs the issuance of the Authority's water and sewer revenue bond (City of Allentown Concession), Series 2018 (Federally taxable), in the maximum principal amount not to exceed \$18,735,000.00, to be purchased through Lafayette Ambassador Bank and any and all other actions as stated in the resolution with closing on October 11, 2018.

Some discussion followed regarding financing costs and total debt service added to the Authority cash flow. Ed Klein explained the additional costs, which were outlined in the packet and materials prepared by Concord Financial and explained the total financing costs were lower than expected.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved Resolution No. 9-2018-1 (7-0).

2019 Preliminary Budget

The 2019 Preliminary Budget was distributed at the meeting and provided for discussion. Liesel Gross explained the preliminary Budget would be presented at this meeting, followed by an additional, updated presentation at the October 8, 2018 Board meeting. The final Budget would be presented for approval at the October 22, 2018 meeting. The Budget must be approved by November 1, 2018.

Ed Klein gave a PowerPoint presentation of the 2019 preliminary Budget highlighting cash flows and assumptions. There was some discussion regarding Capital Expenditures and Suburban Water and Wastewater projects. Chuck Volk explained the project status of various projects included in the 2019 Capital Budget, illustrating that the Budget primarily includes projects that have been previously authorized or discussed with the Board.

Scott Bieber arrived at 12:48 p.m.

Ed Klein reviewed the City Division finances and explained that the proposed 2019 Capital Budget is significantly reduced due to the lack of available funds. The Board voiced their concerns regarding critical or required projects that are not budgeted for 2019. Liesel Gross explained that there are a few major outstanding items that must be resolved prior to incorporating additional projects into the Budget. Issues related to revenue sufficiency are the key problem, which is being addressed through legal avenues and discussions with the City of Allentown. The Authority will be unable to self-fund or finance any significant capital projects until these issues are resolved. The prioritization of projects will occur at that time.

At the October 8th Board meeting, there will be a second review of the Budget with any changes from the preliminary Budget, along with the User Charge Report for the Western Lehigh Interceptor. At the October 22nd Board meeting, the final Budget will be presented for approval. Once the Budget process is completed, the five year Capital Plan will be rolled out in November or December.

LCA Pension Program – 2019 Minimum Municipal Obligation (MMO)

Ed Klein presented the 2019 Minimum Municipal Obligation (MMO) memorandum and worksheet for the Authority's Pension Plan to the Board. No action is required.

MONTHLY FINANCIAL REVIEW

Ed Klein gave an overview of the August 2018 financial report, highlighting variances between budgeted expenses and actual or forecasted expenses.

MONTHLY SYSTEM OPERATIONS OVERVIEW

John Parsons reviewed the Monthly System Operations Overview report for August 2018. Mr. Parsons commented that August was a challenging month due to the excessive amount of rainfall. Scott Bieber questioned the heavy flow into the pretreatment plant and where the high volume of Infiltration and Inflow was coming from. Chuck Volk explained that the reported high flows at the pretreatment plant are inaccurate due to the recirculation of sewage through the plant due to surcharge conditions in the Western Lehigh Interceptor.

STAFF COMMENTS

None.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

Chairman Nagle commented on a newspaper article regarding Aqua America's request for a rate increase and highlights the difference between a for-profit entity and a not-for-profit entity.

Chairman Nagle called a recess at 1:54 p.m. The meeting reconvened at 2:00 p.m.

EXECUTIVE SESSION

An Executive Session was held at 2:00 p.m. to discuss potential litigation. The Executive Session ended at 2:28 p.m.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:28 p.m.

Richard Bohner
Secretary