

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, JUNE 12, 2017**

The Derry Township Municipal Authority Board held its regular meeting on Monday, June 12, 2017 in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Chairman Weir called the meeting to order at 6:00 p.m.

ROLL CALL

Board Members Present: Michael Corado, Ronald Furlan, Michael Postick, and Matthew Weir

Board Members Absent: Charles Duncan, Justin Engle, and David Feidt

Also Present: Staff Wayne Schutz (Executive Director)
Tom Mealy (Deputy Director)
Kimberly Bloom (HR & Benefits Administrator)
Bill Rehkop (Facilities Director)
Michael Callahan (Stormwater Program Coordinator)

Consultants Joe Sembrot (Goldberg Katzman)

Visitors John Bonawitz (Brown Schultz)
Jeff Walker (Brown Schultz)
Scott Wyland (Salzmann Hughes)
Paul Herbert (Gannett Fleming Valuation)
Connie Heppenstall (Gannett Fleming Valuation)

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF PREVIOUS MINUTES

M. Postick made a motion to approve the Minutes of the April 24, 2017 Board meeting as written. M. Weir seconded. The motion passed unanimously by voice vote.

APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT

R. Furlan made a motion to approve the April and May 2017 Treasurer's Reports and Bills for Payment as submitted. The motion was seconded by M. Corado. The motion passed unanimously by voice vote.

PRESENTATION OF THE 2016 AUDIT REPORT

John Bonawitz of Brown Schultz Sheridan & Fritz reviewed their firm's responsibility in the auditing process. He reviewed the auditor's opinion letter that outlined their findings for the 2016 fiscal year. Brown Schultz has issued an opinion that the financial statements fairly present the Authority's financial position for the period and there were no material weaknesses in internal controls. He thanked staff for their support and preparation of items during the audit process.

He then explained that there are two main aspects of the audit. The first is the Independent Auditor's Report which Mr. Walker will discuss later. The second aspect of the audit consists of the financial statements. Brown Schultz gave a clean opinion that the financial statements are presented fairly in accordance with generally accepted accounting principles. Management's Discussion and Analysis (MD&A) is also included and covered all required topics. This item is reviewed by the auditors but is not an audited document. A few minor journal entry changes were proposed by the auditor and were accepted by management. Internal controls were also reviewed. No changes were recommended.

Mr. Bonawitz noted that the Statements of Net Position on Pages 14 and 15 of the financial statements show a slight increase in current assets mostly due to the rebate in health insurance premiums as a result of the new self-funded health program. A decrease of about \$2.2 million was experienced in current liabilities due to the pay down of the current debt. The Net Position increased by \$870,000.

Revenue was up by approximately \$400,000 mainly due to the 4% rate increase that took effect in April but expenses were also up by approximately 5.5%, so overall operating income increased by approximately \$400,000 over 2015. Non-operating revenue was decreased by \$140,000 from 2015.

Mr. Bonawitz reviewed the footnotes for the long-term debt. Footnote 5 described the acquisition of the Londonderry collection system. The savings from the two debt refinancings in early 2016 were reflected in the debt service schedule on Page 29. These savings were distributed to debt service payments due over the life of the loans. Footnote 11 pertained to the Stormwater Management Program that was created in 2016. Expenses for this program totaled approximately \$400,000. He pointed out that the Authority's Net Position increase of \$870,000 was realized after the payment of the Stormwater Management Program expenses of \$400,000.

Mr. Walker then reviewed the Independent Auditor's Report. This report states the auditor's responsibility is to review policies and procedures of DTMA and provide an opinion on whether it has sufficient and appropriate information to be able to provide a basis for the financial statements audit. The auditor's opinion also states that the Authority staff adopted GASB Statement No. 72. He pointed out that there will be a few more GASB statements that will affect the Authority next year too. The letter concluded that the information for DTMA is fairly represented in these financial statements.

The Executive Director then reviewed the MD&A report which compares fiscal year 2016 with 2015. He noted that operating revenue increased by approximately 4% mainly due to the rate increase which went in to effect in April and the unanticipated increase in billable water. Hauled waste also showed an increase of approximately 5%.

Expenses, however, increased by approximately 9%. Approximately 6% of that increase was for the new stormwater management program. Unplanned miscellaneous projects in 2016 were up slightly in 2016.

Non-operating Revenue increased by \$525,900 over 2015. The Authority had anticipated having to pay for its share of the costs to relocate a sewer line as part of the Park Boulevard realignment project. However, the Township was awarded an increased grant that covered the entire project, so the Authority was reimbursed for expenses of \$309,800 with that extra grant revenue.

Extensions to the sanitary sewer system that were dedicated to the Authority provided assets of approximately \$575,000, with \$251,400 of that being attributed to the acquisition of the Londonderry Township facilities.

A Wastewater Resource Allocation Fund was created with an initial deposit of \$250,000. The capacity fees paid by developers which will now be deposited into this fund and will be used for future wastewater infrastructure projects. The Flood Fund has been reauthorized and will hold funds to pay for costs associated with the flood insurance deductibles and a small reserve for future flood event losses.

The increases to user rates over the last three years has helped to stabilize the budget so that revenues are now supporting the expenses, which allows for the reallocation of the capacity fees to the Resource Allocation Fund. Previously, capacity fees were used to help balance operating revenue and expenses.

The outlook for 2017 shows that two refinancings occurred in early 2017. Savings from those refinancings will be realized on the debt service payments over the next few years.

Resolution #2017-17 - Approval of 2016 Financial Audit Reports: After presentation of the report by Brown Schultz and the Executive Director, this resolution was passed on a motion by R. Furlan, seconded by M. Corado. The motion passed unanimously by voice vote.

ITEMS FOR ACTION

Resolution #2017-1 - Approval of Personnel Policies regarding Part-Time Provisional Employees: This resolution was passed on a motion by M. Postick, seconded by M. Weir. The motion passed unanimously by voice vote.

ITEMS FOR DISCUSSION AND POSSIBLE ACTION

Hershey Pretreatment Plant Discussion

In late April, The Hershey Company provided DTMA Staff with a Basis of Design document from Veolia (designer & equipment manufacturer) for the proposed new pretreatment facility. DTMA Staff reviewed the document and submitted a letter (dated April 26th) to Ms. Jennifer Harnden of the Hershey Company.

In early May, DTMA Staff met with Hershey staff engineers and Veolia representatives to receive a presentation on the proposed new Hershey IPF (HIPF). The majority of the discussions were on the process and sludge of the new HIPF. A discussion on DTMA's denial to accept trucked-in IPF sludge and its implications continued without resolution.

On June 7th, DTMA received a revised a copy of the resubmitted Hershey Preliminary/Final Land Development Plan from the Township. The resubmission now includes a force main for pumping sludge to DTMA. Because DTMA's review was limited to less than two days, staff supplied the Township with comments but noted that due to the very limited review time, they reserved the right to submit additional

comments within 7 days. Despite the suggestion from the Township Staff to table the plan, the Hershey Company representative requested that it be placed on the Township BOS agenda for June 13th. The Executive Director has been invited to attend an executive session of the Township BOS prior to the June 13th public meeting when the revised HIPF plan is being discussed.

Bulk Food Waste Study

Bill Rehkop noted that in 2016 a feasibility study was completed for DTMA examining the opportunity to accept and process bulk food wastes at the Clearwater WWTP. The study concluded that while receiving and treating such waste was feasible and potentially beneficial, the logistics of generator storage, pick-up and transport as well as the difficulty and expense of debris separation proved to be significant if not insurmountable hurdles.

Food waste management has been a growing concern for many years in the U.S. due to the quantity of waste as well as the adverse environmental impacts of sending it to a landfill. EPA is currently completing a study to develop future activities to promote anaerobic codigestion of food waste at WWTPs. This study included a survey to anaerobic digestion facilities across the U.S. to document their processing capacity and availability to receive additional feedstock such as food waste. DTMA participated in EPA's study and completed the survey in May 2017. DTMA's information will be shared on a public bulletin through EPA's website for food waste generators to research our facility for acceptance of food waste.

Historically, DTMA has accepted hauled food waste from numerous commercial food processing waste generators such as Redner's Food Market, Nestle Purina (pet food), and Archer Daniels Midland (corn syrup) through our existing septage acceptance program. Currently, accepted food waste bypasses the septage receiving station and is off loaded to the sludge blending tank, and then fed directly to the egg-shaped digester (ESD). Processing of the food waste through the ESD has a significant beneficial impact on the biogas production, typically resulting in an average biogas production increase of 30-50%. The increased biogas production resulting from the codigestion of food waste with other sludges is observed within two hours of feeding the material to the ESD and is typically sustained for 24 to 48 hours.

Currently the bulk food waste received at the plant is billed to the hauler at the septage disposal rate of \$37.10 per 1,000 gallons. The septage disposal rate is the rate applied to non-FOG (fats, oils, and grease) and non-sludge trucked wastes discharged to the septage receiving facility. Septage discharged at the receiving station is conveyed through the headworks facility, settles out as sludge in the primary clarifiers, is pumped to the gravity thickener, and is then fed to the ESD.

Staff has received frequent inquiries concerning its ability to accept trucked-in food wastes, particularly from commercial food processing waste generators looking to reduce operating costs and tipping fees associated with hauling wastes to landfills.

Beginning in early 2017, DTMA and Utz Quality Foods partnered for a 30-day pilot study to evaluate the operational performance of the ESD and DTMA's ability to accept and process food waste. Initially, the proposed schedule was to accept two loads of Utz waste per day, Monday through Friday (M-F). Feeding this waste to the ESD was observed to increase biogas production by 20-30% over our typical average biogas production.

The study was temporarily suspended after approximately 30 days to review an operational issue related to the decreased performance of the centrifuge dewatering. Preliminary data review suggested that the

cause for this decreased performance was likely due to an increase in the volatile solids (VS) leaving the ESD and being fed to the centrifuge. Several operational procedures were modified and the centrifuge dewatering performance has since improved.

Staff was recently contacted by Divert Inc. inquiring about the possibility of a potential long-term partnership to accept pre-processed food waste from their facility. Divert works with the local grocery stores to manage their expired can goods, vegetables, fruit, and dairy products that would otherwise be hauled to a landfill. The grocery stores transport their discarded, expired food waste to Divert's newly constructed facility in Mechanicsburg, PA. At this facility, the inorganic and organic materials are mechanically separated and the organic fraction is ground and mixed into a slurry. The slurry is then hauled to a WWTP via tanker truck for disposal. Divert currently processes 60-70 tons of food waste per day at their Mechanicsburg facility resulting in approximately 12,000 gallons per day of liquid slurry.

DTMA began a pilot study with Divert on May 1, 2017 beginning with a trial schedule to accept three loads per week for the first two weeks and then if no operational problems occurred, up to five loads per week. The trial schedule was utilized in order to insure that the ESD would acclimate to the treatment of food waste material. The goal would be to eventually accept two loads per day, Monday through Friday.

The plant is currently accepting one Divert load per day (M-F), and staff has observed an average increase in biogas production of 35-40% above its typical average production. Based on current capacity constraints and the high volatile content of the food waste, only accept one load per day (M-F) will continue to be accepted.

Additionally, Divert has requested that DTMA execute a memorandum of understanding (MOU) for the long-term partnership for the acceptance of their food waste. Divert provided DTMA with a proposed MOU which will be reviewed by staff and legal counsel for comments and will eventually be presented to the Board for its approval.

Due to the increasing volume of food waste received at our WWTP, staff is reviewing the Septage Rate Schedule to include a separate rate for accepting food waste. Staff is currently conducting an evaluation to develop a new food waste receiving rate to reflect the simplified handling, lower processing costs, and the benefits received from the increased biogas production. The results of this evaluation and recommendations for a new food waste rate should be provided to the Board at either the July or August Board meeting.

The Chairman asked if this type of facility is new to this area or will the Authority encounter more competition in the near future. It appears that there are few facilities in the area are equipped to handle this type of production, so DTMA is in a good position at the beginning of this venture.

Mr. Furlan asked if DTMA staff had contacted the PA Department of Environmental Protection to make sure that DTMA has all of the necessary permits to handle this type of waste. Mr. Rehkop stated that he has been in contact with DEP and they suggested that this process should be handled under the Biosolids permits as a municipal waste. Mr. Furlan noted that recently DEP has suggested that it may be revising its regulations for Biosolids permits and this type of waste may be considered a residual waste and not a municipal waste. He recommended that we get clarification of this in writing from DEP so that we do not violate any of our permits. Mr. Rehkop will follow through on this recommendation.

Neighboring Townships Update - (at this time, Michael Corado left the meeting – 6:50 p.m.)

Londonderry Township

Staff representatives had a meeting with Londonderry Township's Manager and their engineer, HRG, on May 3, 2017 to discuss the status of Londonderry's Act 537 Plan and to review future development plans within the sewer districts of the Township where public sewer service is not currently available.

Londonderry completed their Act 537 Plan and received DEP approval in 2016. The Plan recommends public sewer service be constructed within five years to serve the existing Londonderry Estates development which is currently served by individual on-lot septic disposal systems (OLDS). This existing development is located adjacent to the Hills of Waterford development (DTMA customer) off Steinruck Road and includes approximately 46 single family units. This development will likely connect to DTMA's existing gravity system on Ballyshannon Drive which conveys wastewater to our Roundtop Road Pump Station for eventual treatment at the Clearwater Road Plant.

The Plan also recommends providing public sewer service within the delineated sewer districts of Londonderry that are experiencing OLDS malfunctions and have plans for future development. Londonderry identified in their Act 537 Plan a five to seven year implementation schedule to construct public sewers to these areas which also depends on the progression of the proposed land development plans. The build-out flow projections for these sewer districts would generate approximately 1 million gallons per day (MGD) of wastewater flow assuming the land development projects such as Lytle Farm and School Heights Village are realized.

Staff expressed its continued willingness to work with Londonderry Township and provide treatment at our Southwest Plant. The current average daily flows at the Southwest Plant is at half capacity (0.3 MGD) and would be able to serve initial flows from the existing developments, but the plant would require an upgrade and expansion project to serve the built-out future development needs. Staff will monitor the status of Londonderry's planning process and their anticipated implementation schedule as it will impact the need for a future upgrade and expansion at the Southwest Plant.

Londonderry also mentioned they have completed a feasibility study to utilize treated plant effluent for reuse as spray irrigation for the Sunset Golf Course and to fill aeration ponds that would be constructed as part of the Lytle Farm development. This concept, which has been utilized by WWTPs across the U.S., including the University Area Joint Authority in State College, would provide regulatory offset flow and nutrient loadings to their stream. Beneficial reuse projects require advanced treatment technologies to produce reuse water that meets or exceeds regulatory standards.

Lower Swatara Township

DTMA received a capacity certification letter to serve additional flows of 80,000 gallons per day (GPD) for a proposed Hershey's Ice Cream facility on Aip Drive in Lower Swatara Township (LST). Hershey's Ice Cream is exploring the possibility of relocating their Harrisburg production facility and expanding their existing LST facility, which currently only includes storage and transport of the product. This area is currently served by the Southwest WWTP. Staff provided a response letter to LST certifying available capacity in the system. This is projected to take place in 2018.

Because of the projected additional flow and waste characteristics, this relocation of the production facilities will include a pretreatment facility on their site, as well as requiring permitting by DTMA under our Industrial Pretreatment Program. Staff has been working with the US EPA Pretreatment Program Coordinator, on the regulatory requirements prior to acceptance of this additional waste stream.

South Hanover Township

A capacity certification letter was received from the Township to serve the Crossings at Hershey, a senior living community to be located off Route 39 and Canal Street, with an estimated flow of 31,510 GPD. The flow would be conveyed to South Hanover Township's (SHT) Swatara Creek Pump Station and then to the Clearwater WWTP. Staff provided a response letter to SHT certifying available capacity in the DTMA system.

SHT is preparing an update to their Act 537 Plan to include an evaluation of malfunctioning OLDS and projection of additional flows contributed by future subdivision and land developments or build-out of growth areas in SHT. DTMA received a letter from SHT's engineer requesting an additional capacity of approximately 90,000 GPD to serve existing properties with malfunctioning OLDS within the Township. Staff provided a response letter to SHT certifying available capacity in the system to serve the existing properties with malfunctioning OLDS. Based on further correspondence with SHT's engineer, it is anticipated that DTMA will receive an additional capacity certification letter to serve any known future land development projects that would be connected to DTMA's system.

Staff has also been contacted by a land development consultant seeking capacity at the Clearwater Road Plant to serve a 450 residential unit development project to be located off of Grandview Drive in SHT. It is expected that this land development project will be included in the SHT's Act 537 Plan Update and provided in a future capacity certification request letter to DTMA.

Mr. Rehkop noted that while DTMA often issues capacity certification letters that confirm that there is sufficient capacity in its facilities, the actual capacity is not granted until a capacity request and associated capacity fee payment are received by DTMA.

Stormwater Program Update

As of the end of the May billing period, DTMA had approximately 23,000 billable ERUs, which is in line with the ERU projections used to setup the program. To date, staff has processed approximately 625 credit applications for a total reduction of approximately 240 ERUs. The average percent credit approved is 23 percent and the median is 20 percent. The majority of applications have been residential. The Low Impact Parcel, Structural BMP, and the Adopt an Inlet credits continue to be the most common credits granted. The 240 ERU credits amount to approximately 1% of the total ERUs. Staff projects that eventually DTMA would have approximately 22.8% of the total ERUs credited. As stated, most of the applications to date have been residential. It is anticipated that when more non-residential applications are processed DTMA will get closer to its projected credit numbers.

Appeal applications have slowed considerably, and staff believes it has addressed the mischaracterized accounts. A mischaracterized account might have no impervious area but be labeled as developed, for example. To date, approximately 700 account changes have been processed. Changes include incorrect impervious area, incorrect owner information, and accounts that were incorrectly marked as inactive that should be active.

PUBLIC COMMENT

There was no public comment at this time.

ADJOURNMENT

With no further business to come before the Board, R. Furlan made a motion to adjourn the June 12, 2017 public meeting at 7:00 p.m., seconded by M. Weir. The motion passed unanimously by voice vote and the Board adjourned into **EXECUTIVE SESSION** to discuss land, legal, and personnel issues.

(Assistant) Secretary