

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, JUNE 11, 2018**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, June 11, 2018, in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Vice Chairman Postick called the meeting to order at 6:00 p.m.

ROLL CALL

Board Members Present: Michael Corado, David Feidt, Ronald Furlan, Brian Link, Michael Postick, and Matthew Weir

Board Members Absent: Justin Engle

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)
 Pearl Comarnitsky (Finance Director)

Consultants Joe Sembrot (General Solicitor, Caldwell & Kearns)
 Paul Gross (Buchart Horn)
 John Bonawitz (Auditor-Brown Schultz Sheridan Fritz)

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF PREVIOUS MINUTES

M. Weir made a motion to approve the Minutes of the April 30, 2018 Board meeting as written. R. Furlan seconded. The motion passed unanimously by voice vote.

APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT

Staff presented the April Treasurer's Report and Bills for Payment for approval. D. Feidt made a motion to approve the reports as submitted. The motion was seconded by M. Corado. The motion passed unanimously by voice vote.

PRESENTATION OF THE 2017 AUDIT REPORT

John Bonawitz of Brown Schultz Sheridan & Fritz reviewed their firm's responsibility in the auditing process. He explained that there are two main aspects of the audit. The first is the review of the financial statements and the second is the presentation of the Independent Auditor's Report.

Mr. Bonawitz noted that the Statements of Net Position on Page 14 of the financial statements shows a significant increase in current assets of approximately \$7 million mostly due to the addition of the stormwater assets. A decrease of about \$2.5 million was experienced in current liabilities due to the pay down of the current debt. The Net Position increased by approximately \$9 million.

This year's audit combines the wastewater and stormwater businesses of the Authority. Pages 15 and 16 of the report reflect the Statements of Revenues and Expenses for both. However, a comparison breakdown of the two programs is given in the last 12 pages of the audit report. Page 16 shows that Revenue was up by approximately \$1.7 million mainly due to the addition of the stormwater income and the surcharges assessed to Troeg's Brewery. Operating Expenses increased by approximately \$300,000 due mainly to salaries, insurance, and repairs for the programs. The Cash Flow Statements on Pages 18 and 19 show an increase of approximately \$1.7 million in customer receipts due to the Stormwater fees. The Change in Investments showed an increase of approximately \$2.8 million resulting in a net increase in cash and cash equivalents of approximately \$5 million.

The Long-Term Debt footnote on Pages 25-28 explains how the \$33 million of debt will be repaid by 2032. Also, he reviewed the Subsequent Events Footnote 12 on Page 31 that discusses the additional \$5 million bond that was issued in February of 2018.

Mr. Bonawitz 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. Brown Schultz has issued an opinion that the financial statements are presented fairly in accordance with generally accepted accounting principles and fairly present the Authority's financial position for the period. 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. 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.

Mr. Furlan asked if there was a line item in the report that showed the Authority's expense for the employer match of the employee's Section 457 deferred compensation plan. It was noted that this expense is included in the line item on page 15 titled Administrative, payroll taxes and employee benefits.

Mr. Postick then asked what formula is used to calculate the depreciation on Authority assets. Mr. Bonawitz stated that a straight-line method is used. Staff determines the proposed life of an asset based on industry standards and vendor specifications to use in this calculation.

The Executive Director then reviewed the MD&A report which provides a comparison of fiscal year 2017 with 2016. He noted that the Authority's total assets exceeded total liabilities by nearly \$60 million. The Net Position increased by \$9.4 million. Current assets increased by \$1.89 million; current liabilities increased by \$185,600; operating revenues from all sources increased by \$1.99 million and operating expenses increased by \$365,200. Approximately 14.4% of that increase in operating revenue was from the new stormwater management program. The 2017 billable wastewater volume remained the same as 2016. The increase in operating expenses was mainly due to the expenses associated with the stormwater management program and the improvements and repairs to the associated stormwater assets.

Extensions to the sanitary sewer system that were dedicated to the Authority provided assets of approximately \$7.9 million and were mostly made up by the addition of the stormwater system assets.

In 2017 \$314,300 collected from capacity fees was transferred into the Wastewater Resource Allocation Fund (WRAF). All future capacity fees will continue to be transferred to the WRAF and will be used to finance future wastewater infrastructure projects. If the minimum transfer amount of \$250,000 is not collected from capacity fees, the Authority will, based on budgetary limitations, make-up the difference from cash reserves. The Board-approved capacity fee increase, which will go into effect on July 1, 2018, should produce more than the minimum transfer amount. The increases to user rates over the last several years have helped to stabilize the operating budget so that revenues are now supporting the expenses and allowing for the reallocation of the capacity fees to the WRAF. Previously, capacity fees were used to help balance operating revenue and expenses.

Resolution #2018-22 - Approval of 2017 Financial Audit Reports: After presentation of the 2017 Audit report by Brown Schultz and the Executive Director, this resolution was passed on a motion by R. Furlan, seconded by B. Link. The motion passed unanimously by voice vote.

ITEMS FOR ACTION

Resolution #2018-23 – Ratification of project payments from the 2015 Capital Projects Fund for May 2018 and authorization for payments to be made from the 2018 Construction Fund for various construction projects: Staff reviewed the payments from the 2015 Capital Projects Fund requiring Board ratification and payments from the 2018 Construction Fund requiring Board authorization. This resolution was then approved on a motion by B. Link, seconded by D. Feidt. M. Postick abstained from voting due to his affiliation with the engineering firm for the construction projects. The motion passed by voice vote.

Resolution #2018-24 – Approval of Change Order #1 with Rogele Inc. for the Sanitary Sewer Rehabilitation Project Contract #2017-02: This resolution was passed on a motion by D. Feidt, seconded by R. Furlan. The motion passed unanimously by voice vote.

Resolution #2018-25 – Approval of Change Order #1 with Mr. Rehab Inc. for the 2017 CIPP Lining & Manhole Rehabilitation Project Contract #2017-03: This resolution was passed on a motion by M. Weir, seconded by M. Corado. The motion passed unanimously by voice vote.

EXECUTIVE SESSION

At 6:52 p.m. the Board recessed into Executive Session to discuss personnel matters. They reconvened the public meeting at 7:16 p.m.

Resolution #2018-26 – Approval of changes to the Program for Salary Administration policy: This resolution was passed on a motion by R. Furlan, seconded by M. Corado. The motion passed unanimously by voice vote.

OTHER BUSINESS

Stormwater Update

On June 3, 2018 DTMA staff and volunteers partnered with the PA Water Environment Association (PWEA) and the Chesapeake Bay Foundation to plant over 350 trees along the Swatara Creek at Boathouse Park. The trees and supplies were provided by PWEA member sponsors.

As part of the preparation for DTMA's Stormwater Infrastructure Replacement Project, staff has been working with HRG to obtain easements in areas where replacing and/or modifying the existing stormwater infrastructure is necessary. These easements are relatively small extensions to permit the installation of slightly larger infrastructure footprints as well as to allow DTMA staff adequate space to perform long-term maintenance. In some cases, the acquisition of the easements has required moderate efforts caused by items including easement valuation, locating absentee property owners, and properties with multiple owners. Although staff is working to get all the easements obtained through reasonable negotiations, if that cannot be accomplished, it may be necessary to consider the condemnation process.

Health Insurance Premiums Rebate

K. Bloom updated the Board on the proposed health insurance rebate of premiums for 2017. Staff recently met with a representative from PMHIC's administrator, Benecon, to review DTMA's account. The review showed that the Authority had a few more claims in 2017 and drug costs rose slightly, but overall, DTMA continues to be comparable to other municipalities in plan utilization. Even with the increased utilization, DTMA is on track to receive a total of \$76,168 in premium rebates for the 2017 plan year. DTMA received \$114,424 in premium rebates for 2016. While rebates like this are never guaranteed, staff is very pleased with the results of the first two years in the new plan.

Internal Financial Controls

At the April Board meeting, R. Furlan asked if staff could provide the Board with a summary of DTMA policies regarding the awarding of bids, purchasing, checking procedures, and other internal financial controls, etc. The Executive Director provided the Board with documents describing DTMA's internal financial controls and operating procedures. Three of the documents show major workflow diagrams covering Accounts Payable (A/P), Accounts Receivable (A/R), and Payroll. During the audit, the Auditors typically focus on reviewing the process work flow diagrams to review changes and insure adequate internal controls are in place to provide the necessary financial safeguards. The Auditors will recommend any necessary amendments to these improve these processes.

Also included were the Purchasing Procedures chart, guidelines for staff purchasing of major expenditures, price quotation record form, major expenditure request form, and the DTMA Capital Asset Disposal form.

The process plans indicate that DTMA is sufficiently protected with guidelines and procedures in place and documents available. However, while assembling these documents, it became apparent DTMA would benefit from having the guidelines and documents compiled into a standard Financial Operation Policy and Procedure Manual. This Manual will allow for better organization of all procedures and documents and will also provide continuity in the event of any future staffing changes. Tom Mealy, Pearl Comarnitsky, and Wayne Schutz will work together to compile and complete the development of this Manual for presentation and approval at the August Board meeting. Staff will also consult with the Auditors for review and approval on the development of this Manual prior to presentation for Board approval.

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 11, 2018 public meeting at 7:50 p.m., seconded by B. Link. The motion passed unanimously by voice vote.



(Assistant) Secretary