

**MINUTES OF THE MEETING  
DERRY TOWNSHIP MUNICIPAL AUTHORITY  
670 CLEARWATER ROAD  
HERSHEY PA 17033  
MONDAY, AUGUST 27, 2018**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, August 27 23, 2018, in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Chairman Engle called the meeting to order at 6:00 p.m.

**ROLL CALL**

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

Board Members Absent: Michael Postick

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)

Visitors None

**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 July 23, 2018 and July 31, 2018 Board meetings as written. M. Corado seconded. The motion passed unanimously by voice vote

**APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT**

Staff presented the July Treasurer's Report and Bills for Payment for approval. Pearl Comarnitsky gave a six-month review of the financials. R. Furlan then made a motion to approve the July Treasurer's Report and Bills for Payment as presented. The motion was seconded by B. Link. The motion passed unanimously by voice vote.

**UPDATES AND REPORTS**

**2018 Flood Update**

Tom Mealy gave a status update on the actions taken since the flood event in July 2018. The damages to plant facilities and equipment is estimated to be \$1,872,305. This estimate was turned in to the Pennsylvania Emergency Management Agency (PEMA).

On Tuesday, August 21<sup>st</sup>, Mr. Mealy spoke to a PEMA representative to learn the status of possible financial assistance by Federal Emergency Management Agency (FEMA) and PEMA. There are two thresholds for monetary losses that must be met in order for federal and state assistance to become available. The first is the Dauphin County threshold of \$1M. The second is the State threshold of \$18M. The Dauphin County loss threshold will be met due to DTMA's estimated damages. The State threshold, however, is near \$15M and is \$3M shy of the threshold to obtain assistance. Information continues to filter in but the message from PEMA is that the State damages will most likely fall short of the necessary \$18M threshold. However, when all the storms have passed, the Federal government will consider whether they want to combine the several storms that began in July and extended into August in order to qualify as one event.

As a consequence of DTMA receiving over \$9 million dollars in assistance from FEMA for damages that occurred during the 2011 flood, DTMA was required to insure its facilities against future loss. FEMA notified DTMA of its initial insurance requirements and identified the types and extent of insurance that DTMA was required to obtain and maintain. As a condition of the 2011 FEMA assistance, both past and future, DTMA was required to obtain National Flood Insurance Program (NFIP) coverage. FEMA calculated the amount of insurance that DTMA was required to obtain using estimated or actual eligible costs from the 2011 damages. The total amount of required insurance was \$8.5M (Building - \$4.9M; Contents - \$3.6M). DTMA was successful in obtaining \$5.0M (Building - \$2.7, Contents - \$2.3M) at an annual premium of \$163,084. Because DTMA was unable to obtain sufficient coverage through the NFIP in the required amount, additional insurance in the amount of \$3.4M (Building - \$1.9M; Contents - \$1.5M) was acquired from a commercial company at an annual cost of \$54,887.

On August 6<sup>th</sup> and 7<sup>th</sup>, an insurance adjuster visited the Clearwater Road Wastewater Treatment Facility, Highmeadow and Mansion Road Pump Stations, and the Spring Creek Meter Chamber, which were sites that experienced damage during the 2018 Flood event. During the adjuster's exit interview, Staff learned that the NFIP policies do not cover the wastewater process equipment located below ground level. This is significant because most of the damaged equipment is located below ground level and the damages to those facilities are estimated to be over \$1.5M. Staff questioned exactly why FEMA required DTMA to obtain NFIP and excess insurance if it did not cover equipment located below ground level. Neither the insurance adjuster nor the insurance representatives could provide any response; however, it appears that the NFIP flood insurance policy is a standard template policy and is identical for ALL flood insured interests. As such, the flood insurance policy is written for a typical residential or small business property and does not address the needs of the larger commercial, industrial, or governmental sectors. Also, there was no coverage available for loss of business income for the Septage Station either. Staff had asked about this since the station had to be shut down for several weeks, but that is not covered under the insurance policies.

Fortunately, there are certain losses that are eligible for coverage and Staff continues to work with the adjuster to ensure that DTMA receives the maximum reimbursement for its losses. The covered losses are still being aggregated and submitted as claims so the final dollar amount cannot be accurately stated yet; however, Staff estimates that reimbursed claims will fall short of \$500,000.

After Staff has addressed the more pressing issues of equipment replacement, restoration, repair, and reconstruction, it will direct its attention to the insurance requirements that have been placed on DTMA by FEMA and reevaluate them and report back to the Board with thoughts and options. Staff has reached out to Representative Mehaffie to discuss a possible meeting with the PA Insurance Commissioner as well. Staff will keep the Board apprised of the details as this moves forward.



### GESA Update

Bill Rehkop and Wayne Schutz gave an update on the GESA project and activities performed by the ESG project team and DTMA staff since the last Board meeting. Phase 1 of the project design and equipment selection has begun. The ESG project team and DTMA met with members of the Township of Derry Community Development Department, PADEP Air Quality Program representatives, and PP&L representatives to discuss this project. The team is also continuing to work with UGI on pipeline injection requirements and gas quality standards as well as potential end users of the biogas. Staff and ESG will continue to proceed with the design phase of the project. ESG will present a Construction Contract proposal for Phase 1 at the November 19<sup>th</sup> Board meeting.

Because of the sustained flood damage, additional discussions were held with ESG to determine the future GESA plans for a number of items damaged by the flood; specifically, components of the biosolids dryer, which are not covered by flood insurance and are located in the Sludge Building basement.

The conclusion of these discussions resulted in Staff decisions on the restoration of flood-damaged equipment based on the proposed GESA plan. The biosolids dryer will continue to be used in the future; however, both the dewatered cake feed system and the dried product conveyance system will be significantly modified. Because of the proposed modifications, several major components which were rendered inoperable by flood damage will not be replaced or restored. Staff felt that it would not be prudent to replace and reinstall equipment that would later be decommissioned as part of this project. Therefore, some flood-damaged equipment will not be replaced or restored and the operation of the dryer to produce a Class A, EQ Biosolids product will be discontinued until the GESA project has been completed. Until then, DTMA will utilize its contractor to haul and land apply the Class B biosolids cake. Staff will pursue any salvage value that may be available for the equipment that is not being replaced.

### Financial Operations Policy and Procedures Manual

At the June meeting, the Board was presented with a summary of the DTMA internal financial control operating procedures. At that time it was concluded that based on Staff's review and input from DTMA's Audit firm, the existing guidelines and procedures in place provide DTMA with satisfactory financial safeguards and internal controls. Staff had proposed to compile the written guidelines, policies, and documents into a standard Financial Operation Policy and Procedure Manual for presentation at the August meeting. In light of the recent management, administrative, and financial challenges associated with the flood event and Staff retirement as well as the forthcoming Budget work, this project has been indefinitely delayed.

### South Hanover Township Invoice

Wayne Schutz noted that during the July flood event the pumped (& metered) wastewater flows received from South Hanover Township (SHT) were so high that the excess flow surcharge clause in the Intermunicipal Agreement (IMA) was triggered. Based on that IMA clause, DTMA included a surcharge for this excess wastewater in SHT's monthly bill for July, which made the invoice significantly larger than their regular monthly bill. Staff has alerted South Hanover of this unusually high invoice and will discuss this with them if any questions arise.



### Construction Projects Status Report

Bill Rehkop provided the following updates on current construction projects:

#### Sanitary Sewer Rehabilitation Project [Contract 2017-02]

The substantial completion inspection for this contract was completed on August 9<sup>th</sup>. Representatives of Rogele, HRG, and DTMA were on-site to complete the inspection. Based on this meeting, it was determined that all work has been completed in accordance with the contract. Upon receipt of the contract closeout documents, Staff will recommend payment of the final AFP.

Rogele has submitted Change Order #02 for an increase of \$10,700.26 to the contract price and it is presented for payment in Resolution #2018-33. The change order request includes the additional work for repairing a sinkhole encountered during excavation of the sewer line on Almond Drive. The sinkhole was discovered by doing this excavation and had not yet caused any problems with the sewer line. It appears this area frequently has sinkholes. It was determined that many of the sags and repairs needed to our line in this area were a result of sinkholes that had happened in the past and had been repaired by the Township. Brian Link asked if any other entities would be sharing in the costs of this sinkhole repair. Mr. Schutz explained that typically three parties are involved in sinkhole repairs – the Township of Derry (roadways), DTMA, and the water company. Generally whoever's facilities fail first and responds to the sinkhole is the one who repairs the sinkhole. Oftentimes it is hard to determine which happened first – the utility line or roadway failed causing the sinkhole or vice versa – so the responding entity does the repair. It tends to even out over time with repair costs among the three entities.

#### Sanitary Sewer and Stormwater CIPP Lining and Manhole Rehab Project [Contract 2017-03]

The substantial completion inspection for this contract was completed on August 9<sup>th</sup>. Representatives of Mr. Rehab, HRG, and DTMA were on-site to complete the inspection. Based on this meeting it was determined that all work has been completed in accordance with the contract. Upon receipt of the contract closeout documents, Staff will recommend payment of the final AFP.

#### WWTP Infrastructure Coatings Project [Contract 2018-02]

The contract for this project was awarded to Utility Service Co., Inc. on August 9<sup>th</sup> and the Notice to Proceed was issued on August 10<sup>th</sup>. The contractor plans to start work during the week of September 10<sup>th</sup>.

### ITEMS FOR ACTION

**Resolution #2018-32 – Ratification of project payments from the 2015 Capital Projects Fund for July 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 R. Furlan, seconded by M. Weir. The motion passed unanimously by voice vote.

**Resolution #2018-33 – Approval of Change Order #2 for Rogele for the 2018 Sanitary Sewer Rehabilitation Project Contract #2017-02:** This resolution was passed on a motion by D. Feidt, seconded by M. Corado. The motion passed unanimously by voice vote.



### Discussion on Utility Billing Service Contract

At the last meeting Staff presented a concept to the Board concerning DTMA's billing procedure for rental properties. The conclusion of that discussion was that a Resolution would be presented to the Board at the August Board meeting to begin implementation of the proposed changes.

However, shortly after that meeting DTMA's senior Customer Service Representative (CSR), who currently handles the monthly billing, submitted her notice of retirement and provided an effective date of September 7<sup>th</sup>. She will complete the September billing before her retirement date. Obviously, this staffing change has resulted in a change to Staff's thinking regarding a couple of items. First, the implementation of the revisions to the rental property billing will be deferred until a later date so as not to overburden the other two CSRs. Second, Staff completed a thorough evaluation of current staffing workload and overall billing procedures and concluded that that two options existed: 1) shift one of the remaining CSRs to handle the billing and hire/train a new CSR or 2) consider an alternative billing strategy.

A few years back, DTMA purchased the Visual Utility Billing (VUB) software from Diversified Technology Corp., (DTC) to both update the sanitary sewer billing system and to expand that billing to include the addition of the stormwater program fee. At that time, Staff noted that DTC had a separate division (Utility Billing Service Bureau - UBSB) to provide municipal clients with cost-effective contract billing services. Obviously with the current Staff intact and the undertaking of the stormwater component, it was not considered as an option at that time.

However, with the CSR's retirement and the stormwater billing fully integrated, Staff felt that it was prudent to evaluate utilizing a third party contractor to perform the billing rather than hire and train a new CSR. Because we utilize DTC's software, the change to a third party billing seemed like a logical step. Staff requested and received a proposal from DTC to have their UBSB handle the sanitary sewer and stormwater billing.

Their proposal, a copy of which is attached to the Resolution, also includes several options up to and including handling all aspects of the billing process. To minimize the impact of the change for customers, DTMA staff would continue to field customer calls for account issues just as they currently do. Similarly, handling of the late notices, collections, district justice filings, and the posting of water shut-off notices will also remain with DTMA. These services will be reviewed periodically to determine if it is also effective to have them transferred to UBSB. Customers will also be able to have their monthly invoice emailed to them and eliminate their paper copy. Customers who are set up with AutoPay will have their information transferred over to the new billing system so there should be no interruption in their payment processing.

If the DTC proposal is accepted, DTC will run a parallel test billing in September and begin actual billing in October. DTMA Staff will notify customers of the proposed changes with a September bill stuffer, web site notices, and possibly a second, standalone mailer. Also the DTC proposal is for a three-year period; however, there is a "re-opener" clause after the first year so parties' responsibilities can be modified as may be deemed necessary. B. Link suggested that the contract be amended to say that at the end of each year fees will be adjusted. His example was a reduction in postage costs will occur if customers sign up for electronic bills, so the monthly processing costs for postage and return envelopes should go down.



Although the transition will likely present some short-term issues, Staff believes that the long-term efficiencies and proposed cost savings will more than outweigh these.

**Resolution #2018-34 – Authorization to accept contract with Diversified Technology Corporation for Professional Utility Billing Services:** B. Link made a motion to accept this contract with the suggested revision that the cost for providing this billing service will be reviewed each year to allow for adjustments to each party's responsibilities and the actual costs associated with the billing. R. Furlan seconded this motion. The motion passed unanimously by voice vote.

**Resolution #2018-35 – Approval of Revision to Program for Salary Administration Policy for the Utility Projects Analyst position:** This position was created to add the current Stormwater Tech temporary employee to the staff as a new full-time position. The position would assist all DTMA departments. The resolution was passed on a motion by R. Furlan, seconded by M. Corado. The motion passed unanimously by voice vote.

### **OTHER BUSINESS**

#### **Staff Recognition**

Bill Rehkop recognized the Staff's efforts during the recent flood event and through the process afterward. He commented that the loss could have been greater had the Staff not taken the initiative to relocate equipment and materials. Cleanup and remediation after the event was very well thought out and well executed.

#### **Township Website Info Regarding DTMA**

B. Link mentioned that the Township's website has an infographic that refers to DTMA contributing \$250-500,000 to the new Community Center project. Mr. Link felt that this reference should be removed since the DTMA Board has never voted on whether it will contribute to this project, in what way it will contribute, or how much it will contribute. Mr. Engle noted that the Township is proceeding with the Community Center project with the understanding that there will likely be a .576 mil tax increase necessary to help fund this project. That number could be reduced if certain funding enhancements are realized. Mr. Link was concerned that the infographic regarding DTMA's contribution towards the funding of the Community Center should be revised since no commitment has been made by DTMA to provide any funding for this project. Mr. Link asked what mechanism would be used that would determine the amount of the contribution by DTMA. And would there be an agreement that would be voted on by the DTMA Board pledging these funds to the Township. Mr. Engle said that the infographic mentions a contribution previously discussed by the Board that would come from ancillary funds from the new digester project. Mr. Link pointed out that this discussion was only a thought mentioned at a meeting and was never agreed to by the Board. By listing this in the infographic, he feels that this gives the perception that this contribution has already been approved when, in theory, it was only a part of a discussion. Mr. Engle noted that the Township Supervisors feel that DTMA should make a contribution to the Township going forward because the Township guarantees bonds for DTMA which allows DTMA to get a reduced rate. This rate reduction is a savings to all DTMA customers. The contribution could be used for any Township project, not just the Community Center.

Mr. Link asked where the \$250-500,000 estimated amount came from. Mr. Schutz explained that this number was derived as an example of what may become a profit on the new digester project (GESA project) after all expenses are paid. However, this number was only an example. If there is a profit, it



could be much less or more. Any true profit calculations will not be available until after the project is online and all avenues of revenue are considered. Mr. Engle said that the infographic can be changed at any time. This infographic is placed on the Township's website to try to provide transparency to the public regarding this project. Mr. Link said that his concern with the infographic was that it portrays to the public that there is already a promise of funds to the Township for the Community Center project when in fact nothing has been discussed by the Authority Board for this contribution.

Mr. Feidt then asked if the Township provides the funding for the new digester and DTMA owns and operates it, then how does the GESA project impact the amount of revenue that could be generated. Mr. Schutz explained that the GESA project will provide an additional source of revenue from trucked-in organic waste. That new organic waste will produce up to four times the biogas currently produced. Part of the GESA project will be to determine the best use for that gas as well as determining what the tipping fee needs to be for the contracted haulers bringing in that waste. Many of the contractors that ESG is looking at now as prospective clients are located out of state so that may also change as time goes on. There are many factors that are not yet able to be determined but will become clearer as the project nears construction and completion. Also, there are many uses for the biogas that have yet to be reviewed, such as offsetting electric costs for DTMA and Township structures. Mr. Feidt then asked if the biogas generated from DTMA's existing digester would be kept separate from the biogas generated from the new digester so that profits would only be determined off of the new digester. Mr. Schutz explained that all biogas would be combined and the best use for all of the gas would be examined. However, metering from each of the digesters could determine each digester's biogas generation. Fixed costs to operate the digesters would be removed before any profit is determined.

At this time in the meeting, Mr. Engle asked Mr. Schutz to let him know if or how the infographic should be changed and noted that the infographic can be changed at any time. Also, Mr. Engle had asked the Authority's Solicitor to review the infographic. The Solicitor stated that the infographic says that a tax increase for Township residents MAY be offset by a number of items, included in those is the reference to the contribution by DTMA. He felt that the way it was worded does not obligate the Authority to make any contribution.

#### **PUBLIC COMMENT**

There was no public comment at this time.

#### **ADJOURNMENT**

With no further business to come before the Board, M. Weir made a motion to adjourn the August 27, 2018 public meeting at 7:27 p.m., seconded by D. Feidt. The motion passed unanimously by voice vote.



(Assistant) Secretary