

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, SEPTEMBER 24, 2018**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, September 24, 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, Brian Link, Michael Postick, and Matthew Weir

Board Members Absent: Ronald Furlan

Also Present: Staff Wayne Schutz (Executive 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 present.

APPROVAL OF PREVIOUS MINUTES

D. Feidt made a motion to approve the Minutes of the August 27, 2018 Board meeting as written. B. Link seconded. The motion passed unanimously by voice vote

APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT

Staff presented the August Treasurer's Report and Bills for Payment for approval. M. Weir made a motion to approve the August Bills for Payment as presented. The motion was seconded by D. Feidt. The motion passed unanimously by voice vote. J. Engle made a motion to approve the August Treasurer's Report, seconded by M. Corado. The motion passed unanimously by voice vote.

UPDATES AND REPORTS

2018 Flood Update

W. Schutz read the status report from T. Mealy on the actions taken since the flood event in July 2018. In a surprise visit on Wednesday, September 5th, seven P/FEMA representatives visited DTMA. For nearly two hours P/FEMA representatives toured the damages to the facility as a result of the 2018 flood. The

visit generated optimism that financial assistance may be possible. However, their staff generally felt that obtaining and carrying insurance for equipment that is not covered does not make sense.

The insurance adjuster has completed five of the seven *Proof of Loss Applications* (damage estimates). The five applications submitted total \$504,789.

Update on Third Party Billing System

W. Schutz presented this update. Staff met with representatives from Utility Billing Service Bureau (UBSB) group and discussed the scope of this project with them as well as the change to the contract proposed by the Board at the August Board meeting. UBSB transitioned DTMA's billing platform over to their updated version of the program with just a few minor adjustments needing to be made. DTMA performed the September billing, but the transition to UBSB performing this service will begin with the October billing. In order to keep customers informed of the changes, a notice was included in September's bill explaining the transition to UBSB. Customers will need to update their bill payer service with their bank if they use an electronic payment method. Customers who utilize DTMA's Autopay program will not have to make any changes. Those transactions will still take place automatically on the due date. If necessary, a second notice regarding the changes and benefits will be distributed to the customers later in September. Customers will soon be able to sign up for electronic invoices (e-bills) too.

Proposed Rate Increases

In 2017, the Board approved a three-year program for sanitary sewer user rate adjustments (2% in 2019, 2% in 2020, & 3% in 2021). In light of the out-of-pocket flood-related losses, Staff is hopeful that the 2% rate increase will be sufficient and is proceeding with budget preparation using that 2% rate adjustment. Because that increase was approved last year, Staff intends to provide the required notifications so that the increase will be effective January 1, 2019 and allow a full year of the additional revenue to be collected. Surrounding municipalities will be contacted in order to give appropriate notice of the increase as required by their Intermunicipal Agreements with DTMA.

South Hanover Township Meeting

As Mr. Schutz noted at last month's meeting, South Hanover Township's (SHTwp) wastewater flows during July, which included the flood event, were significantly more than the average flow volume typically received from SHTwp. The total monthly SHTwp wastewater flow for July was nearly 16,000,000 gallons and with both of SHTwp's pumping stations operating continuously throughout the flood event, the daily flow exceeded 2,400,000 gallons/day on three consecutive days. This daily volume of flow triggered the excess flow surcharge clause set forth in the Intermunicipal Agreement. The resulting monthly bill for July of \$185,227.80 consisted of the "regular" calculated charge of \$89,556.40 plus an additional \$95,671.40 excess flow surcharge. Typically SHTwp's "regular" monthly bill is approximately \$40,000 for a metered wastewater flow of nearly 7,000,000 gallons/month. SHTwp has requested a meeting with DTMA on October 9th to discuss this bill. Justin Engle, Mike Postick, Lee Stinnett, & Wayne Schutz will be in attendance for DTMA.

D. Feidt noted that he had met with SHTwp's Manager recently on a different matter, but she had mentioned to him the invoice that they had received from DTMA. She stated that they are interested in discussing this with DTMA. She also mentioned that SHTwp was not aware that DTMA had the capacity

to treat such a large volume of water and that they were going to ask for clarification of this at the meeting. Mr. Schutz stated that because DTMA holds the NPDES permit, once SHTwp's flow leaves their facilities, DTMA is then responsible for its treatment. If excess flows cause DTMA to violate their NPDES permit with DEP, then DTMA could potentially be fined.

Mr. Furlan, who was not present at the meeting, had contacted Mr. Schutz prior to the Board meeting to express his concerns with this matter. He suggested that instead of the Township paying the "excess" amount over their regular monthly bill to DTMA, SHTwp should place the money in a reserve account to be used for repairs to their system to reduce excessive amounts of infiltration when possible. If the Board agrees with SHTwp not having to pay the excess flow surcharge, then this option can be presented to SHTwp at the meeting in October.

GESA Update

Since the last Board meeting, the following GESA work has continued on Phase 1 project design and equipment selection including the following items: Biogas cleaning facilities/equipment; waste flare upsizing; upgrades to the blend tank mixing; Secondary Digester mixing and biogas storage improvements; cogeneration facilities/equipment; site work including stormwater management facilities; and permit application work. Concurrent with GESA Phase 1 is the relocation of power center #2 out of the flood plain. Preview of Phase 1 Contract Work will be reviewed at the October 15th Board Meeting. ESG Contract Proposal for Construction of Phase 1 will be presented at the November 19th Board Meeting.

Mr. Rehkop presented a copy of the site plan and reviewed it with the Board members. Staff will be reviewing this plan with ESG on September 25.

Construction Projects Status Report

Bill Rehkop provided the following updates on current construction projects:

Sanitary Sewer Rehabilitation Project [Contract 2017-02]

All outstanding work for this contract has been completed and the contract closeout documents have been received from Rogele. As required for contract closeout and to reconcile (estimated vs. actual quantities) Unit Price Bid Contracts, Rogele has submitted CO #03 for an increase of \$9,457.16 to the contract price. The additional quantities include the additional excavation and backfill that were incidental to the spot repairs on the sewer mains. With the approval of CO #03, AFP #3-Final in the amount of \$73,875.71 will be paid from the 2015 Capital Projects Fund and presented for ratification at the next Board meeting.

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

All outstanding work for this contract has been completed. Once the contract closeout documents are received, Staff will process the final AFP.

WWTP Infrastructure Coatings Project [Contract 2018-02]

The starting date for work under this contract has been delayed due to the amount of rainfall and increased flow to DTMA's plant over the last month. The contractor plans to start work during the week of October 8th.

WWTP Underground Heating Lines Replacement Project [Contract 2018-05]

On Wednesday, September 19th, DTMA received three (3) bids through the online PennBid Program for Contract No. 2018-05 – WWTP Underground Heating Lines Replacement Project. This project includes the replacement of the hot water supply and return heating lines that serve the Maintenance Garage, Sludge Building, and the Filter Building at the Clearwater WWTP.

The apparent low bidder, JP Environmental, LLC., has previously performed a similar project for DTMA. Staff was very satisfied with the quality of their work product and recommends approval of this contract. This project was planned and budgeted under the 2018 Construction Fund.

Southwest WWTP Thickener Addition Project [Contracts 2018-06G, 2018-06E]

On Wednesday, September 19th, DTMA received bids through the online PennBid Program for Contract Nos. 2018-06G – General Construction and 2018-06E – Electrical Construction for the Southwest WWTP Thickener Addition Project. The project includes the installation of the pre-purchased PW Tech Volute Thickener, pumps, piping, and associated electrical modifications to provide a complete operable system. The apparent low bidder for the General Contract is 4M Construction Services and the low bidder for the Electrical contract is Monacacy Valley Electric. Both of the contractors have satisfactorily performed projects for DTMA in the past.

ITEMS FOR ACTION

Resolution #2018-36 – Approval of Change Order #3 for Rogele for the 2018 Sanitary Sewer Rehabilitation Project Contract #2017-02: This resolution was passed on a motion by B. Link, seconded by M. Postick. The motion passed unanimously by voice vote.

Resolution #2018-37 – Ratification of project payments from the 2015 Capital Projects Fund for August 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 M. Weir, seconded by M. Corado. The motion passed unanimously by voice vote.

Resolution #2018-38 – Bid award for Contract #2018-05 Underground Heating Lines Project to JP Environmental LLC: This resolution was passed on a motion by D. Feidt, seconded by M. Corado. The motion passed unanimously by voice vote.

Resolution #2018-39 – Bid award for Contract #2018-06G Southwest WWTP Thickener Addition Project General Contract to 4M Construction Services LLC: This resolution was passed on a motion by M. Postick, seconded by B. Link. The motion passed unanimously by voice vote.

Resolution #2018-40 – Bid award for Contract #2018-06E Southwest WWTP Thickener Addition Project Electrical Contract to Monacacy Valley Electric Inc.: This resolution was passed on a motion by M. Postick, seconded by D. Feidt. The motion passed unanimously by voice vote.

Discussion on Financial Advisor Appointment

DTMA does not currently retain or have a Financial Advisor of record. For many years Staff has relied on Lou Verdelli to provide a level of guidance on bond issues or issue refinancings. He has always provided DTMA with the highest quality service as its bond underwriter. However the most recent DTMA bond issue highlighted the fact that in his role as the bond underwriter, he is specifically not permitted to be identified as or serve in the capacity of Authority Financial Advisor.

In light of the Authority's GESA Project undertaking, Staff believes that an Independent Financial Advisor would be a valuable asset to assist the Authority with the financing aspects of the GESA project implantation. Qualification Statements from the following three recognized public financial advisory firms to serve as the DTMA Financial Advisor were received:

- PFM Financial Advisors (Harrisburg)
- Concord Public Financial Advisors (Lancaster/Reading)
- Financial S&Lutions (Reading/Lancaster)

All three firms have the significant local government experience and highly qualified professional staff to serve in the role of DTMA's independent Financial Advisor. After reviewing the statement of qualifications, Staff has rated Concord Public Financial Advisors slightly higher because their advisory services are exclusively with municipal clients. J. Engle pointed out that PFM also only deals with municipal clients. He also noted that the Township of Derry currently uses PFM as their Financial Advisor. He felt that it may benefit DTMA to use the same firm since they are already familiar with the Township's business and the Township and DTMA are ultimately connected. PFM also deals with Lou Verdelli's firm for bond financing issues. Mr. Engle stated that PFM has 40 offices around the country that have different specialties so they can draw upon those resources should DTMA require assistance with a particular item that the local office may not be as familiar with. Mr. Engle also knows of another authority who is using PFM to assist them in acquiring other local entities.

B. Link commented that he agreed with Staff in suggesting that Concord Public Financial be selected since they showed more experience than the other two firms. He also felt that the Authority may want to have a different consultant than the Township so they can offer a different perspective on situations where the Township and DTMA may both be involved. Mr. Schutz noted that while he has worked with PFM and is very comfortable with their staff, he feels that sometimes the Township and Authority's interests are not always the same and having a separate consultant may help to give the Authority a more objective outlook on common projects. He also expressed the concern that PFM may be associated with the valuation of utilities for possible privatization and would request that should PFM be selected, their engagement letter would include a confidentiality clause stating that DTMA information not to be shared. Mr. Engle said that he inquired on this with PFM representatives and was assured that they do not represent utility companies in privatizing municipal utilities. Mr. Schutz also requested that DTMA retain its current legal team of Caldwell and Kearns and Salzmann Hughes and its current Bond counsel of McNees Wallace. It was also mentioned that Mr. Verdelli's firm has in the past worked with each of these firms while assisting their municipal clients with bond issues. Mr. Postick asked when Staff for the timeframe for the Board to have make appointment. Mr. Schutz suggested that it would be beneficial if the Advisor could be in place by November so that they could be brought in on the GESA project when it is presented to the Board in

November. Paul Gross suggested that Staff may want to ask each of these firms if they are familiar with GESA projects, if that could help with making their decision.

Mr. Link made a motion to appoint Concord Public Financial Advisors as the Authority's Financial Advisor. There was no second to his motion.

Resolution #2018-41 – Authorization to accept the proposal from PFM Financial Advisors to serve as Financial Advisor for DTMA: M. Corado made a motion to appoint PFM Financial Advisors as Financial Advisor, seconded by M. Weir. The motion passed by voice vote. B. Link voted against the motion. D. Feidt abstained from voting as his company has a business relationship with PFM Financial Advisors.

Discussion on Resolution #2018-42

DTMA has two plans designed to provide employees with a retirement pension. The first is a defined contribution pension plan (Principal Money Purchase Plan (MPP)). The second is a 457 Plan (ICMA 457, 457 Roth, & Roth IRA). The Authority contributes 6% of each employees' salary to the Principal MPP. The ICMA 457 Plans are voluntary contributions; however, the Authority will match 50% of the first 4% of the employees' salary to the 457.

Over the last few years, the requirement for reviews and compliance for these plans, and in particular with the Principal MPP, has become more comprehensive. The increasingly complex nature of these required periodic review activities are such that Staff is no longer comfortable with the responsibility to perform that required regulatory review work. In addition to the regulatory review component, it is also necessary to periodically review and occasionally revise each of the plans' investment offerings.

Over the years DTMA has used Conrad Siegel to perform different analyses and they have provided excellent professional pension and actuarial services. Staff met with representatives of the firm and requested that they submit a proposal to handle the type of work discussed earlier. By utilizing Conrad Siegel, the Authority will not only have highly-qualified professionals reviewing our plans for regulatory compliance and any potential improvements, but also their retention will minimize if not eliminate potential liability issues for both DTMA and the Staff.

Mr. Link noted that his firm has 3,700 employees and they have a consultant that will review their plan and make recommendations to their company's in-house 401(k) Committee. Mr. Schutz explained that Conrad Siegel would act like the Authority's Investment Committee in that it would review the Authority's plans and would make recommendations to Staff, who may implement certain recommendations, or to the Board for approval of more substantive changes or improvements to the plans. Conrad Siegel would look at things like fund fees and performance which is more analysis than the Staff is comfortable doing. Conrad Siegel could even look to see if combining these two plans or perhaps choosing different vendors may be beneficial for the Authority and/or the employees.

Mr. Link also asked if representatives from the retirement plan companies provided recommendations also. Representatives provide educational assistance to employees, but are not permitted to suggest changes to the plans or make recommendations on investment choices. Plan design is a fiduciary responsibility of DTMA.

Resolution #2018-42 – Authorization to appoint Conrad Siegel as DTMA’s Non-Discretionary Pension Plan Investment Advisor: The resolution was passed on a motion by B. Link, seconded by M. Corado. The motion passed unanimously by voice vote.

Wage and Salary Policies Amendments

One important component of the annual budget preparation is the wage and salary schedules. In anticipation of the 2019 Wage and Salary recommendations to the Board, Staff monitors and reviews several well-respected general and trade-specific salary surveys. DTMA also participates in some of these surveys. The results of these reviews provide the basis for the annual pay range adjustment recommendations and the resulting proposed salary budget increase. The WorldatWork, Bloomberg, and Kiplinger salary surveys and general trade information are all fairly consistent in reporting that the projected overall salary budget increases are projected to increase between 3.0% and 3.3% for 2019.

This data was discussed with the Personnel Committee which concluded with a recommendation that the Authority’s pay range schedules be increased by 2.1%. This means that the minimum and maximum hourly wages and annual salaries authorized for various positions would be increased by 2.1%. An individual employee’s hourly rate or salary will fall anywhere in between the minimum and maximum of their positional ranges.

Similar to the last four years, it is also recommended that the total 2019 budget for pay increases, including merit increases, be established at 3.1% of the current wage and salary budget and adjusted for new hires, approved range adjustments, and promotions. Depending on an employee’s performance evaluation, a typical employee could receive an increase of between 2.1% and 4.1%.

During 2018, DTMA continued to experience Staff transitions including three retirements, two departures, and seven new hires.

Resolution #2018-43 – Approval to increase the 2019 Salary Budget and pay ranges by 3.1%: The resolution was passed on a motion by D. Feidt, seconded by M. Corado. The motion passed unanimously by voice vote.

EXECUTIVE SESSION


At 7:06 p.m. the Board recessed into Executive Session to discuss a legal matter. They reconvened the meeting at 7:14 p.m.

PUBLIC COMMENT

There was no public comment at this time.

ADJOURNMENT

With no further business to come before the Board, D. Feidt made a motion to adjourn the September 24, 2018 public meeting at 7:15 p.m., seconded by J. Engle. The motion passed unanimously by voice vote.



(Assistant) Secretary

