

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, MARCH 25, 2019**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, March 25, 2019, in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Chairman Postick called the meeting to order at 6:00 p.m.

ROLL CALL

Board Members Present: Charles Duncan (arrived at 6:10 p.m. during the GESA update), David Feidt, Ronald Furlan, Brian Link, Michael Postick, Matthew Weir, and Richard Zmuda (left the meeting at 6:40 during GESA update).

Board Members Absent: None

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

Consultants Lee Stinnett (Solicitor, Salzman Hughes)
Paul Gross (Buchart Horn)

Visitors Donna Kreiser (McNees Wallace & Nurick)
Steve McGuire, Colin O'Brien, and Chris Peluso (Brown & Caldwell)
Dave Jones & Aiden Murphy (Energy Systems Group)
Ben Kapenstein (PFM)

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF PREVIOUS MINUTES

K. Bloom noted a correction on the Minutes that were presented to the Board for approval. The Minutes incorrectly stated that W. Rehkop was present at the meeting and he was not. A correction was made to the copy that will be placed in the Minutes Book. R. Furlan made a motion to approve the Minutes of the February 25, 2019 Board meeting as amended. D. Feidt seconded. The motion passed unanimously by voice vote.

APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT

Staff presented the February Treasurer's Report and Bills for Payment for approval. B. Link made a motion to approve the February Treasurer's Report and Bills for Payment, seconded by R. Furlan. The motion passed unanimously by voice vote.

UPDATES AND REPORTS

GESA Project Update

On Thursday, March 14th, DTMA Staff and the DTMA GESA Work Group met with representatives of Energy Systems Group (ESG) and Brown & Caldwell (BC) to discuss Phase 2 work under the GESA delivery process. The purpose of this meeting was to review the new roles and responsibilities of the ESG Team, review the revised project schedule, and review the status of the PDA Tasks completed to date or in progress.

Dave Jones, ESG Business Manager, presented the re-organization of the ESG Team. He also discussed the comparison between Design/Bid/Build (DBB) (the traditional municipal bidding process) and an Energy Savings Procurement Contract (ESPC) for the project. While both of these alternatives accomplish the same end result, the risk for DTMA is different in each scenario. In the DBB alternative, an Engineering Consultant is responsible for developing the Master Plan and the Preliminary Engineering Report as well as preparing the design plans and specifications that will be used in the Bidding Process. Once the project is bid, DTMA is responsible for selecting the successful contractor and awarding the contracts. Once the contracts are awarded, then the Contractors are responsible for completion of the construction and acceptance of the project by DTMA.

In the ESPC model, the steps are essentially still the same, but the ESPC model rearranges the steps so that more of the decisions involving the scope and function of the project are resolved earlier in the process. Subcontractors become involved earlier in the process to provide valuable insight on the final design and construction as well as to provide more accurate pricing. The Staff and the Board would be involved throughout this process. With Board approval, ESG would then negotiate a contract that would provide the structure, scope, price, and project guarantees. The Board would then decide whether or not to proceed with the project. ESG then acts as the general contractor for the project and is responsible for dealing with the subcontractors until project completion.

Mr. Jones also noted that a Financial Model is being developed that will show the comparison of DTMA's current costs against the proposed costs and savings experienced by the project. The Model will be available for the next GESA Work Group meeting and then presentation to the Board. This Model will allow Staff to do a comparison against DTMA's existing cost and expense structure to the proposed costs and savings from the Project. B. Link asked if the Board would be able to terminate the project and pay for costs incurred to date if the Board decides that the financial model does not justify project costs. Mr. Jones said that the Board would be able to terminate the PDA and pay for costs incurred.

Aiden Murphy, ESG Organics Acquisition Manager, discussed an overview of the organics market potential. He noted that DTMA already has a very successful liquids-receiving operation, but that there were other materials that DTMA could not accept because of limited current capacities. He noted that Staff was concerned with the possibility of another receiving station becoming available in the area that would not only be able to accept the materials that DTMA could not currently accept, but also take away some of DTMA's existing customers. ESG was asked to look at the market to see if those concerns were valid.

Mr. Murphy explained that they review the market in several phases: the PDA phase, the development phase, the construction phase, and the seeding and start-up phase. At each phase of the project, there seems to be a different level of interest. The level of engagement from suppliers at the beginning of a project can be significantly different than when a project is nearing completion. ESG has many suppliers that they contact who can give them information on how much waste they are generating, their current disposal options, the barriers that they have regarding the waste, any potential clients they would like to

take on if they had a reliable disposal site, and market pricing. From this info, ESG produces a model of current and potential suppliers and quantities. ESG has developed a model for DTMA that shows 15 potential suppliers from 18 potential waste streams. Four of the suppliers currently do business with ESG. Often uninterested suppliers at the beginning of a project become suppliers when the project is ready for start-up. Mr. Murphy noted that Jones Farms in Carlisle is currently applying 29 million gallons of liquid waste and 15-18 tons of biosolids to farm fields in the area. This information has been applied to the model since at some point, the regulations for the land application may restrict this activity and those organic wastes will need to be disposed of in a different manner and location.

Mr. Weir asked why DTMA would be a good location for this type of a project. Mr. Murphy stated that because DTMA is already receiving this type of waste, it makes sense to expand the current facilities to accept more. DTMA is also centrally located within the waste supply stream. He also noted that there is a Harrisburg facility that has already done a study for this same type of project. Mr. Murphy said that typically the first receiving station to start in an area can control the market for a long time. Mr. Link asked what percentage capacity our current egg-shaped digester has remaining. There is about 15% capacity available for new suppliers. Mr. Zmuda asked if Clearwater Road would need to be reconstructed in order to handle the additional truck traffic. The Director said that DTMA would work with the Township on that since there are several entities that utilize Clearwater Road.

The Financial Model has an organics component so as the numbers change, the Model can be updated to reflect the increase or decrease of high-strength waste and the costs associated with those changes. It will also take into consideration the types of waste and the benefits or problems in accepting it.

Mr. Weir asked if there would be any odor problems and what additional truck traffic could be expected. The waste would be trucked in sealed tankers and discharged into covered basins. The additional truck traffic would depend on how much additional waste was accepted, but an estimate of 10-15 trucks per day would be reasonable.

M. Postick asked if suppliers could purchase "future" capacity in case they aren't ready when the project is completed. Mr. Murphy stated that there is typically a "window" of capacity availability that is granted to the supplier, but it is for a limited period of time.

South Hanover Township Update

In early February, following a discussion and guidance from the Board, a Letter of Understanding (LOU) was sent to South Hanover Township (SHT) for their execution. The LOU dealt with a proposal on the conditions for relieving a portion of SHT's July 2018 excess flow surcharge. On March 6th Staff received SHT's counteroffers amending the original LOU. They are as follows:

1. Their first counterproposal is to pay the requested late charge but have DTMA return or credit the full amount of the late charge if SHT completes all the work by October 1, 2020.
2. Their second counterproposal is to perform an additional \$35,343 in pipe relining work in lieu of the LOU requested SSE Study work.

The Board had stated at their February meeting that they felt that SHT needed to pay the late fee, so the consensus was not to accept Counterproposal 1. The majority of the Board members felt the work noted in counterproposal 2 was probably work that they were going to do anyway, but they did agree to let SHT forego the engineering study and have them do the additional relining work. However, if there are surcharges in the future, DTMA will not be inclined to make concessions on the payment of them.

Building Flood Barriers

Staff executed a design agreement with Buchart Horn to design a project for flood proofing the doors in the Control and Sludge Buildings as well as the primary sludge, thickened sludge, sludge transfer, and waste sludge pumping stations. The flood proofing would serve as protection against Swatara Creek flood levels of approximately 18-19'.

CONSTRUCTION PROJECTS STATUS REPORT

W. Rehkop provided a report on the following updates on current construction projects:

WWTP Infrastructure Coatings Project [Contract 2018-02] – All work under this contract is complete as of February 6, 2019. The contractor has not yet submitted the requested pre/post construction photos, coatings warranty certificate, and closeout documentation. In response to an e-mail sent to the contractor on March 5th, Suez is still finalizing these items for contract closeout. Staff will continue to hold final payment until all contract obligations are complete. The final payment will be processed once all contract obligations have been satisfied.

WWTP Underground Heating Lines Replacement Project [Contract 2018-05] – The contract work is substantially complete as of February 21, 2019. The remaining work to be completed is reseeding the disturbed lawn areas which will be completed by next month, weather permitting.

JP Environmental submitted AFP #02 in the amount of \$19,618.00. This project is being paid through our regular operating account A/P process. Once the project is completed, the operating account will be reimbursed from the Wastewater Resource Allocation (WWRA) Fund.

With completion of the contract work, Staff anticipates receipt of the contract closeout documentation and AFP #03-Final from JP Environmental by April's Board meeting. Prior to processing AFP #03-Final for payment, we will present reconciling CO #02 (bid vs. actual installed) to the Board for approval at the April meeting.

Southwest WWTP Thickener Addition Project [Contracts 2018-06G, 2018-06E] – The work is continuing to progress on schedule with no reported setbacks or major issues to date. Work should be completed by the Substantial Completion date of May 1, 2019. 4-M Construction Services submitted AFP #01 (Contract 2018-06G) in the amount of \$31,671.00. Payment for AFP #01 was previously disbursed from the 2015 Capital Projects Fund and is included in Table 1 of Resolution 2019-21 for ratification by the Board.

ITEMS FOR ACTION

Discussion on Resolution #2019-17

W. Schutz noted that in February, the Board authorized its Finance Team (PFM, McNees Wallace & Nurick (MWN), and RBC Capital Markets) to proceed with preparations for the issuance of \$10 million, bank-qualified Guaranteed Sewer Revenue (GSR) Bonds. The purpose of this new borrowing is to undertake projects for Energy Enhancement, Power Improvements, and extensive site work at the Clearwater WWTF.

The Staff and Finance Team have been working on the various pre-issuance items including the Preliminary Official Statement (POS), S&P bond rating, and final details of the 12th Supplemental Trust Indenture. Lou Verdelli (RBC) stated that the Finance Team has been working on preparing the legal documents for approval by the Board at this meeting and by the Township at their meeting on March 26.

RBC has begun updating the Preliminary Official Statement and also organized the bond rating call with Standard & Poors (S&P) to obtain the credit rating for this issuance. This rating is based on the scope of the projects for which the money will be used, review of DTMA's and Township's financial statuses, the Authority's revenue stream for repayment of the debt service for the borrowing. A credit rating was reaffirmed at AA with a stable outlook. Mr. Verdelli also discussed the current bond market, reviewed the impact of this new borrowing on the Authority's debt service, and provided the final schedule for proposed new money borrowing.

B. Link asked if DTMA should maybe wait to issue bonds since the projects will not be started until later this summer. It was noted that the bond rates are very low right now and some of the funds will be needed for the startup of the projects within the next few months. It was also noted that the bond funds will be invested so they will be earning near what the bond rate is for the borrowing. Mr. Link also asked if the Township's rating changes because of their new borrowings, does that affect the rating for this issuance. Mr. Verdelli explained that the AA rating with stable outlook is set for two years. After that, if the Township's rate would change and negatively impact DTMA's borrowing, then DTMA could obtain its own credit rating and would not need to use the Township's rating.

Donna Kreiser (MWN) presented Resolution 2019-17 which authorizes issuance of the 2019 DTMA GSR Bonds, including obtaining Board approval for the POS, the 12th Supplemental Trust Indenture, the Township Guaranty, and the related issuance requirements. Ms. Kreiser noted that the 12th Supplemental Trust Indenture updates the language in the original 1998 Trust Indenture to allow for the investment of bond funds in approved local government investment pools, which was not previously permitted. The Township Guaranty Agreement will subsequently be presented to the Township Board of Supervisors at the March 26, 2019 meeting for approval. With the above approvals schedule, the bond sale will take place on Wednesday, March 27th and settlement will occur on April 30th. C. Duncan asked if staff could provide the Board with a pool of qualified candidates that may be able to be utilized for future borrowings.

Resolution #2019-17 – Authorization for Issuance of 2019 Guaranteed Sewer Revenue Bonds for the Clearwater Road Energy Enhancements and Power Improvements Projects: This resolution was passed on a motion by B. Link, seconded by R. Furlan. The motion passed by voice vote.

Discussion on Resolution #2019-18

W. Rehkop noted that over the past month, Staff met with representatives from Brown & Caldwell (BC) to develop a detailed scope outline for the design components of the Clearwater WWTF Energy Enhancements Project (formerly Phase 1 of the GESA Project). This project will proceed as a conventional design-bid-build. The BC design team will include RK&K for electrical design and Bassett Engineering for civil site design and permitting assistance. By using the same design team previously utilized under the former Phase 1 GESA project, this design team will maintain continuity and project delivery efficiency with coordination of both project deliverables and schedules.

Chris Peluso of BC gave an overview of BC's role in this project and provided information on other projects they have undertaken similar to DTMA's. Colin O'Brien reviewed the scope of the proposal. The project implementation schedule is being coordinated with the GESA project schedule and associated deliverables to avoid any potential rework. BC anticipates starting design work in August 2019 following the completion of the ESG Biosolids and Dewatering Assessment Plan (PDA Task 1). ESG Task 1 deliverables include specific design criteria for biogas production and utilization which will serve as a portion of the basis of design (BOD) for the Energy Enhancement project. BC is hopeful that they will be able to start the design work much sooner provided the ESG Task 1 initial findings and recommendations (draft to be

completed in May 2019) are reasonable, comprehensive, and agreed upon by all parties. Equipment purchases are scheduled to be completed in December to allow for the lead time for delivery.

B. Link asked for clarification for what services were done and paid for previously under the Phase 1 GESA project and what would be needed going forward. DTMA's Solicitor has reviewed and is comfortable with the contract terms and conditions.

Resolution #2019-18 – Approval of Design and Bid Phase Engineering Services Proposal from Brown & Caldwell for the Clearwater Road WWTF Energy Enhancements Project: This resolution was passed on a motion by C. Duncan, seconded by B. Link. The motion passed unanimously by voice vote.

Resolution #2019-19 – Ratification of project payments from the 2015 Capital Projects Fund for March 2019: Staff reviewed the payments from the 2015 Capital Projects Fund requiring Board ratification. This resolution was then approved on a motion by C. Duncan, seconded by R. Furlan. The motion passed unanimously by voice vote.

Resolution #2019-20–Approval of Employee Handbook: It was noted that the policies on Firearms/Weapons and No Tobacco Use will be further revised and will not be implemented until July 31, 2019. This resolution was passed on a motion by C. Duncan, seconded by R. Furlan. The motion passed unanimously by voice vote.

PUBLIC COMMENT

There was no public comment at this time.

EXECUTIVE SESSION

The Board recessed into Executive Session at 7:56 p.m. to discuss a personnel issue. The Board reconvened at 8:23 p.m. The Board appointed Charles Duncan, Ron Furlan, and Matt Weir to serve on the Personnel Committee for 2019.

ADJOURNMENT

With no further business to come before the Board, C. Duncan made a motion to adjourn the March 25, 2019 public meeting at 8:25 p.m., seconded by R. Furlan. The motion passed unanimously by voice vote.

(Assistant) Secretary