

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, JUNE 10, 2019**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, June 10, 2019, in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Vice Chairman Furlan called the meeting to order at 6:00 p.m.

ROLL CALL

Board Members Present: David Feidt, Ronald Furlan, Brian Link, Matthew Weir, and Richard Zmuda.

Board Members Absent: Charles Duncan and Michael Postick

Also Present: Staff Wayne Schutz (Executive Director)
William Rehkop (Facilities Director)
Michael Callahan (Stormwater Program Coordinator)
Pearl Comarnitsky (Finance Director)

Consultants Lee Stinnett (Solicitor, Salzman Hughes)
Paul Gross (Buchart Horn)
John Bonawitz (Brown Schultz Sheridan & Fritz)

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF PREVIOUS MINUTES

D. Feidt made a motion to approve the Minutes of the April 29, 2019 Board meeting as amended. R. Zmuda 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. B. Link asked staff for clarification on a few payments. After this discussion, R. Zmuda made a motion to approve the April Treasurer's Report and Bills for Payment, seconded by M. Weir. The motion passed unanimously by voice vote.

UPDATES AND REPORTS

Pension Plan Request for Proposals

An RFP was made available for firms interested in providing pension services for the Authority's retirement plans. The RFPs are due back to Staff by June 17. They will be reviewed and a report will be given to the Board at the July 22 Board meeting.

Hershey Pretreatment Plant Update

Staff has had two meetings with Hershey Company representatives. Staff advised Hershey that DTMA is not willing to accept the pretreatment plant's sludge in its current state. Hershey will meet with their consultants to see what modifications can be made. The Board asked whether Hershey had applied for their NPDES discharge permit yet. To date they have not, but the application will be advertised in the PA Bulletin allowing for a public comment period. The current agreement among Hershey, the Township and

the Authority calls for Hershey to utilize the Authority's facilities; however, if Hershey submits an application for their own direct discharge permit, then a new service agreement will be required. A draft agreement was sent to Hershey in January 2018. Despite numerous reminders to Hershey, the Staff and Solicitor are still waiting for review comments from Hershey. Mr. Schutz will send an email to the new Township Manager advising him of the discussions with Hershey, since he may not be familiar with this situation.

RK&K Proposal for Flood Mitigation for Plant Electrical Components

The Executive Director signed a proposal for \$15,000 for RK&K to provide flood mitigation and resiliency solutions for equipment that is located in flood-prone areas. The report will identify flood vulnerable equipment and electrical/SCADA components. It will also provide a proposed prioritization for either improving the flood resistance/resiliency when possible or for the relocation of those items to areas not exposed to flood damage.

CONSTRUCTION PROJECTS STATUS REPORT

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

Southwest WWTP Thickener Addition Project [Contracts 2018-06G, 2018-06E] – The PW Tech volute thickener and associated process equipment startup and testing was successfully completed on May 22, 2019. All contract work is substantially complete as of May 31, 2019 and punch list items have been transmitted to both contractors for their resolution.

The construction period for both contracts extended past the original substantial completion (SC) date of May 1, 2019. Delays in the delivery of the equipment and materials to the project site were cited as support for the time extension requests. Equipment startup and testing by the manufacturer could not be completed until those issues were resolved. Both 4-M Construction Services and Monacacy Valley Electric have submitted no cost, time extension change order requests to extend the SC date by 30 days to May 31, 2019.

Because of the Trust Indenture language, requisition payments drawn on the 2015 Capital Projects Fund (2015 CPF) may be made by the Executive Director followed by Board ratification. However requisitions for payments from the 2018 Construction Fund (2018 CF) must be authorized by the Board before payment can be made. Because the 2015 CPF is nearly exhausted, it was necessary to pay select AFPs from the 2018 CF.

As a result, payment for the Monacacy Valley Electric, Contract 2018-06E, AFP #02, was previously disbursed from the 2015 CPF and is listed in Table 1 for ratification. The payment for the 4-M Construction Services, Contract 2018-06G, AFP #03 in the amount of \$35,943.25 is listed in Table 2 for payment authorization from the 2018 CF.

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 Independent Auditor's Report and the second is the presentation of the financial statements.

Mr. Bonawitz began by reviewing 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 and will be presented later by the Executive Director.

There was one change in accounting principal under the Other Post-Employment Benefits (OPEB). It was the addition of the Authority's new retirement health care benefit. This new benefit added a \$1.1 million liability and a \$1.1 million expense to the financials since this is the first year for the program.

Mr. Bonawitz noted that there was a change in Total Assets on the Financial Statements mainly attributed to the remaining funds of the 2018 \$5 million Bond issue and an increase in depreciation expense. Total Liabilities increased in 2018 by \$3.6 million which was attributed to the OPEB benefit and an increase in debt (new bond issue) minus debt service payments made.

This year's audit combines the wastewater and stormwater businesses of the Authority. Pages 44 through 58 of the report reflect the Statements of Revenues and Expenses for both. Page 17 shows the increase of approximately 5% in Operating Revenue and the increase in Operating Expenses. Page 18 of the report shows Non-Operating Expense increased with changes in Capital Lease and Bond payments as well as the loss on the disposal of fixed assets. There was a decrease in Net Position of approximately \$150,000 at year end. The Long-Term Debt footnote on Pages 30-32 explains how the \$35 million of debt will be repaid by 2032. Also, he reviewed the Subsequent Events Footnote on Page 42 that discusses the additional \$10 million bond that was issued in April of 2019.

The Executive Director then reviewed the MD&A report which provides a comparison of fiscal year 2018 with 2017. The Net Position decreased by approximately \$150,000. Current Assets increased by \$2.01 million; Current Liabilities increased by \$396,000; Operating Revenues from all sources increased by \$641,500 and Operating Expenses increased by \$1.78 million. Non-Operating Expense increased due to a write-off of approximately \$590,000 for equipment damaged in the flood event of July 2018. The increase in Operating Expense was mainly due to the expenses associated with the OPEB program and PTO and severance payouts. 2018 billable wastewater increased slightly over 2017. WW revenue increased due to the 2% increase in user fees. Hauled wastewater revenue increased slightly by \$14,400. Stormwater Revenue decreased by 1.4%. It appears that the Stormwater revenue stream has stabilized and will remain near this level for the foreseeable future.

In early 2019, \$392,000 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 went 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. The Board has approved increases of 2% and 3%, respectively, for years 2020 and 2021 for wastewater sewer user rates.

B. Link asked questions regarding what items are included in the Administrative, Payroll Taxes and Employee Benefits line item on Page 17. This line item includes an increase due to retiree payouts for severance and paid time off, the OPEB benefit, and increases in salaries and health care benefits.

Resolution #2019-27 - Approval of 2018 Financial Audit Reports: After presentation of the 2018 Audit report by Brown Schultz and the Executive Director, this resolution was passed on a motion by B. Link, seconded by M. Weir. The motion passed unanimously by voice vote.

ITEMS FOR ACTION

Resolution #2019-28 – Ratification of project payments from the 2015 Capital Projects Fund for April 2019 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 D. Feidt, seconded by R. Zmuda. The motion passed unanimously by voice vote.

Resolution #2019-29 – Approval of Change Order #1 with 4M Construction Services for Contract #2018-06G and Change Order #1 with Monacacy Valley Electric Contract #2018-06E, Southwest WWTP Thickener Addition Project: This resolution was passed on a motion by B. Link, seconded by M. Weir. The motion passed unanimously by voice vote.

Discussion on Resolution #2019-30

DTMA currently has a retainer agreement with HRG, Inc. for services related to its stormwater program. Staff would like to initiate a number of stormwater projects throughout the Township and has requested that HRG provide a proposal to provide engineering and other technical services for the proposed new work Tasks 017 through 022. HRG has submitted a Confirmation of Assignment (COA) proposal to complete the requested work. The components of the work tasks include survey, wetland delineation, and concept sketch components that serve as the initial stages to gather foundational information necessary to position these projects for implementation and to provide comprehensive data for future grant submissions.

Three of the Tasks involve work on DTMA-owned basins. Two of the Tasks involve work on Homeowner Association (HOA)-owned basins that are located in the Bullfrog Valley stream corridor. These two basins are part of a larger watershed-scale remediation plan that includes work underway on the restoration of the Derry Woods basin and the award of the MEII grant for stream corridor restoration. The final Task is to further the planning for one of DTMA’s MS4 permit required Pollution Reduction Plan projects in the Deer Run development. These projects were included in the 2019 Stormwater Budget and are integral to meeting DTMA’s near and long-term MS4 permit and Pollution Reduction Plan requirements. The total Task costs included in the COA are \$70,900.

Resolution #2019-30 – Approval of the Confirmation of Assignment with HRG: This resolution was passed on a motion by B. Link, seconded by M. Weir. The motion passed by voice vote. D. Feidt abstained from voting because of a pre-existing business relationship with HRG.

Discussion on Resolution #2019-31

At the April DTMA Board meeting, Board Member Brian Link expressed interest in having DTMA participate in formal watershed-scale approaches to some of the local stormwater issues by partnering with environmental or watershed organizations or community groups. One important requirement of the Authority’s MS4 permit is to improve water quality and addressing the issues at a watershed scale is a key component. To properly address any water quality issues, the Authority must establish a baseline of existing water quality data through data collection to both understand the existing conditions and to

document improvements over time. To aid in these endeavors, Staff believes that engaging with community partners like those involved in the Stormwater Advisory Committee, local environmental and watershed groups, and local and regional educational institutions can support the resources required to gather needed data and formulate watershed-scale improvements that will ultimately improve water quality to any local impaired streams.

Resolution #2019-31 – Approval of Watershed Planning Participation with community groups: This resolution was passed on a motion by M. Weir, seconded by B. Link. The motion passed unanimously by voice vote.

Discussion on Resolution #2019-32

The Solicitor has reviewed the revisions to the Guaranteed Energy Savings Contract Project Development Agreement – Amendment #01 proposed by ESG. The majority of the changes proposed by ESG were minor and mostly stylistic. The only significant change proposed by ESG was to strike the paragraph requiring that ESG provide any project deliverables not previously provided to DTMA within ten days. It was determined that no project deliverables remain outstanding. The Solicitor did not have an issue striking that paragraph and recommends approval of the amendment by DTMA.

Resolution #2019-32 – Approval of ESG PDA Amendment #1: This resolution was passed on a motion by D. Feidt, seconded by M. Weir. The motion passed by voice vote. Brian Link voted against this motion.

OTHER BUSINESS

B. Link noted that work was completed by the Township on Bullfrog Valley Road recently. He asked if the Township supplies their capital projects with DTMA so that we can coordinate any sewer or stormwater work with their schedule when possible. Staff noted that they do contact the Township and work is coordinated when reasonable.

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 June 10, 2019 public meeting at 7:22 p.m., seconded by R. Zmuda. The motion passed unanimously by voice vote.

(Assistant) Secretary