

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, NOVEMBER 19, 2018**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, November 19, 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, Brian Link, Michael Postick, and Matthew Weir

Board Members Absent: David Feidt and 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)

Visitors Dennis Clough and Helen Silvis (Energy Systems Group)

PUBLIC COMMENT

There was no public present.

APPROVAL OF PREVIOUS MINUTES

M. Weir made a motion to approve the Minutes of the October 15, 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 October Treasurer's Report and Bills for Payment for approval. Prior to the Board meeting, Mr. Furlan had raised a few questions to staff regarding some items listed in the Treasurer's Report. Mr. Schutz and Mrs. Bloom addressed the questions. Mr. Link also asked about the Petty Cash check reimbursement. After this discussion, B. Link made a motion to approve the October Treasurer's Report and Bills for Payment, seconded by M. Postick. The motion passed unanimously by voice vote.

UPDATES AND REPORTS

2018 Flood Update

Wayne Schutz reported that two remaining applications have not been completed by the insurance adjuster for the Highmeadow and Mansion Road Pump Stations. The insurance company has determined that the Mansion Road Pump Station is not insurable. An appeal of this ruling will be presented to FEMA in the next few weeks. Also, it is unlikely that P/FEMA will be providing any assistance to flood victims for the damaged caused in 2018.

Stormwater Grants

Mike Callahan reported that DTMA had applied for over \$3.0 million in Mariner East 2 pipeline grant money for the Bullfrog Valley water shed area and the Oakmont area. DTMA was awarded \$103,000 for the Bullfrog Valley area for design and permitting of 1700' of stream restoration south of Bullfrog Valley pond. Staff will meet with the DEP grant officials to determine if a portion of the grant money can also be applied to other areas of the water shed that staff feels should be addressed first. Staff has also applied for a Growing Greener grant for this area. It is anticipated that awards for this grant should be made before the end of December.

Construction Projects Status Report

Bill Rehkop provided the following updates on current construction projects:

WWTP Infrastructure Coatings Project [Contract 2018-02]

Rehabilitation of the primary and secondary clarifier scum pits has been completed. The remainder of the work includes rehabilitation of the influent pump station wet wells. This work has been delayed due to the amount of rainfall and increased flow to our plant over the last several months. For these reasons, the work was not completed by the date of Substantial Completion of November 8, 2018. The contractor has provided a revised schedule for completion of the work. It is anticipated that all work will be completed by December 24, 2018. Since the delay in completion of the work is no fault of the contractor, a no-cost, time extension change order will be prepared and executed once the work has been completed.

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

The Contract Agreement has been executed and the Bonds and COI have been received. JP Environmental, LLC submitted their construction schedule indicating that the work will commence on December 3, 2018.

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

The Bonds and COI have been received from both contractors. The DEP approval of the Water Quality Management (WQM) Part II permit application that was submitted on August 2, 2018 has yet to be received but is expected around the first week of December based on DEP's review timeframe of 85 business days. Once the DEP approval is received, the Notices to Proceed to both contractors will be issued.

Infrastructure Replacement Project – Storm #001 [Contract 2018-03]

Mike Callahan reported that the stormwater replacement project on Bullfrog Valley Road is progressing but has experienced some delays due to precipitation and the need to relocate a gas line and a water line. Once those are completed, the expected project substantial completion is now slated for December 21, 2018. Depending on the availability of asphalt, final paving for Crossings #2 and #8 might need to be completed in the spring of 2019. B. Link asked if there would be any increased costs if this work is pushed out to spring of 2019. Staff did not feel that would be an issue, but there is a change order that is being presented for approval this evening that shows some additional costs for crane rental that was incurred but was rescheduled because of the weather and other costs associated with Crossing 2.

ITEMS FOR ACTION

Resolution #2018-49 – Ratification of project payments from the 2015 Capital Projects Fund for October 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 #2018-50 – Approval of Change Order #1 for Greenfield Construction for the Stormwater Infrastructure Contract #2018-03: This resolution was passed on a motion by M. Corado, seconded by J. Engle. The motion passed unanimously by voice vote.

Presentation of the 2019 Wastewater Operating Budget

W. Schutz presented the 2019 Wastewater Fund Budget for the Board's review, discussion, and approval. In 2017, the Board approved a three-year rate adjustment program and in accordance with that approved program, the 2019 Budget has been prepared with a 2% increase in all operating rates. The FY 2019 Stormwater Fund budget will be presented at the December meeting.

Many of the projects and capital expenditures included in the 2019 Budget were driven with the four "S's" in mind; succession, safety, security, and sustainability. Management has continued to consolidate staff positions when possible and fill staff vacancies with future organizational succession in mind. Using the Homeland Security Vulnerability assessment as guidance, a number of enhancements and improvements are proposed for the safety and security of the Staff and DTMA assets.

Finally, sustainability is in large part the driving force for undertaking the implementation of the GESA project. Because the GESA project is a large, comprehensive and in many aspects a standalone and self-sustaining project, the impact on the operating budget has not been clearly defined, and has, therefore, not been included in this operating budget preparation process. As the comprehensive GESA picture of revenues and expenses becomes better defined, the impact on the operating budget will be closely evaluated.

Mr. Schutz reviewed DTMA's 2018 revenue and expenses as of October 31, 2018. He noted that Total Operating Revenue is running slightly above budget estimates. Direct Customer Revenue is on target while Total Municipal Revenues are running just above average due in part to the higher flows from the wet weather. Revenue from Hauled Waste Processing is running about 5% below project projections mainly because of the shut-down of the station in July and August due to flood recovery.

Operating Expenses are under budget by approximately 7%. DTMA was significantly impacted by a flood event in July. Damages exceeded \$1.8 million, but a significant portion of those losses involved the biosolids dryer equipment which was not covered by insurance. Because of that, the repair and/or replacement of this equipment will be deferred until the disposition of the dryer is assessed. Just over \$500,000 of the flood loss has been recovered from insurance.

Reports through October show a nearly \$1.8 million improvement in Net Position against the budgeted Net Position loss of \$597,000. Approximately \$1 million of that improvement is a functionality of revised reporting on Interest Income and how it is recorded as recommended by the Auditors. With that removed, it appears that a favorable end-of-year Net Position will be realized.

The 2019 Wastewater Operating Budget projects Direct Customer Revenue to increase by approximately 2.8% due to the 2% rate increase and a modest projected increase in total billable water. Municipal Customer Revenue is estimated to increase by approximately 4% due to the 2% rate increase and an increase in projected billable water from new facilities in Lower Swatara and South Hanover Townships. Hauled Wastewater Revenue is projected to increase very slightly by 1% due to fluctuations in volume. Other Routine Revenue has been conservatively budgeted to decrease slightly. This category, which includes strength of waste surcharges, has continued to be inflated by the receipt of significant surcharges from Troegs brewery. At some point, Troegs will construct a pretreatment facility and those revenues will be reduced or more likely, eliminated.

The 2019 Departmental Expenses are budgeted to decrease slightly due to savings expected by moving to a third-party billing company, eliminating certain staff vacancies, staff retirements, and ongoing departmental reorganization. Medical insurance costs are projected to increase by 13%, after two years of relative stability. Annual Debt Service Payments will increase by 3% due to the interest-only payment proposed for the 2018 bond issue. The 2019 End of Year Cash Balance projects a decrease of approximately \$277,000 which is primarily impacted by the transfer of \$250,000 from the Operating Fund to the Resource Allocation Fund.

Approximately \$1.8 million of projects and capital expenditures were presented in the budget. The 2019 Wastewater Budget as presented represents a reasonable fiscal plan to support DTMA's operations and projected expenditures and projects.

Mr. Link asked if the Staff was still pursuing the change of billing tenants in rental properties to billing the landowners of the property. Mr. Schutz stated that he anticipates having that addressed by the second quarter of 2019. A new rental rate flat fee was developed as part of the most recent rate study.

Resolution #2018-51 – Approval of the 2019 Wastewater Operating Budget with 2% Rate Increase: This resolution was passed on a motion by B. Link, seconded by M. Postick. The motion passed unanimously by voice vote.

Resolution #2018-52 – Approval of the Stormwater Best Management Practices Agreement with the Township of Derry: This agreement is needed in order for the Authority to be in compliance with the Township's stormwater ordinance, even though DTMA is responsible for stormwater management in Derry Township. This resolution was passed on a motion by J. Engle, seconded by M. Corado. The motion passed unanimously by voice vote.

NEW BUSINESS

GESA Update

Dennis Clough presented the Phase 1 scope of work, the associated costs, and projected revenues (savings and tipping fees) for the project.

The Phase 1 construction costs itemization came in significantly higher than what was initially expected. Costs for Phase 1 are estimated to be \$16,310,000. ESG is continuing to perform value engineering reviews from both a technical standpoint and from DTMA requirements. There are several factors which were beyond ESG's original scope that impacted the Phase 1 costs including: Inclusion of CoGen engine(s); Relocation of Power Center #2 which provides approximately 80% of the power to the plant; Inclusion of site work for Phase 1 and Phase 2 including the significant stormwater management requirements to meet Township ordinances; and Increased costs of steel and electronics due to recent Federal tariffs.

ESG is the prime contractor for the project; however, other contractors have been selected with the help of DTMA staff who are familiar with the DTMA plant.

Currently the cost estimates for this entire project are \$16.3 million. Because this project is being done as part of the GESA legislation, a Financial Proforma must be done to show the total projected benefits for each phase of the project.

Construction of Phase 1 will begin in 2019 and should be completed by mid-2020. The GESA contract for Phase 1 will be presented at the December 17th meeting for approval. Phase 2 design is progressing concurrently with Phase 1 and should be completed by early 2019. Construction of Phase 2 components of the project should begin in mid-2019 and be completed by the end of 2021. Phase 3 deals with the additional uses of the biogas generated from this project as well as long term biosolids management. Design considerations for how the biogas will be dealt with will begin mid-2020 with construction being finished for the entire project by mid-2022.

Staff has been in contact with Public Financial Management (PFM) regarding the financing for this project. Although the GESA project legislation requires a 20-year projection for projects costs and benefits, the Authority can elect to finance the project for a different period of time. Several scenarios will be reviewed by PFM to determine the best option for DTMA financing of the project.

December 17, 2018 Meeting

The following items will be on the agenda for the December Board meeting: presentation of the 2019 Stormwater Budget, presentation of an employee handbook; approval of a revised set of By-laws; presentation of the GESA Phase 1 construction contract; and authorization to appoint a finance team for the GESA project and presentations by PFM on finance options.

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 November 19, 2018 public meeting at 7:18 p.m., seconded by M. Corado. The motion passed unanimously by voice vote.

(Assistant) Secretary