

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, DECEMBER 28, 2020**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, December 28, 2020, in the Conference Room of the Authority's Administration Building, 670 Clearwater Road, Hershey, Pennsylvania. Due to the COVID-19 Pandemic, the meeting was also available to Board members, Consultants and Advisors, and the general public virtually through GoToMeeting. Chairman Feidt called the meeting to order at 6:00 p.m.

ROLL CALL

Attendees	In-Person	Virtually
Board Members		
Charles Duncan		X
David Feidt	X	
Ronald Furlan	X	
Brian Link		X
Michael Postick		X
Matthew Weir		X
Carter Wyckoff		X
Staff		
William Rehkop (Facilities Director)	X	
Kimberly Bloom (Administrative Services Manager)	X	
Michael Callahan (Stormwater Program Manager)	X	
Michael Shambaugh (Network Systems Manager)	X	
Laura Power (Accountant)		X
Consultants		
Michael Pykosh (Dethlefs Pykosh)	X	
Paul Gross (Buchart Horn)	Absent	
Colin O'Brien (Brown and Caldwell)		X
Adrian D'Orlando (Brown and Caldwell)		X
Lou Verdelli (RBC Capital)		X
Scott Shearer (PFM)		X

PUBLIC COMMENT

There was no public comment at this time.

APPROVAL OF PREVIOUS MINUTES

C. Duncan made a motion to approve the Minutes of the November 23, 2020 Board meeting. R. Furlan seconded. The motion passed unanimously by voice vote.

APPROVAL OF TREASURER'S REPORT AND BILLS FOR PAYMENT

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

STAFF UPDATES AND REPORTS

FACILITIES DIRECTOR'S REPORT – BILL REHKOP

TRUST INDENTURE AND DTMA CREDIT RATING DISCUSSION

As Staff has been updating the 10-year Capital Improvements Plan (CIP) and completing a rate study, they have also been looking at the financing that will be required to fund the future projects. As with previous borrowings, the Township is involved with the financing by either providing a guaranty agreement or issuing the debt on behalf of Authority. Recently Staff has met with the Township's Manager and has learned that the financial impact to the Township as a result of the COVID-19 pandemic has been significant and the new debt to finance the construction of the community center is creating budget and credit rating pressure. It is likely that the Authority's future borrowing needs in 2021 and beyond will further stress the Township's current situation under DTMA's current Trust indenture.

Lou Verdelli with RBC explained the Authority's borrowing strategy under the current Trust Indenture. The current Indenture was created in 1998 and only permits DTMA to issue debt that is guaranteed by the Township. Mr. Verdelli went on to explain other aspects of this Indenture that cause it to be restrictive in many ways, including how the Authority can borrow, when bonds can be refunded, and the amount of funds that need to be in reserve. He also noted that as the Authority continues to grow and expand its service areas, some of the future projects are likely to be outside of Derry Township borders. This could be a concern for the Township in wanting to guarantee debt that would not be for projects within Derry Township. Because of this and the financial impact that DTMA borrowing may have on the Township, Mr. Verdelli is suggesting that DTMA consider moving to a new Trust indenture for future borrowing that would ultimately eliminate the Township's involvement. This will not, however, preclude the Authority from involving the Township in future borrowing once the Township's financial stability improves. This would require the Authority to secure its own credit rating and the adoption of a new Trust Indenture.

There are currently four borrowings that are under the 1998 Indenture. Three of these borrowings are able to be refunded now; the other borrowing's call date is within the next few years. Under the new Indenture, a new borrowing would be done to incorporate all four of the previous bonds, which would likely result in a savings since interest rates are currently so low. The rate for the new borrowing would also depend on the credit rating that the Authority would secure. Mr. Verdelli felt that DTMA's current financial position, current customers, the local economy, and the amount of cash reserves should generate a favorable credit rating somewhere between a low AA and a high A. He also noted that the Authority does have some bond issues that are outside of the current Indenture, and that they would remain so with the new Indenture. These issues were issued under a Subsidy Agreement with the Township. If these issues are paid off, whether through expiration or refunding, then they would be removed from the Subsidy Agreement. Once all of the borrowings under the Subsidy Agreement are gone, then the Authority would no longer be financially tied to the Township for its debt.

After a brief discussion, the Board's consensus was to have Staff and the finance team continue with securing a credit rating for DTMA and preparing a new Trust Indenture for presentation at the January Board meeting.

CLEARWATER ROAD WWTF POWER IMPROVEMENTS [CONTRACT 2019-01]

The switchgear arrived on-site in late November. Garden Spot Electric (GSE) is proceeding with the remainder of the contract work to include pulling of the wire in the newly-installed duct banks. GSE submitted change order request (COR) #4 for an increase in the contract price in the amount of \$21,554.48 and a no-cost contract time extension of 120 days for substantial completion and 150 days for final

payment. CO#4 includes additional scope of work to modify the MCC-W feeder and duct bank from the Sludge Building to the Waste Sludge Pump Room by installing additional conduits to accommodate future wiring to be installed under the Flood Mitigation project. It is RK&K's recommendation to complete the additional duct bank work under this contract since GSE will already be working in this area and also eliminates the need for underground trenching under the future Flood Mitigation project. The no-cost contract time extension amends the substantial completion date to March 24, 2021 as the sole remedy for the unanticipated schedule delays incurred by GSE for delivery of the new switchgear.

CLEARWATER ENERGY ENHANCEMENTS PROJECT

The most recent construction progress meeting was held virtually on December 22nd with DTMA staff, project design team (BC, RK&K, Bassett, and HRG), and all three (3) Contractors. No work will commence on-site until March 2021 according to the contractor's update that was provided during the last progress meeting in November. The Air Quality Program Plan Approval from DEP was received on December 18th which includes the Temporary Operation permit to construct.

In coordination with UGI on the natural gas (NG) meter design and service request for the new Cogen building, two payment options were previously offered to the Authority to reimburse UGI for the new facilities. As a recap, the two options are as follows: 1) one-time lump sum payment or 2) a rate delivery service (DS) with a Service Extension Agreement to include set terms and an annual commitment for volume consumption. Staff tasked DTMA's energy procurement consultant, World Kinect Energy Services, to analyze UGI's options and provide a recommendation to the Authority. Based on their review, World Kinect Energy Services recommends paying the upfront lump sum fee to UGI in the amount of \$83,630 and maintain the current Tariff rate class for non-residential transportation (Rate Class NT). This option provides the greatest annual savings compared to the DS rate options as well as operational flexibility with no term or volume commitment. Furthermore, Rate Class NT protects against potential volume balancing risks that accompany the DS by a third party supplier and also provides price certainty. Staff also supports this recommendation as it provides the greatest flexibility and operational strategy to optimize engine runtime and fueling with the renewable energy.

CLEARWATER RAW SEWAGE PUMP REPLACEMENT PROJECT - On Thursday, December 10th, DTMA received bids through the online PennBid Program for Contract No. 2020-03 - General & Electrical Construction. This project generally consists of the replacement of the four (4) existing raw sewage pumps at the main plant with new dry-pit submersible pumps. The project also includes the replacement of the existing pump VFDs, pump control panel, MCC-1, and the installation of dry well dewatering pumps for flood mitigation purposes. The apparent low bidder for the respective contracts are Heisey Mechanical, Ltd. and Manada Electric with a total combined contract amount of \$2,707,015. The combined contract amount is nearly \$800k below the engineer's opinion of probable construction cost for this project. Staff is highly confident in both of the low bidder's ability to perform the work. Heisey Mechanical has successfully completed other major projects for the Authority in the last 10 years. Manada Electric has been the Staff's preferred choice for any miscellaneous electrical maintenance or repair needs and as a result, has become very familiar with the Authority's facilities.

SOUTHWEST WWTP UPGRADE AND EXPANSION PROJECT (PHASE 1) – Hazen remains on schedule and progress continues towards the 60% design submittal by February 2021. The Overall Project Schedule is as follows: Design complete: September 2021; Bidding and Construction Contract Execution: December 2021; and Construction Complete and WWTP Operational: June 2023.

CLEARWATER PRIMARY SLUDGE PUMPING IMPROVEMENTS - HRG completed the 60% design deliverable in November. The project design will be complete and ready for bid in March/April 2021.

NPDES PERMIT RENEWALS FOR CLEARWATER AND SOUTHWEST WWTPs - The Clearwater Road WWTP NPDES permit is currently in review by DEP. The Southwest WWTP NPDES permit application was submitted to DEP on November 23rd. No comments have been received to date by DEP in review of the permit renewal applications.

ANAEROBIC DIGESTER (ESD) EXTERIOR COATINGS IMPROVEMENT PROJECT – BC remains on schedule. The contract drawings and specifications are completed and review meetings continue with Staff.

SPRING CREEK INTERCEPTOR UPGRADE EVALUATION – During the 2020 preventative maintenance activities, Staff identified capacity-related issues with the Spring Creek Interceptor (SCI) beginning at a location directly downstream from the Troegs Independent Brewing point of connection to our system and ending at a location approximately 3,500 linear feet (LF) downstream of that connection. It is believed that this portion of the SCI has experienced surcharging as a result of a combination of increased flow from Troeg's over the last several years and other fill-in growth and development. A sewer system capacity study will need to be completed prior to developing the design plans. HRG has submitted an engineering proposal to complete the SCI upgrade evaluation for a not-to-exceed fee of \$29,000, which has been included in the 2021 Budget. Once the SCI Upgrade Study is complete, the findings and recommendations will be incorporated into the scope of work for the 2021 Sanitary Sewer Repairs Project as identified in the 2021 Budget.

ITEMS FOR ACTIONS

Resolution #2020-53 – Ratification of project payments from the 2019 Capital Project Fund and authorization for payments to be made from the 2018 Construction Fund: Staff reviewed the payments from the 2019 Capital Project 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 B. Link. The motion passed unanimously by voice vote.

Resolution #2020-54 – Approval of Change Order #4 for Garden Spot Electric for the Clearwater Road WWTF Power Improvements Contract #2019-01: This resolution passed on a motion by R. Furlan, seconded by M. Postick. The motion passed unanimously by voice vote.

Resolution #2020-55 – Award of the Clearwater Raw Sewage Pump Replacement Project General and Electrical Contracts and Resolution #2020-56 – Award of the Magnesium Hydroxide Supply Contract: These resolutions were approved on a motion by B. Link, seconded by R. Furlan. The motion passed unanimously by voice vote.

2021 WASTEWATER BUDGET PRESENTATION

The 2021 Wastewater Fund Budget was prepared with the input of all Departments and reflects the necessary expenditures and realistic estimates for wastewater revenue. With the Board's input at the last meeting, the sanitary sewer rates will remain unchanged from the 2020 Operating Year. As Staff looked at the near-term impact to the wastewater revenues due to the COVID-19 pandemic, Staff has made every effort to reasonably minimize operational costs and project expenditures in order to balance next year's budget. With this budget, the Board and the Staff will be able to meet the needs of the ratepayers by continuing to provide a reliable and cost effective service.

2021 Wastewater Fund Budget Highlights

The Facilities Director reviewed some key takeaways from Budget Tables 1, 2 and 3. Direct and Municipal Customer Revenues are budgeted to decrease by approximately 2% and 2.8%, respectively, in comparison to 2020 Budget. The anticipated decrease in the total billable wastewater is a direct result of the COVID-19 pandemic which will likely continue to impact local tourism and commercial businesses within DTMA's service area throughout 2021 even with a projected minimal increase in total billable wastewater from new customers. Despite not increasing the sewer rates for 2021, the total revenues are anticipated to increase by 4.6%. Actual hauled waste and customer surcharge revenues have significantly increased in comparison to the conservative budget projections of previous years.

2021 departmental expenses are anticipated to increase by only 2.7%. In addition to a projected 2% inflationary increase on operational expenses, the following items have contributed to the increase in proposed budget expenses: employee salaries and wages including merit and promotion adjustments; filling four (4) vacant positions; employee severance; and utility billing service.

Annual Debt Service payments will increase by approximately 12% to reflect the increase in monthly payments with the issuance of the Series 2020 GO Bond and an anticipated initial interest payment for new financing projected in 2021.

The 2021 End of Year (EOY) Cash Balance projects a decrease of approximately \$469,500. The net cash balance decrease includes a total transfer of \$540,000 from the Operating Fund to the Wastewater Resource Allocation Funds.

The Facilities Director also noted that Budget Table 4 shows that the 2018 Construction Fund and the Capital Project Funds (2019 & 2020) will be completely disbursed in 2021 based on Staff's projected drawdown schedule for projects listed in the Budget for those Funds. Future borrowing will be required by summer of 2021 to finance the remainder of the current projects as well as future projects based on Staff's 10-year Capital Improvement Plan (CIP). It was noted that funds from the Wastewater Resource Allocation Fund will be used in 2021 to complete three projects. Funds were also moved into the Operating Fund to cover the anticipated "worst-case" settlement costs for the ESG GESA project.

Budget Table 5 shows that projects and capital expenditures planned to be paid from the Operating Fund (expensed or capitalized) will increase by 17% in 2021. These expenditures were recommended by the respective Department Staff as priority asset repair and/or replacement items.

Resolution #2020-57 – Approval of the 2021 Wastewater Fund Budget with no projected rate increase for 2021: This resolution was passed on a motion by R. Furlan, seconded by M. Postick. The motion passed unanimously by voice vote.

2021 STORMWATER BUDGET PRESENTATION

Mike Callahan, Stormwater Program Manager, presented the 2021 Stormwater Fund Budget. He noted that Budget has been prepared with four years of Stormwater Management Program (SMP) administration and operation. This experience continues to provide the Staff with improved knowledge for projecting revenues and developing a plan for the ongoing expenditures that are required for the efficient operation and restoration of the stormwater assets.

The COVID-19 pandemic resulted in slowed project progression through 2020 as various government mandates restricted and/or delayed key project steps. Additionally, some grant programs that Staff applied to, or were planning to apply to, were put on hold because of the economic effects of the

pandemic on the grant programs. As a result, DTMA spent considerably less in FY 2020 than budgeted; however, Staff has budgeted for completion of those projects accordingly in the FY 2021 budget.

2021 Stormwater Fund Budget Highlights

The highlights of the proposed 2021 Stormwater Budget include: anticipated Direct Customer Revenue of \$1,620,500 results from 20,775 Net ERUs billed at \$78 per ERU per year. The 2021 Disbursements include: Departmental Expenses (\$738,700) and SMP Share of 2018 Construction Fund Debt Service (\$55,300). There are thirteen (13) proposed projects totaling \$3.6 MM to be paid from the Operating Account and one (1) proposed project of \$0.3 MM to be paid for the stormwater share of the 2018 Construction Fund.

Mr. Callahan also noted that the initiation of the construction phase of the Bullfrog Stream Restoration listed in the projects table in 2021 will be contingent on a signed Memorandum of Understanding (MOU) with the Borough of Hummelstown. This MOU will detail a collaboration between DTMA and Hummelstown that will provide Hummelstown with Pollution Reduction Project sediment reductions through completion of the Bullfrog Stream Restoration project. As part of that arrangement, Hummelstown would agree to pay DTMA \$427,916.50. Those funds would help offset the \$1,042,000 total project costs. Assuming every Project and Capital Expenditure item can be implemented and fully funded during 2021, the SMP will finish the year with approximately \$800,000 in reserves.

Resolution #2020-58 – Approval of the 2021 Stormwater Fund Budget with no projected rate increase for 2021: This resolution was passed on a motion by B. Link, seconded by M. Weir. The motion passed unanimously by voice vote.

Resolution #2020-59 – Approval of a three-year rate increase strategy for fiscal years 2022, 2023 and 2024: This resolution was passed on a motion by R. Furlan, seconded by M. Postick. The motion passed unanimously by voice vote.

Resolution #2020-60 – Acceptance of the HRG Proposal for the Spring Creek Inceptor Upgrade Evaluation: This resolution was passed on a motion by R. Furlan, seconded by M. Postick. The motion passed by voice vote. D. Feidt abstained from voting due to a potential business conflict with HRG.

Resolution #2020-61 – Approval of the 2021 Meeting Dates: This resolution was passed on a motion by R. Furlan, seconded by B. Link. The motion passed unanimously by voice vote.

EXECUTIVE SESSION

At 7:33 p.m., the Chairman recessed the meeting into Executive Session to discuss a pending litigation matter. The meeting was reconvened at 7:42 p.m.

PUBLIC COMMENT

There was no public comment at this time.

ADJOURNMENT

With no further business to come before the Board, R. Furlan made a motion to adjourn the December 28, 2020 public meeting at 7:43 p.m., seconded by B. Link. The motion passed unanimously by voice vote.



(Assistant) Secretary