

**MINUTES OF THE MEETING
DERRY TOWNSHIP MUNICIPAL AUTHORITY
670 CLEARWATER ROAD
HERSHEY PA 17033
MONDAY, JULY 22, 2019**

The Derry Township Municipal Authority Board held its regular monthly meeting on Monday, July 22, 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: David Feidt, Ronald Furlan, Brian Link, Michael Postick, Matthew Weir, and Richard Zmuda.

Board Members Absent: Charles Duncan

Also Present: Staff Wayne Schutz (Executive 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 Lou Verdelli (RBC Capital Markets)
Austin Maloney (PFM)
Scott Shearer (PFM)
Bob Wimmer (ESG)
Dave Jones (ESG)
Aiden Murphy (ESG)
Dennis Clough (ESG)
Colin O'Brien (Brown & Caldwell)

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 June 10, 2019 Board meeting as submitted. R. Furlan seconded. The motion passed unanimously by voice vote.

APPROVAL OF TREASURER'S REPORTS AND BILLS FOR PAYMENT

Staff presented the May and June Treasurer's Reports and Bills for Payment for approval. B. Link made a motion to approve the May Treasurer's Report and Bills for Payment, seconded by R. Furlan. The motion passed unanimously by voice vote. Mr. Furlan noted that the Authority has been purchasing woodchips and sawdust to be used as a bulking agent for our biosolids. He suggested that we should check with the Township of Derry to see if they have any similar, suitable material that could be used by DTMA.

R. Zmuda made a motion to approve the June Treasurer's Report and Bills for Payment, seconded by D. Feidt. The motion passed unanimously by voice vote.

STAFF UPDATES AND REPORTS

EXECUTIVE DIRECTOR'S REPORT – WAYNE SCHUTZ

Qualified Bond Underwriters

Earlier this year, Staff was requested to provide a list of qualified Bond Underwriters (BU) that the Authority might use for issuing future new money. PFM, who assisted Staff in completing this request, compiled a list of potentially qualified BU who typically work with small to medium sized municipalities and authorities for the issuance of bank-qualified, municipal GO, and sewer revenue bond issues.

Scott Shearer from PFM noted that while PFM helped compile the list of qualified BU, they feel that the current Finance Team is very effective with the types of borrowings that the Authority typically undertakes. He also explained that "small issuers" – those entities who typically issue \$10 million of debt or less – don't typically use a pool of underwriters. Typically, PFM sees municipalities and authorities use the Finance Team approach because the team members are familiar with the requirements of the municipal entity. Also, it is important that any BU chosen by a municipality be familiar with bank-qualified and non-bank-qualified loan products, since that is the type of loan products typically used for smaller borrowings. Not all underwriters deal with those types of loans. He also noted another reason pools are used is when there are different revenue streams used to repay the debt. DTMA only has one revenue stream, so all debt needs to be repaid from that same source.

Another concern raised by PFM with using more than one underwriter is that not all underwriters require the same information to be disclosed in the bond documents. He stated that this can be an issue when the details of the Authority's debt must to be disclosed on financial statements. Inadvertently, the Authority may not comply with disclosures if there are differing ways in which the information is presented. Lou Verdelli of RBC Capital Markets also noted that municipalities, boroughs, counties, and authorities in Pennsylvania almost always use the finance team approach when it comes to issuing and reporting their debt. The main reason for this is that these entities typically do not have a group of staff members that are dedicated to issuing, monitoring, and disclosing information on their entity's debt. Larger entities, such as the Commonwealth of PA or the Turnpike Authority who issue billions of dollars in bonds, have dedicated staff and team members who handle this work on a daily basis and are very familiar with the indentures and documents with which they have to comply.

Mr. Shearer stated that if the Authority decides to pursue using other bond underwriters when the time comes for new debt, PFM will assist the Authority with this.

FACILITIES DIRECTOR'S REPORT – BILL REHKOP

Southwest WWTP Thickener Addition Project [Contracts 2018-06G, 2018-06E] – All work under this contract is complete as of July 12, 2019. 4-M Construction and Monacacy Valley Electric demonstrated excellent workmanship and the Staff are very satisfied with the outcome of the project. Staff have already begun utilizing the new thickener equipment and have observed a significant reduction in weekly sludge hauling from the SW WWTP which has resulted in reduced loadings to the sludge handling process at the Main Plant.

Monacacy Valley Electric submitted CO #2 for reimbursement of additional labor in the amount of \$413.00 to wire the volute thickener equipment that was shipped separately from the manufacturer. Upon receipt of all necessary contract closeout paperwork, the Final AFPs for each contract will be processed for payment from the 2018 Construction Fund.

Londonderry Township Requests for Capacity

On June 19, 2019 DTMA received a letter from Steve Letavic, Londonderry Township Manager, formally requesting DTMA's willingness and ability to provide sanitary sewer service at the Southwest WWTP to meet the short and long-term capacity needs within Londonderry's S.R. 230 corridor.

As background information on the Southwest WWTP, the plant was commissioned in the early 1990's to serve existing and planned residential and commercial development in the southwest portion of Derry Township along Middletown Road, the Fulling Mill Road corridor of Lower Swatara Township, and a portion of Londonderry Township referred to as Sewer District No. 1.

The original design intent and physical layout of the SW WWTP provided for the potential hydraulic expansion of the facilities when required. Unfortunately, the original design did not account for the Chesapeake Bay nutrient cap load requirements. During the interim time, because the SW WWTP could not meet the NPDES cap load, DTMA was able to negotiate and secure an umbrella nutrient cap load using the Clearwater Road WWTP credits to meet the SW WWTP NPDES permit cap loads. The intent was to defer major improvements at the SW WWTP until the development plans in that service area dictated that a hydraulic expansion and treatment process upgrade were required. It is very important to note in light of these current discussions, Staff has been tracking the growth in this service area and have projected that a plant expansion and upgrade of the SW WWTP would be required by 2025 regardless of the S.R. 230 corridor project.

The proposed Londonderry project area is generally located along S.R. 230 corridor from the Swatara Creek east to the Conewago Creek. A proposed commercial and residential development will result in the installation of the wastewater infrastructure backbone (e.g. pumping stations and gravity sewers). Once that has been completed, Londonderry must address its Act 537 "needs" areas and implement plans to extend public sanitary sewer service to serve existing developments that include six (6) densely populated residential and commercial establishments and three (3) mobile home parks. Each of the three MHPs privately own and operate a package sewer plant, of which two (2) of the plants have a problematic history of stream discharge violations. The privately-owned package plants would then be abandoned as part of those subsequent projects.

According to Mr. Letavic's letter, the initial flow projection for this project area is estimated at 74,000 GPD. Upon completion of the subsequent public sewer extensions to each of the existing designated needs areas, an additional 587,600 GPD will be generated for a total projected Londonderry flow contribution of 661,600 GPD. The letter also states that Londonderry is considering two options for addressing the sanitary sewer needs in the service area. Part of the evaluation of the two options will be the timeliness of response and commitment to serve the total estimated flow. The two treatment capacity alternatives provided in the Londonderry letter are as follows:

- Alternative #1 (Split Flow to DTMA/Middletown WWTP) – Treatment capacity at Southwest WWTP to serve S.R. 230 corridor with an immediate request (2-3 year projection) for 74,000 GPD and a total estimated flow of 331,600 GPD (5-10 year projection). Estimated 330,000 GPD contributed from the Lytle Farm Southern Tract to be conveyed to the Middletown WWTP for treatment.

- Alternative #2 (All Flow to DTMA) – Treatment capacity at Southwest WWTP to serve the entire S.R. 230 corridor with an immediate request for 74,000 GPD and a total estimated flow of 661,600 GPD (5-10 year projection).

On July 3, 2019, DTMA Staff met with Mr. Letavic, representatives of HRG (Londonderry Twp Engineer), and the potential buyer/developer for the Lytle Farm Tract. The purpose of the meeting was to review and discuss the details of their treatment capacity request letter. Attendees discussed the build-out plans for the Lytle Farm Tract development, anticipated project phasing and completion schedule, and the required coordination efforts between all parties to meet the short and long-term objectives for this project. Also prepared was a handout summarizing the approximate average daily flow (ADF) capacity of 178,000 GPD remaining at the Southwest WWTP. Also of note, Londonderry does not intend to own and operate the collection and conveyance sewer facilities constructed as part of this project; therefore, all sewer facilities would eventually be dedicated to either DTMA or Middletown, depending upon the Londonderry's selected alternative.

Mr. Letavic and the developer expressed a sense of urgency so that Londonderry may expedite the implementation of the initial project phase to include development of the Lytle Farm Northern Tract. The Township's plan is to have the Lytle Farm Tract re-zoned to meet the current planned land use and begin design and permitting of the S.R. 230 sanitary sewer extension in August 2019. Londonderry has requested that DTMA consider this request as soon as reasonably possible.

Typically, treatment capacity requests and determinations are completed by Staff providing that adequate treatment capacity exists. The potential wastewater flows resulting from the projected project build-out for either of the alternatives would ultimately exceed the available capacity at the Southwest WWTP. Consequently, in order for DTMA to serve part or all of the proposed S.R. 230 corridor project area, it is necessary to initiate the first steps of a project implementation process. Mr. Rehkop reviewed a proposed preliminary schedule for undertaking the various steps in such a process. He also noted that in order to keep the process moving, Londonderry Township and the developer need DTMA's input to make their decisions on sewer service.

Providing the short and long-term capacity needs for Londonderry Township will result in a significant increase in the Authority's customer base and as pointed out, there are ongoing development and plans for additional development in both Derry and Lower Swatara that will eventually require the SW WWTP improvements as well. The questions of the exact financing of SW WWTP improvements will be analyzed to insure the most cost-effective means to accomplish that.

Mr. Link asked for clarification as to the location of the Suez plant in Middletown Township. He expressed concern that since the Suez plant is closer to the proposed service areas that after several years Londonderry Township may decide to "shop around" for service from Suez after DTMA has expended a significant amount to initially provide service and capacity and update the SW plant. The Solicitor stated that there would need to be a Sewer Service Agreement with Londonderry once the decision is made to have DTMA provide service.

Mr. Rehkop also explained the impact of all of the development on the requirement to meet the Chesapeake Bay effluent cap loads. DTMA and DEP negotiated the umbrella cap load concept to allow the SW WWTP to achieve NPDES Permit compliance by using transferred cap load "credits" achieved at the Clearwater WWTP as well as credits received from abandoning on-lot septic disposal systems (OLDS) within the service area. DTMA has not yet had to use the "credits" from the Clearwater Road plant because the SWTP is benefiting from the removal of on-lot systems. Once the buildout is complete in the

S.R. 230 corridor, the plant could potentially have negative nutrient credits. This will require that DTMA evaluate alternative biological nutrient removal process upgrades to implement at the same time as the hydraulic plant expansion.

The Board concurred for DTMA to provide Londonderry with confirmation of DTMA's willingness to accept their short-term capacity request of 74,000 GPD and to continue to work with Londonderry on developing a plan for their long term S.R. 230 Corridor project wastewater capacity needs.

GESA PROJECT UPDATE – ESG STAFF

Dave Jones began by talking about the draft Biosolids and Dewatering Assessment Plan which includes three (3) project scope options and a financial model for each option. The Plan is currently being reviewed by Brown and Caldwell and Staff can expect to receive the final draft of the Plan for its review and comment within the next week.

Dennis Clough talked about the financial model and how it was created. He began by explaining that in order to evaluate the options correctly, ESG had to first determine the operating costs for DTMA to run the facility over the next 20 years. ESG utilized DTMA budget and operating data, debt information, and other capital and financial projections in order to calculate an approximate 20-year operating cost.

Bob Wimmer then explained how the operating costs were input into each of the three options to see the comparison of operating costs to the projected revenues from each option. The biosolids and dewatering processes were further explained for each option as well. Mr. Clough then explained how each of these options would fare against the criteria in the GESA legislation which states that any GESA project has to be self-sustaining by the end of the 20-year term.

Aiden Murphy then explained the program for accepting high strength organic waste into the facility and the availability of proposed clients. He reviewed the current competitors near the DTMA facility too.

A workgroup meeting for Staff, ESG, and representatives from the Board's committee will meet within the next few weeks to further discuss these options. Once the option is selected, then ESG will provide a schedule and timeline for how the project will proceed and when DTMA will need to pursue the financing for the project.

Discussion on Resolution #2019-35-Bond Refinancing

Lou Verdelli contacted Staff in late June and indicated that there is an opportunity to refinance the Series 2014 GO Bonds issued by the Township on behalf of the Authority and guaranteed through the Subsidy Agreement. Mr. Verdelli provided the projected refi schedule and estimated the net savings to be \$150,000. The savings could be deferred until 2020 to help offset the projected increase in debt service from recent new money borrowing. The end date for the current issue is December 30, 2027, and this date will not be extended – this is simply refinancing the outstanding balance at a lower interest rate. The Board had previously appointed a Financing Team that includes the firms of PFM (Financial Advisor), McNees Wallace, and Nurick (Bond Counsel), and RBC Capital Markets (Bond Underwriter).

Mr. Link asked what the fees were going to be on this refinancing. Mr. Verdelli estimated fees to be approximately \$110,000.

Resolution #2019-35 – Authorization to Proceed with the 2014 General Obligation Bonds Refinancing:

This resolution was passed on a motion by R. Zmuda, seconded by R. Furlan. The motion passed by voice

vote. D. Feidt abstained from voting due to his business affiliation with one of the members of the Finance Team.

EXECUTIVE SESSION

The Board recessed into Executive Session at 7:45 p.m. to discuss a legal matter. They reconvened the meeting at 8:04 p.m.

ITEMS FOR ACTION

Resolution #2019-33 – Approval of Change Order #2 with Monacacy Valley Electric, Contract #2018-06E, Southwest WWTP Thickener Addition Project: This resolution was passed on a motion by B. Link, seconded by D. Feidt. The motion passed unanimously by voice vote.

Resolution #2019-34 – Ratification of project payments from the 2015 Capital Projects Fund and 2019 Capital Project Fund and authorization for payments to be made from the 2018 Construction Fund: Staff reviewed the payments from both Capital Project Funds requiring Board ratification and payments from the 2018 Construction Fund requiring Board authorization. This resolution was then approved on a motion by B. Link, seconded by R. Furlan. The motion passed unanimously by voice vote.

Resolution #2019-36 – Approval of HRG Engineering Services Water Quality Improvements Agreement: This resolution was passed on a motion by R. Furlan, seconded by R. Zmuda. The motion passed by voice vote. M. Postick and D. Feidt abstained from voting due to their business affiliation with HRG.

Clearwater Road WWTP Floodproofing Project [Contract #2019-03]

This project was developed under the Floodproofing & Resiliency Program and includes the installation of flood barriers on access doors and stairwells for the Control Building and Sludge Building as well as for the following below grade pump rooms: Primary Sludge, Blending Tank, Thickened Sludge, and the Waste Sludge.

On Thursday, July 18th, DTMA received five (5) bids through the online PennBid Program for this project. The apparent low bidder is Performance Construction Services, Inc. (PCS) with a total lump sum contract amount of \$188,326.00. Quandel Enterprises is their parent company. PCS was one of the three interested bidders present at the non-mandatory pre-bid meeting. Buchart Horn has reviewed the submitted bid documents and have found the bidder to be responsive. Buchart Horn has previously worked with PCS on other wastewater-related projects and has found the contractor to be highly qualified.

Resolution #2019-37 – Bid Award for the Clearwater Road WWTP Floodproofing Project, Contract #2019-03: This resolution was passed on a motion by B. Link, seconded by D. Feidt. The motion passed by voice vote.

Discussion on Resolution #2019-38

As Staff had been reviewing requests for Southwest WWTP capacity, they uncovered something of an anomaly in the collection of tapping fees and which is not clearly covered in the Rates, Rules, and Regulations (RR&Rs).

When DTMA provides the DEP Module Component 3 to the Township and developer and asserts that capacity is available for that proposed development in the current facilities, a clear caveat is provided alerting all parties that capacity is not guaranteed or reserved until purchased. Staff recently discovered an instance that occurred in 2009 when a developer purchased 57,000 gallons of capacity for treatment

at the SW WWTP. For a variety of reasons the proposed development was never started. It now appears that that developer will reconfigure and resubmit a new development plan to Lower Swatara Township.

That developer, who originally purchased the capacity in 2009 at \$6.56 per gallon, will likely not use all the capacity that was originally purchased. This raises a number of questions on refunds, original vs. current tapping fee pricing, etc. The current Rates, Rules and Regulations (RR&Rs) do not clearly provide directions on handling these types of issues nor do they provide for the expiration of purchased capacity for a development that has not been started within a reasonable time. As a reminder, our current tapping fee is \$10.50 per gallon.

The proposed revisions to the RR&Rs, set forth in Resolution 2019-38, were drafted by the Solicitor and establish the procedures and protocols to address this problem. The revision requires that a Person can prepay capacity fees but must enter into a capacity agreement that states that they have five years to begin construction of the project. If after five years the project has not commenced, the Person can apply for a one-time, two-year extension. If after those two years the project still has not commenced, then the fee will be forfeited and the capacity will be relinquished. Capacity fees are also not transferrable.

Resolution #2019-38 – Revision to Rates, Rules and Regulations – Capacity Fee Guidance: This resolution was passed on a motion by R. Furlan, seconded by B. Link. The motion passed unanimously by voice vote.

Discussion on Resolution #2019-39

With the assistance of Conrad Siegel (CS), Staff issued a Request for Proposal (RFP) for the consolidation of the Pension Plans Custodial Services (e.g. recordkeeping, administration, trustee and employee communication services) under a single Service Agreement. The Authority has two Plans: a Money Purchase Plan (Principal) and a Section 457 Deferred Compensation Plan (ICMA-RC).

Seven firms submitted proposals. Because CS submitted a proposal, Staff utilized the Solicitor and its Financial Advisors (PFM) to review the proposals. PFM provided recommendations on firms from a business point, proposal response and fees. Following discussions with PFM, three firms were short listed for the final proposal evaluation: CS, ICMA-RC, and Empower.

All three firms are qualified to perform the requested services. Based on the rating matrix, ICMA-RC rates just slightly higher than the other two. Further, because ICMA-RC already has the Authority's 457 Plan, employees have a familiarity with the local ICMA representative, periodic account reports, investment opportunities, and website access. Finally, on a secondary note, if CS were chosen, Staff would likely not be able to continue to use them for some or all of the actuarial and pension consulting services due to potential conflicts.

Resolution #2019-39 – Approval of Pension Plan Consolidation: This resolution was passed on a motion by R. Furlan, seconded by D. Feidt. The motion passed unanimously by voice vote.

Discussion on Resolution #2019-40

When the new Employee Handbook was adopted by the Board in March, implementation and enforcement of Policies #8.2000 - Tobacco-Free Workplace and #8.6000 - Firearms/Weapons was deferred to allow Staff additional time to develop the requisite plans to uniformly and equitably apply them. The proposed Tobacco-Free Workplace Policy is considered an interim Policy as a comprehensive Tobacco-Free Property including incentives for smoking and smokeless tobacco use cessation is still a work in progress. Thus far, Staff has been unsuccessful in locating a policy with all the components that will enable DTMA to implement that strategy; however, they will continue to work on this Policy over the next

few months. The proposed Firearms/Weapons Policy now includes a provision for the conditional limited exception for archery hunting and the possession of archery equipment on Authority property. The Policy includes a specific requirement for Employees desiring to take advantage of this exception to execute an *“Assumption of Risk, Release, Waiver and Indemnity Agreement”* drafted by DTMA’s legal Counsel.

Resolution #2019-40 – Approval of Personnel Policy #8.2000 and Policy #8.6000: This resolution was passed on a motion by B. Link, seconded by R. Furlan. The motion passed unanimously by voice vote.

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 July 22, 2019 public meeting at 8:32 p.m., seconded by B. Link. The motion passed unanimously by voice vote.

(Assistant) Secretary