

The November 24, 2014 regular monthly meeting of the Greater Hazleton Joint Sewer Authority was called to order by Board Member Grink at 7:30 PM. All in attendance gave a pledge of allegiance. Board Members Eyerly, George, and Veneroso were absent and all other Board Members were present. John Nonnemacher, CPA of Snyder & Clemente CPA, Brian Kauffman, P.E. of Gannett Fleming, Inc. and Robert Dougherty, P.E. of RJD Engineering, Inc. were in attendance during the Work Session.

PUBLIC COMMENT

There was no public comment.

Milot & Boyarski moved to approve the minutes of the October 27, 2014 Regular Monthly Meeting. Passed: Aye-6, Nay-0, Absent-3

Boyarski & Fay moved to approve the minutes of the October 7, 2014 Special Meeting. Passed: Aye-6, Nay-0, Absent-3

FINANCIAL AUDIT

John Nonnemacher, CPA thanked the Board for appointing Snyder & Clemente to perform the annual audit. He began his presentation by noting that the Financial Statements for Fiscal Year Ended 2014 were represented fairly in accordance with Generally Accepted Accounting Principles. He reported that total sewage treatment revenues increase by \$263,000 to \$9.662 million primarily due to an increase in revenues from Outside Hauled Waste. He noted that the hauled waste revenue has grown to 18% of the overall revenue, which is approximately \$248,000 higher than the prior year. He stated that the transmission revenues also increased to \$1.869 million due to a full year of receivables during the fiscal year. He then reported that the operating expenses also increased due to higher plant expenses, most notably chemicals (+\$131,000), salaries & wages (+\$62,000), and repairs & maintenance (+\$61,000). He noted that although there were increases to a few line items in administrative expense, there was an overall decrease of \$36,000 in the category. He said the decrease was mainly due to a \$60,000 reduction of bad debt expense commensurate with an active pursuit of delinquent customers. He then reported on non-operating revenues and expenses noting that all categories remained relatively unchanged except for interest expense. He said interest expense increased to \$847,310 because the interest was previously capitalized until assets from the plant upgrade were placed into service. He said the result is an increase of \$2.219 million to the Net Position from \$27.958 million to \$30.177 million since last year.

John then reported on the Current Assets and Current Liabilities. He said the Current Assets increased from \$7.059 to \$8.085 million and Restricted Assets decreased from \$5.144 million to \$3.767 million. He reported that Current Liabilities payable from current assets decreased slightly from \$2.739 to \$2.655 million. He said the working capital position of the Authority is 3 to 1, which is considered a healthy ratio and is important for an Authority of this size so smaller improvements can be made without incurring additional debt. He stated that bond companies and rating agencies look at this ratio, which is used determine borrowing ability and interest rates.

John stated that he has been performing this audit for several years including tests of analytical procedures and trends over time. He said the net position was \$8.473 million in 2004 and it is \$30.177 million in 2014, which says a lot about how well the Authority has been managed over that timeframe. He said part of the non-financial audit is a review of internal controls, which are

a test of systems in place from the initial transaction through their entry in the financial statements. He said the test of controls performed this year were controls over payroll and revenues with no exceptions noted. John stated that two CPAs new to his firm performed part of the audit this fiscal year and he is happy to report that there are no material weaknesses or significant deficiencies noted. He also stated that there will be no management letter comments again this year. He said the Authority remains in compliance with its Bond Covenants and following completion of the LSA Grant, a Project Audit will be performed as required by the State.

John then focused on the Authority's rate structure. He said unlike a municipality, which is operated in the short term to a balanced budget, an authority is a proprietary fund that operates more like a business for the purpose for which it was formed. He said in order to maintain business operations it is important to have working capital, which is why the rate increase that took place in 2012 was necessary. He said without that increase, the financial statements of the Authority would not be as healthy considering the projects that still need to be completed and payment of debt service, which is currently about \$46 million. He stated that he would be available to answer questions from Board Members at any time.

Boyarski & Milot moved to accept the Fiscal Year Ended July 31, 2014 Audited Financial Statements as presented by John Nonnemacher, CPA of Snyder & Clemente, CPA.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

Punch List Committee Report – In the absence of Punch List Committee Chairman George, Attorney Ustynoski stated that the report is as reported in Executive Session at the Work Session.

Building & Grounds Committee Report – Committee Chairman Grink reported that a meeting was held with Harold Karchner on November 13, 2014 regarding purchase of the 50 Jaycee Drive property. He said that his opinion and the opinion several other Board Members is that this is the last remaining parcel of land that can be used for treatment plant use and expansion in the future. He said after speaking with other Committee Members there is a concern about the deep indebtedness due to the additional costs to complete the Incinerator Project. He asked for comments from other Board Members concerning the property purchase at this time. He stated that Mr. Karchner was informed during the meeting that the Authority likes the property, but the additional costs for the Incinerator have put a financial strain on the Authority's operation. He then stated that Board Member Cuozzo asked Mr. Karchner if he would sub-divide the property, but he was not receptive to that idea because it would depreciate the value and make the front parcel less desirable for future sale. Board Member Fay asked if we still had a lease to use the rear of the property. Attorney Ustynoski stated that we did not receive the signed lease back yet, but an \$800 monthly rental payment is contained in the lease agreement with a two year term and a termination clause of 30 days. Committee Chairman Grink stated that Mr. Karchner said the Authority could continue to use the property as long as he has it, but he does have another party interested in utilizing the property. Board Member Milot asked the extent of the additional costs for installation of the incinerator. Gregory Olander stated that the engineer's estimate was \$3.8 million for installation. Board Member Cuozzo asked what funds were remaining from what was borrowed. Gregory stated that there was approximately \$1.7 million in the 2008 Construction Fund and \$670,000 in various Bond Redemption & Improvement Funds based on the last financial projections. He said there is a reimbursement amount of approximately \$2.9 million

due from Pennvest when the 2008 WWTP Upgrade Project is finally closed out, but that money has not been received yet. Committee Chairman Grink asked what the cost was for the air emission equipment on the incinerator. Gregory stated that the additional equipment was about \$3.2 million, which is in addition to the installation estimate of \$3.8 million. Committee Chairman Grink stated that he thinks it would be irresponsible for the Board to move forward with the property purchase at this time.

Fay & Carsia moved to accept the Building & Grounds Committee Report.

Passed: Aye-6, Nay-0, Absent-3

Director of Operations Report - MONTHLY FLOW REPORT

	<u>October 2014</u>		<u>Year to Date</u>		
			<u>Total</u>		<u>Average</u>
Total Flow	<u>233,294,469</u>	Gallons	<u>2,619,692,401</u>	Gallon	xxxxx
Total Flow Bypassed	<u>13,639,474</u>	Gallons	<u>102,497,553</u>	Gallon	xxxxx
Days Flow Bypassed	<u>3</u>	Days	<u>54</u>	Days	xxxxx
Total Flow Treated	<u>219,654,995</u>	Gallons	<u>2,517,194,848</u>	Gallon	xxxxx
Average Minimum	<u>5.0</u>	MGD	xxxxx	xxxxx	<u>6.1</u> MGD
Average Maximum	<u>11.1</u>	MGD	xxxxx	xxxxx	<u>13.3</u> MGD
Average Daily Flow	<u>7.1</u>	MGD	xxxxx	xxxxx	<u>8.3</u> MGD

Christopher Carsia, the Director of Operations, reported on the flow for October 2014. He said the total volume of wastewater diverted from all point sources for the month was estimated to be 93.59 million gallons with approximately 13.639 million gallons of treated outflow diverted at the treatment plant. He said approximately 6.236 million gallons of the total diverted flow was treated outflow from the Autumn & Ridge CSO Separator. He said the flow to the treatment plant was recorded at 233.3 million gallons with 219.6 million gallons treated. He also stated that the average daily flow to the treatment plant for the month was 7.1 MGD and the year to date average daily flow decreased to 8.3 MGD, which is below the Authority's permitted capacity.

The Director of Operations reported that revenues for October 2014 were \$1,000,110.82, which is a 3.3% increase from the prior year. He said the bills issued for hauled waste received in October totaled \$142,918.92, which is a decrease of 2.6% from the prior year. He said some of the septic haulers from smaller accounts in the Poconos were busier over the past month and with the current pace projections should be near \$1.6 million for the fiscal year. He then reported that liquid waste hauler, Liquid Motion has paid toward a past due balance and owes approximately \$4,500 at this time. He said another waste hauler, Gotta Go Septics, was contacted is expected to send a \$13,000 check in the next day to pay toward their past due balance.

The Director of Operations then reported that repairs were needed to plant water system at the treatment plant. He said this involves a shutdown of processes that require plant water to operate. He said the Hauled Waste Receiving Facility (HWRF), dewatering process, and odor control are all affected so the Maintenance Department was asked to split the crew and perform the work overnight. Gregory Olander stated that three repairs need to be made in different locations in the plant. He said a leaking valve in the Control Building needs to be replaced, Leaking valves in the HWRF need to be repaired or replaced, and several plant water valves in the Secondary Pump Station need to be replaced.

The Director of Operations informed the Board that Environmental Manager, Laura Motel, recently completed an EPA audit of the Industrial Pretreatment Program. He said early indications are that the audit went well. He said it included a detailed file review and an inspection of two Significant Industrial Users in our service area. He said a notice must be published in the newspaper for any industry that is found to be out of compliance. He stated that the Authority permitted an industry discharging waste from outside the service area. He said Koch's Turkey Farm discharges truckloads of waste during the winter months and has been permitted due to the volume of waste discharged. He said there may be a jurisdictional issue for enforcement under the IPP since they are located outside the Hazleton Area and either a contract with Koch's or an ordinance from the Borough of Tamaqua may be necessary. He stated that EPA Region III requested a determination from their headquarters in Washington, DC regarding proper documentation of this industrial user. He said a legal opinion from the Solicitor and/or Randy Hurst, an Environmental Attorney, may be necessary pending the follow-up comments from EPA.

The Director of Operations reported that the Authority's Assistant Chief Operator, Gene Zynel, attended the first operator's forum for Incinerator Operators in Cincinnati, Ohio. He said Mr. Zynel reported that training of operators is a major issue along with annual maintenance and inspection of the Incinerator, which takes about one month per year for larger units. Gregory Olander noted that the larger incinerators process about 70 dry ton per day and the Authority's incinerator will be capable of processing 15 dry ton per day. He said it may be possible to reduce the annual maintenance time to a few weeks with participation from all treatment plant departments. Christopher then requested a Special Meeting be held in January for Mr. Zynel to further discuss aspects of incineration with the entire Board.

The Director of Operations then reported that the Authority staff and Gannet Fleming would be working on two (2) LSA Grant Applications for submission prior to the December 31, 2014 deadline. He said an application will be submitted for the Button Buck CSO Separation Project through the City of Hazleton and the Incinerator Installation & Air Emissions Equipment will be submitted through the Borough of West Hazleton.

The Director of Operations reported that the annual health insurance renewal was received with a 5% increase in premiums effective January 2015. He also noted that all employees that previously opted out of the plan are now enrolled. He then stated in January 2015 increases of 40% to the retiree life insurance premium, 5.4% to employee life insurance premiums, and 21% to short term disability premiums become effective all through the Assurant Group.

The Director of Operations then stated that a change to the election of benefit forms for retirees was authorized by the Pension Committee. He said following a presentation by the Authority's Actuarial Consultant, a change was made to the form that requires a spouse to reject the joint qualified and survivor benefit if an employee elects to take the individual full benefit. He said this change protects the Authority in the event the spouse did not know the employee elected an individual benefit with no right of survivorship.

The Director of Operations stated that the Worker's Compensation Insurance increased this year due to an increase in the payroll estimate. He said the payroll audit in January 2015 should reduce the premium slightly, but an increase of about \$5,000 from the prior year is expected. He

said the loss from three years ago is still used in the calculations, which contributes to the increase along with higher payroll projections.

Boyarski & Milot moved to accept the Director of Operations report and to have the written report on diverted flows made a permanent part of the record. Passed: Aye-6, Nay-0, Absent-3

Engineer's Report –Andy Nowak, Field Operations Manager, reported that the Road Crew has been locating, raising, and repairing manholes in the City of Hazleton on Hayes Street, Laurel Street, and sections of the Heights for the past month. He stated that line flushing has been completed on Deitrich Avenue, Keifer Avenue, Berner Avenue, and Thirwell Avenue in the Heights section bringing the total of line flushing to over four miles of pipe for the year. He said Putman and Jefferson Streets were also flushed in West Hazleton Borough.

Brian Kauffman reported that the Elevator Modernization contractor expects parts to arrive by the end of the year and they will schedule a crew to begin work in mid-January. He said Duperon Corporation is still reviewing two options have been provided by his firm for installation of a screening mechanism at Gashouse Pump Station. He said the SCADA Request for Proposal (RFP) is still being finalized and needs to be reviewed by the Authority staff. He said the Control Building Window Replacement bid specification is complete and can be advertised for a bid opening at the December regular meeting. Board member Cuozzo asked if there was an estimate for the project. Brian responded that a \$40,000 quote was received several ago, but he expects this to be higher due to bidding the job and additional costs for bonds. He said a teleconference was held with IDI and they are preparing their shop drawings for submission to him to be reviewed. He said the Sludge Cake Pump Project is ready for startup, but the SCADA upgrades and revisions need to be completed before the Sludge Cake Pump and Rotary Press #3 can become operational.

Robert Dougherty reported that the Button Buck CSO Separation Project is ready for bid with a bid opening scheduled for December 22, 2014. He said the project will be bid in five phases with two major sections of separation work on the eastern side and western side of area 1A. He said the other three phases are for separation of twenty-two storm sewer inlets connected to what will be the sanitary system and overlay of the eastern and western streets following project completion, if needed. He said the Authority does not have funds to complete all five phases and the bids will be evaluated to determine what work will be awarded. Board Member Grink asked if these were the bids that are contingent on an LSA Grant from the state. Gregory Olander stated that once the bids are opened at the December meeting, the amount needed to complete the project will be used to complete the LSA Grant application. He said the intent is to apply for up to \$1 million in LSA funds through the City of Hazleton to be used in an area of the project decided after the bid opening when a clearer picture of funding needed for the entire project is available.

Gregory Olander then reported about a breakdown that occurred to a Human Machine Interface (HMI) for the Lakeside Raptor #1 in the HWRF. He said the HMI is a screen for haulers to input commands to offload their trucks of waste. He said the HMI has been a difficult fix in the past and the company that built the control panels has gotten involved to reprogram and move licensing from one screen to another. He said the company is recommending a change to an Allen Bradley HMI, which is what they now use in their newer control panels. He said there has been a lot of trouble with the existing HMI from Maple Systems. He said the change to an Allen

Bradley HMI may take some time to complete and currently only one Raptor can be used to offload trucks. He said the wait time during the day can be long and trucks may go elsewhere to discharge waste sludge. He said a quote was requested from Lakeside to replace the broken HMI with an Allen Bradley HMI, which will be primarily dependent on programming time. Christopher then stated that this is a situation that must be addressed as quickly as possible to prevent loss of business and other breakdowns that may occur without adequate screening.

Cuozzo & Fay moved to accept the Engineer's report.

Passed: Aye-6, Nay-0, Absent-3

Solicitor's Report – In addition to what was reported in Executive Session at the Work Session, Attorney Ustynoski stated that he had nothing additional to report.

Boyarski & Milot moved to accept the Solicitor's report. Passed: Aye-6, Nay-0, Absent-3

Christopher Carsia reported that a conference call is set with Wilson Yale of Morgan Stanley concerning changes to the Authority's investment strategy and a possible move to Certificates of Deposits for some of the money.

Cuozzo & Carsia moved to accept the Investment Consultant's Report as presented.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

BILLS AND CREDITS

Carsia & Boyarski moved to approve payment of Gannett Fleming, Inc. invoices and requisitions from August 23, 2014 through September 19, 2014, totaling \$12,776.31 as listed in the following table:

<u>Requisition #</u>	<u>Invoice #</u>	<u>Description</u>	<u>Amount</u>
Operating Fund	051153.A*5	Annual Services Work	\$ 5,228.78
Operating Fund	051153.B*6	Attending Authority Meetings	\$ 510.40
A464	048847.C0*4	Incinerator Design	\$ 4,571.81
C153	048847.B*3	WWTP Upgrade Construction Phase	\$ 2,465.32
		Total	\$ 12,776.31

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-yes, Grink-yes, Milot-yes, Veneroso-yes

Fay & Cuozzo moved to approve Requisition #A465 payable to RJD Engineering, Inc., totaling \$4,149.57, for Project #14-103, invoice dated October 31, 2014, for fieldwork and materials associated with the mapping, investigation, and design for the Button Buck CSO Separation Project from October 1, 2014 to October 31, 2014.

On the question: Board Member Cuozzo asked how much grant money remained to draw for this project. Gregory Olander responded that there was about \$3,000 remaining before this payment. He stated that the final payment request for this LSA Grant would be submitted to CFA in December.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

Cuozzo & Carsia moved to authorize payment from the Operating Fund in the amount of \$909,625.29, for Operating and Administrative Expenses (\$625,805.67); Construction in Progress (\$5,497.95); Equipment and/or Office Equipment (111,889.00); Transfers to Other Authority Accounts (\$2,865.52); Pennvest Loan #27769 (\$158,666.52); Pennvest Loan #74119 (\$1,473.64); and Pennvest Loan #58103 (\$3,426.99) from the month of October 2014.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

Carsia & Fay moved to approve issued credits totaling \$1,298.11 from month of October 2014.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

NEW BUSINESS

Milot & Cuozzo moved to authorize a bid advertisement for the Control Building “Window Panel Replacement Project” with a bid opening on December 22, 2014.

Roll Call: Boyarski-yes, Carsia-yes, Cuozzo-yes, Eyerly-absent, Fay-yes, George-absent, Grink-yes, Milot-yes, Veneroso-absent

The Director of Operations reminded the Board that a meeting with high ranking representatives of the DEP Wilkes-Barre Regional Office is scheduled for December 3, 2014 at the treatment plant. He said Brian Kauffman and Senior Environmental Scientist, Nicholas Sahd, would also be in attendance on behalf of the Authority.

Carsia & Milot moved to adjourn. Passed: Aye-6, Nay-0, Absent-3

The meeting was adjourned at 8:02 PM.

The next regularly scheduled Work Session will be Wednesday, December 17, 2014 at 7:00 PM.

The next regularly scheduled monthly meeting will be Monday, December 22, 2014 at 7:30 PM.

Respectfully submitted,

Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary