

The November 23, 2015 regular monthly meeting of the Greater Hazleton Joint Sewer Authority was called to order by Chairman George at 7:00 PM.

Roll Call:

Boyarski – Present

Carsia – Present

Cuozzo – Present

Eyerly – Present

Fay – Present

George – Present

Grink – Present

Milot - Present

Sherrock – Present

Also in Attendance:

Christopher Carsia – Director of Operations

Gregory Olander – Operations Manager

Andy Nowak – Field Operations Manager

Brian Kauffman, P.E. – Gannett Fleming, Inc.

Robert Dougherty, P.E. – RJD Engineering

Gene Koontz, P.E. – Gannett Fleming, Inc.

*John Nonnemacher, CPA – Snyder & Clemente

*In attendance during the Work Session

PUBLIC COMMENT

There was no public comment.

Eyerly & Grink moved to approve the minutes of the September 21, 2015 Regular Monthly Meeting. Passed: Aye-9, Nay-0, Absent-0

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 2015 were represented fairly in accordance with Generally Accepted Accounting Principles. He stated that there were new standards implemented by the Governmental Accounting Standards Board (GASB), which included #67 and #68. GASB 67 relates to additional disclosures in the financial statements to get an idea of liabilities and GASB 68 adds the unfunded pension actuarial liability onto the financial statements. He reported that there is a new change in the calculation of Other Post-Employment Benefits (OPEB). He said the simplified method was being used; however, the change requires more detailed calculations as performed by an actuary. He stated that the Authority’s annual OPEB liability was calculated at about \$269,000 and the unfunded liability will increase by approximately that amount each year. He said this will have a negative impact to the Authority’s financial statements in the future unless the liability is funded. He said many other municipal entities are in the same situation and they will carry large amounts on their financial statements. He said a few of them are beginning to fund the benefit to reduce their liability.

John then reported that as a test of controls, the disbursements were reviewed this year and he is pleased to report that there are no derivations; no matters to report as material weaknesses or significant deficiencies; and no management letter deficiencies again this year. He stated that it speaks volumes about the management of the Authority under Chris, Greg, and the Board.

John then reported that total sewage treatment revenues decreased by \$43,000 to \$9.619 million; however, non-operating revenues increased by \$242,000 primarily due to a litigation settlement. He then reported that the operating expenses also increased due to higher plant expenses, most notably biosolids removal & disposal (+\$254,000) and repairs & maintenance (+\$195,000). He noted that there was also an increase in administrative expenses due to higher pension plan expense, engineering fees and OPEB Liability (+\$241,000). He said collection system expense also increased due to an increase in salaries and wages (+\$82,000) and reclassification of health

insurance (+\$92,000) from the administrative category. He then reported on non-operating revenues and expenses noting that all categories remained relatively unchanged except for interest expense. He said interest expense decreased to \$809,207 consistent with repayment of long term debt. He said the result is operating income of \$2,145,740 and increase of \$1,426,317 to the Net Position from \$30.117 million to \$31.105 million since last year.

John then reported on the Current Assets and Current Liabilities. He said the Current Assets increased from \$8.085 to \$8.986 million and Restricted Assets decreased from \$3.767 million to \$2.991 million. He reported that Current Liabilities payable from Current Assets increased slightly from \$2.655 to \$2.827 million. He said the working capital position of the Authority is 3.2 to 1, which is considered a healthy ratio and is important for an Authority of this size to weather the ups and downs during the year. He stated that bond companies and rating agencies look at this ratio, which is used to determine borrowing ability and interest rates. He then reported on the non-current liabilities, which includes the current portion of long term debt (\$40,960,249) for bonds and loans. He also stated that the total liabilities were \$46.060 million.

John stated that he has been performing audits of water and sewer authorities for over 29 years and the fact that there were no findings during such a complex audit is a testament to the management team and the Board for a well-run organization. He stated that he would be available to answer questions from Board Members at any time. Board Member Sherrock asked Mr. Nonnemacher if it was his opinion that should anyone out in the public be “slamming the Authority for not knowing what they were doing”, it is not accurate. John responded that it is his professional opinion.

Milot & Fay moved to accept the Fiscal Year Ended July 31, 2015 Audited Financial Statements as presented by John Nonnemacher, CPA of Snyder & Clemente, CPA.

On the Question: Board Member Milot stated that he was very impressed with the comments Mr. Nonnemacher made concerning the outstanding job done by the administration.

Roll Call: Boyarski-yes, Carsia-yes, Cuzzo-yes, Eyerly-yes, Fay-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes

Pension Committee

Board Member Grink commented on issues discussed during the Pension Meeting that was held on November 18, 2015. He voiced his concern with the new OPEB liability figure, which is \$269,000. Gregory Olander explained that the new GASB requirements call for the OPEB liability to be listed in the financial statements and that it is an annual figure that will compound each year. He said in 3 years, the Authority's OPEB liability will approach \$1 million. He said other municipal entities that offer other post-employment benefits are experiencing the same issue. He said if these benefits are retained and no money is set aside to fund the liability, it will become a big problem in the future. He said the affect would be a weakened financial statement and diminished borrowing power.

Board Member Grink then informed the Board that the Morgan Stanley Investment Consulting firm that has managed the pension accounts since 1997 is changing to a new management team that specializes in government accounts. Board Member Milot stated that there are three (3) Board Members on the Pension Committee and they recommended giving the new manager a chance to prove themselves.

Director of Operations Report - MONTHLY FLOW REPORT

	<u>October 2015</u>		<u>Year to Date</u>		
			<u>Total</u>		<u>Average</u>
Total Flow	205,003,579	Gallons	2,355,360,990	Gallon	xxxxx
Total Flow Bypassed	10,720,995	Gallons	50,691,154	Gallon	xxxxx
Days Flow Bypassed	3	Days	38	Days	xxxxx
Total Flow Treated	194,282,584	Gallons	2,304,659,836	Gallon	xxxxx
Average Minimum	3.8	MGD	xxxxx	xxxxx	5.4 MGD
Average Maximum	11.4	MGD	xxxxx	xxxxx	12.2 MGD
Average Daily Flow	6.5	MGD	xxxxx	xxxxx	7.6 MGD

Christopher Carsia reported on the flow for October 2015. He said the total volume of wastewater diverted from all point sources for the month was estimated to be 60.962 million gallons with approximately 10.721 million gallons of treated outflow diverted at the treatment plant. He said approximately 3.919 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 205 million gallons with 194.2 million gallons treated. He also stated that the average daily flow to the treatment plant for the month remained low at 6.5 MGD and the average daily flow for the year decreased to 7.6 MGD.

The revenues for October 2015 were reported at \$1,012,338.07, which was an increase of 1.2% from the prior year. He said the bills issued for hauled waste received in October totaled \$143,228.35, which is an increase of 0.2% from the prior year. He said although the hauled waste revenues are on pace to meet expectations, he expects to lose another consistent revenue source in Pilot Truck Stop, who is scheduled to connect to a small treatment system near their location.

The Director of Operations stated that he and the Operations Manager had training on a new eDMR system by DEP. He said it appears they are focusing on the treatment plants to self-log any non-compliances that occur and also report more specific and detailed information from their facilities.

Andy Nowak reported on several repairs that were undertaken by the Road Crew. He said non-emergency type repairs were made in the Heights section on Samuels Avenue and Mill Street where about 40 feet of broken pipe was replaced. He said the repair was near 12 feet deep and the crew had to deal with excessive groundwater in the open trench.

The Director of Operations informed the Board on CSO related issues relative to DEP and EPA and he distributed a handout with bullet points outlining his concerns. He said the days of discharging untreated wastewater to the receiving waters is being looked upon harshly by federal and state regulators. He noted that the Berwick Sewer Authority addressed their four (4) CSO outfalls at a cost of about \$15 million. Gregory Olander then stated that he discussed this with a representative at Berwick and they will be completing the final separation project next year. He noted that they followed their Long Term Control Plan (LTCP) as submitted to DEP and were firmly held to the schedule as they submitted.

The Director of Operations then reported that he attended the West Hazleton Borough Public Meeting to request their approval for submission of an application to DCED for Local Share Account (LSA) grant through the Borough on the Authority's behalf. He said Council asked a few questions and were receptive to sponsoring the application. He said the West Hazleton project would involve a CSO related sewer separation to reduce flows to the treatment plant and possibly generate additional EDUs for the Borough. He then reported that a meeting was scheduled with Joseph Smith of Schumacher Engineering, the engineer for Hazle Township, regarding another LSA Grant application with the Township as the sponsor. He said this project would involve investigation and elimination of cross connections in both Hazle Township and Hazleton City to eliminate a CSO point source at the Terminus of Black Creek. He said the engineers thought the application would be stronger if there was support from both municipalities with Hazle Township taking the lead as the sponsor. He said resolutions supporting the projects would need to be passed at upcoming public meetings of each municipality. Board Member Sherrock stated that it is very important that the municipal officials realize the importance of these projects and cooperate with the other municipalities to move the entire area forward. Christopher then stated that as he suggested months ago, beginning in 2016 meetings should be held with Scott Novatnak of DEP and municipal officials relative to Act 537 Planning. Board Member Cuzzo said she thought the City of Hazleton already completed an Act 537 Plan. Brian Kauffman responded that since it has to do with planning, DEP is looking for each municipality's flows 10 to 20 years in the future for sizing of treatment facilities. He said they expect the plan to be periodically updated. Board Member Milot then asked Attorney Ustynoski for a status on the EDU allocations in West Hazleton. Attorney Ustynoski responded that he recently spoke with Attorney Sharkey and asked him to move it up on his priority list. He reminded the Board that procedurally, action had to be taken by West Hazleton Borough to initiate having the unused EDUs reinstated by DEP.

The Director of Operations then reported that he and the Operations Manager met with representatives of On Demand Energy and the Hazleton Chamber of Commerce relative to the Authority's electricity contracts. He said On Demand is an energy broker endorsed by the Chamber and Pennsylvania Municipal Authorities Association (PMAA) to provide their expertise for getting competitive pricing in the future. He said they wanted the Authority to sign an Authorization Form for On Demand to be the sole broker for the Authority's electricity needs. After some discussion, the Board instructed the Director of Operations not to sign the Broker Authorization letter and to continue utilizing the current contracted supplier, Talen Energy (formerly PPL Energy Plus) for supplying electricity.

The Director of Operations also reported that the Worker's Compensation Insurance expires at the end of the calendar year. He said that he would be getting pricing from the underwriter for the upcoming year and although there are still some claims listed in the loss runs, the rate should not be much different than last year. He also informed the Board that the Short Term Disability rates have increased sharply due to usage of the benefit by employees. Board Member Cuzzo asked what the increases were for the health insurance premiums in 2016. Gregory Olander responded that the new premiums actually decreased by 2% from the prior year and over the past five years, the Authority has seen only a 6% cumulative increase in health care premiums. Christopher then reported that the life insurance premiums for retirees have also increased sharply, but the active employee life insurance rates have remained the same.

Gregory Olander reported that there have been a number of costly breakdowns over the past few months. He said one of the secondary effluent pumps had an impeller nut break off, which caused

damage inside the pump at an estimated cost of \$21,000 for parts to repair the pump. He said a similar situation occurred at Cranberry Pump Station and he received quotes for a new pump, which ranged from \$47,000 to \$55,000. He also reported that one of the Variable Frequency Drives (VFD) at Cranberry Pump Station also failed at a cost of about \$13,000 for a replacement drive. He noted that two blowers also needed to be replaced at the treatment plant along with numerous other items such as PLC modules, electrical gear, etc. He said that he wanted to make the Board aware of the situation and that the maintenance budget was increased, but not significantly, since the 2008 plant upgrade and there are many more pieces of equipment operating the new plant that are more technical in nature. Brian Kauffman was asked if this was common to have so many equipment failures so soon after the equipment becomes operational. Brian responded that unfortunately it is not uncommon, possibly because equipment is not as robust as the older pieces manufactured in the past. Gregory noted that if equipment failures continue at this rate, it will not be possible to meet budget for the maintenance and repairs line item. He also reported that Brian Kauffman would be looking at other pump manufacturers to determine if a pump from a company other than Chicago/Yoemans would fit into the piping configuration at the Cranberry Pump Station.

Gregory then reported that he and Attorney Ustynoski discussed a contract extension with PA State Constable Daniel Montone. He said Mr. Montone has been contracted to post properties and accompany personnel during water shutoffs for more than 15 years. He said the current 5 year contract expires in November and he is recommending the Board issue a 5 year extension to the contract at the same rate of \$5.00 per property posted and \$75.00 per hour during water shutoffs. He noted that there is no increase to the compensation from the existing contract. He also informed the Board that the money assessed to delinquent customers for not paying their bill fully pays all costs associated with delinquent account processing including Mr. Montone's fee, the Water Authority charges for their personnel, and other miscellaneous costs. Board Member Cuozzo requested a copy of the contract and questioned how long his contract was in place. Attorney Ustynoski responded that Mr. Montone was contracted since the beginning of the program when it was put in place in the 1990's by the late Executive Director, Jerry Riley.

The Director of Operations reported that he attended the Eastern Pennsylvania Water Pollution Control Operator's Association (EPWPCOA) meeting on November 20, 2015, which was the annual award meeting for water and wastewater operators in eastern Pennsylvania. He said one of the Authority employees, Mr. Ronald Lashock was honored for his leadership and mentoring within the organization for wastewater laboratory procedures.

Milot & Grink moved to offer commendation to Ronald Lashock for his Leadership and Mentoring award from EPWPCOA. Passed: Aye-9, Nay-0, Absent-0

Carsia & Boyarski 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-9, Nay-0, Absent-0

Engineer's Report – Brian Kauffman and Gene Koontz requested the Board move to executive session for a legal issue relative to the 2008 WWTP Upgrade.

Carsia & Grink moved to enter executive session to discuss a legal issue. Passed: Aye-9, Nay-0, Absent-0

After the Board moved out of executive session, Brian Kauffman reported that the treatment plant SCADA Update was completed by Martz Associates, Inc. and pricing was received from Martz to

build the plant water pump control panel, program, and integrate the system into existing SCADA. He said the quote was \$86,900.00 and he recommended bidding the project in an attempt to get the cost down for the custom panel. He then reported that the contractor for the Window Panel Replacement Project indicated they are tentatively scheduled to mobilize in mid-December to begin installation of the panels and windows on the Control Building. He stated that his firm was completing a review of permitting requirements for backup generators used by the Authority for emergency power and demand response. He said a request for determination would be compiled by his firm and sent to DEP. He then reported that he is completing the review of final shop drawings for the incinerator. He also reported that the Sludge Cake Pump Installation Project is now complete.

Robert Dougherty reported that the East Separation Project was now 70% completed. He said trench paving was completed from Hazle Street to Juniper Street. He said the next move for PACT Construction is to install about 600 linear feet of sanitary pipe near the Heights Terrace School, which is a very deep cut. Robert reported that the West Separation Project is about 30% completed. He said the main line was installed on Hazle Street from Broad Street to Walnut Street. He said a portion of the trench paving was also completed. Robert then discussed the City's trench paving specification, which is a 4.5" base coat followed by a 1.5" wearing course. He said that he spoke with representatives at the City and they would allow a 6" base coat in the trench because the entire street would be overlaid with asphalt when the separation projects are completed.

Robert then reported that mapping and project scope were being worked on for the two LSA Grant Applications being submitted this year through West Hazleton Borough and Hazle Township.

Chairman George asked if there were any issues with UGI and gas leaks on the construction sites. Robert stated that there was an issue with one of the older lines that had a gas odor. He said UGI was contacted and they repaired the leak with a sleeve and clamps. He said some of the gas lines in the area are quite old and UGI may be installing new pipe in the near future. Board Member Sherrock asked if the new sewer pipe was going to cross Broad Street. Robert responded that the Authority had a stub installed by Pennsy Supply during the Broad Street Corridor Project a few years ago in anticipation of the Button Buck CSO Project so there would be no need to excavate the newly reconstructed state road. Board Member Cuzzo asked if anything was done with the Railroad for the projects. Attorney Ustynoski responded that there was an agreement that had to be signed and returned to Norfolk Southern that he was going to report on under the Solicitor's Report. He said it is a typical railroad contract, which naturally favors the railroad company. He said the insurance that was previously discussed is now a mandatory condition in the agreement. He said there is a lot of language in the contract regarding signals, but the Authority's project is far enough east of any signal that it does not apply to work under this project.

Carsia & Milot moved to accept the Engineer's report.

Passed: Aye-9, Nay-0, Absent-0

Solicitor's Report – In addition to what was reported in Executive Session and at the Work Session, Attorney Ustynoski stated that the Anthony Rentz age discrimination lawsuit was settled for \$20,000 and he had nothing additional to report.

Carsia & Fay moved to accept the Solicitor's report. Passed: Aye-9, Nay-0, Absent-0

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

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

BILLS AND CREDITS

Eyerly & Boyarski moved to approve payment of Gannett Fleming, Inc. invoices and requisitions from August 22, 2015 through October 2, 2015, totaling \$14,088.23 as listed in the following table:

<u>Requisition #</u>	<u>Invoice #</u>	<u>Description</u>	<u>Amount</u>
Operating Fund	051153.A*5272	Annual Service Work	\$ 1,120.18
Operating Fund	051153.B*5275	Attending Authority Meetings	\$ 649.16
Operating Fund	051153.AG*5273	Financing & Grants	\$ 357.30
Operating Fund	051153.AI*5274	ODMS Program Update	\$ 170.19
Operating Fund	051153.01*5271	SCADA Update	\$ 4,047.37
Operating Fund	048847.B*5269	WWTP Upgrade Construction Phase	\$ 3,714.66
Operating Fund	048847.CO*5270	Incinerator Design	\$ 4,029.37
Total			\$ 14,088.23

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

Cuozzo & Fay moved to approve Requisition #C160, payable to Michael F. Ronca & Sons, Inc., totaling \$221,696.44, for Payment Estimate #1 of the Button Bock CSO Separation Project – West. The original contract price was \$1,447,000.00. The total of payments made to date including this payment is \$221,696.44, which leaves a balance of \$1,225,303.56.

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

Cuozzo & Grink moved to authorize payment from the Operating Fund in the amount of \$1,098,647.06 for Operating and Administrative Expenses (\$481,294.18); Construction in Progress (\$37,685.73); Transfers to Other Authority Accounts (\$416,100.00); Pennvest Loan #27769 (\$158,666.52); Pennvest Loan #74119 (\$1,473.64); and Pennvest Loan #58103 (\$3,426.99) from the month of October 2015.

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

Milot & Fay moved to approve issued credits totaling \$3,995.99 from month of October 2015.

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

NEW BUSINESS

Fay & Carsia moved to approve a five (5) year extension to the existing agreement with PA State Constable Daniel Montone, from November 1, 2015 to November 1, 2020, for services to collect delinquent balances due and owing the Authority during delinquent processing procedures, which includes posting of delinquent properties with a shut off notice and services during the actual

water shut-off. Compensation for services shall remain at the same rate of \$5.00 per property posted and \$75.00 per hour during water shut-offs.

Roll Call: Boyarski-yes, Carsia-yes, Cuzzo-no, Eyerly-yes, Fay-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes

Cuzzo & Boyarski moved to authorize Gannett Fleming to prepare bid specifications for purchase of a Plant Water Control Panel to automatically adjust water volume and pressure for the plant water pumps in the Secondary Pumping Station as recommended by the engineer.

Roll Call: Boyarski-yes, Carsia-yes, Cuzzo-yes, Eyerly-yes, Fay-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes

Milot & Grink moved to adjourn. Passed: Aye-9, Nay-0, Absent-0

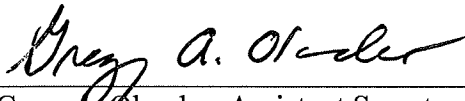
The meeting was adjourned at 8:38 PM.

The next regularly scheduled Work Session will be Wednesday, December 16, 2015 at 7:00 PM.

The next regularly scheduled monthly meeting will be Monday, December 21, 2015 at 7:30 PM.

Respectfully submitted,

Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary