

The December 18, 2017 regular monthly meeting of the Greater Hazleton Joint Sewer Authority was called to order by Chairman George at 6:30 PM. All in attendance gave a pledge of allegiance.
Roll Call:

Ammon – Present	Boyarski – Present	Cuozzo – Present
Fayock – Present	George – Present	Grink – Present
Milot – Present	Sherrock – Present	Zola - Present

Also in Attendance:

Christopher Carsia – Director of Operations	Gregory Olander – Operations Manager
Andy Nowak – Field Operations Manager	Attorney Joseph D. Ustynoski – Solicitor
Rachel Govelovich, P.E. – Gannett Fleming	*Robert Dougherty, P.E. – RJD Engineering
Christopher Gibbons – Concord Public Finance	

*In attendance during the Work Session

PUBLIC COMMENT

There was no public comment.

Zola & Grink moved to approve the minutes of the November 20, 2017 Regular Monthly Meeting. Passed: Aye-9, Nay-0, Absent-0

Grink & Milot moved to approve the minutes of the November 8, 2017 Special Meeting. Passed: Aye-9, Nay-0, Absent-0

Milot & Sherrock moved to approve the minutes of the November 15, 2017 Pension Meeting. Passed: Aye-9, Nay-0, Absent-0

Authority Purchase Committee Report –

Board Member Ammon stated that there was nothing additional to note relative to the potential sale of the Authority.

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

Director of Operations Report - MONTHLY FLOW REPORT

	<u>November 2017</u>		<u>Year to Date</u>		
			<u>Total</u>		<u>Average</u>
Total Flow	163,976,119	Gallons	2,614,363,124	Gallon	xxxxx
Total Flow Bypassed	0	Gallons	63,650,263	Gallon	xxxxx
Days Flow Bypassed	0	Days	44	Days	xxxxx
Total Flow Treated	163,976,119	Gallons	2,551,361,861	Gallon	xxxxx
Average Minimum	3.2	MGD	xxxxx	xxxxx	5.2 MGD
Average Maximum	8.3	MGD	xxxxx	xxxxx	12.6 MGD
Average Daily Flow	5.5	MGD	xxxxx	xxxxx	7.6 MGD

Christopher Carsia, the Director of Operations, reported on the wastewater flows for November 2017. He said the total volume of wastewater diverted from all point sources for the month was estimated to be 8.550 million gallons with no treated outflow being diverted at the treatment

plant. He said approximately 0.667 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 163.9 million gallons with all flow fully treated. He also stated that the average daily flow to the treatment plant for the month was 5.5 MGD and the year to date average daily flow decreased to 7.6 MGD. He also reported that the treatment plant continues to operate very well and maintains compliance with the DEP Permit.

The Director of Operations reported that the revenues for November 2017 were \$890,953.45, which was a 2.3% decrease from the prior year. He said the billings for hauled waste received in November totaled \$117,646.64, which is a decrease of 4.4% from the prior year.

The Director of Operations reported that he is in the process of binding insurance with New York Life for Short Term Disability Insurance for the employees that becomes effective January 1, 2018. He then noted that a US Census survey was completed and submitted to the government relative to the Authority's pension financial statements.

The Director of Operations then stated that he was contacted by the Business Manager of Keystone and CES Landfills regarding the reduction of sludge tonnage being sent to their landfills. He said they are requesting an increase to the amount of sludge being hauled to their CES Landfill and they are willing to reduce the tipping fee by \$4.25 per ton to be on par with the cost for the Authority to dispose of sludge at a competitor's landfill. Chris stated that they would require approximately 160 tons per week to honor the lower price.

Christopher reported that the hydraulic power pack for the Gashouse Pump Station wet well screen was returned by the manufacturer and re-installed. He said the leaks were corrected by the manufacturer and the mechanism was tested for several weeks at their facility. He said the screen is now working properly and the Maintenance Department will continue to monitor it for normal operation.

The Director of Operations reported that a Negotiations Committee Meeting was held with its members and the union representatives to discuss implementation of a "Light Duty Policy". He said the meeting was harmonious and a follow-up committee meeting with the union was scheduled for Monday, January 15, 2018.

The Director of Operations then reported that a draft NPDES Permit was received from DEP. He said the proposed permit contains significant changes that will cost the Authority additional monies to maintain compliance. He said once the draft is published in the PA Bulletin, the Authority has 30 days to provide its comments to DEP on the permit. He then recommended the Authority call a Special Meeting for Nicholas Sahd of Gannett Fleming to update the Board on the changes in the draft permit and how they would affect the Authority.

Chairman George called a Special Meeting on December 27, 2017 at 6:30 PM for Nick Sahd of Gannett Fleming to update the Board on the changes in the draft NPDES Permit.

Board Member Zola asked the cost of the incinerator installation as projected by Gannett Fleming. Gregory responded that the cost as submitted in the Pennvest Application was \$8,535,000. Board Member Zola noted that there is a huge spread between that projection and the higher amount from the actual bids received. He also noted that there were only two bidders for the general construction portion of the project. Board Member Ammon asked where the

additional money would come from since the project cost is more than the maximum amount applied for in the Pennvest Application. Gregory responded that Concord Public Finance (CPF) is on board to issue Request for Proposals (RFP) for bank loans to fully fund the project or supplement Pennvest funding. He said CPF was given the information to contact the local banks in addition to those that are already on their RFP list. Board Member Zola asked if this project is too expensive to complete. Board Member Ammon responded that he agrees in some regard, but there is no way to turn back at this point because the Authority would be responsible to pay back the \$7 million grant and have nothing to show for it. He then asked how much money was spent on the incinerator project so far including the grant money that was spent. Gregory responded that so far over \$13 million has been paid toward the incinerator. Board Member Ammon stated that the Authority should have a finished project to at least recuperate some of the money that has been spent. He asked what amount of savings can be expected. Gregory noted that the savings will be in the biosolids removal and disposal line item, which is expected to be reduced by about \$1 million annually; however, there will be increased expenses in electricity, natural gas, maintenance, and chemical costs to operate the incinerator.

Board Member Cuozzo stated that the Authority should submit another LSA Grant application for the Incinerator Installation Project. Gregory Olander responded that the Authority is already submitting an LSA Grant Application through West Hazleton Borough for a sewer separation project in the Borough and an additional application would only have the Authority competing against itself for the limited funds that are available. He also noted that the Borough would need to approve the project by resolution and in municipal and county planning and the timeframe to obtain the necessary approvals needed in an application is not feasible.

Andy Nowak then reported that the new Bobcat loader was delivered to the Authority and sale of the 2005 Bobcat to the Hazleton City Authority (HCA) is on the agenda for the Board's consideration. He said the sale price of \$13,000 was the trade-in value offered by the authorized Bobcat dealer during the purchase of the new machine.

Andy then reported on an emergency situation that developed on South Church Street (Route 309) with manholes collapsing due to the heavy truck traffic. He said the two manholes repaired were about 300 feet apart and heavy duty manhole risers were installed to support the extra weight of the trucks. He said four (4) more manholes in that area need to have the additional support added.

The Director of Operations also reported that he and the Operations Manager had a meeting with Representative Tarah Toohil to discuss several issues including support of the Authority's Pennvest Application for the Incinerator Installation Project and support of the change in scope to the Button Bock CSO Separation Project to allow the 18 cross connections to the storm sewer to be removed and re-connected to the sanitary sewer. He said Representative Toohil was in support of the Pennvest Application and she would discuss it with the other local legislators in an upcoming meeting. He said that she also contacted DCED concerning the Change in Scope under the H2O Grant; unfortunately, the response from the DCED representative was the same as when he was contacted directly by the Authority. He noted that because the work entails removal and connection of residential laterals, it cannot be funded under the H2O Grant Agreement because it is outside the guidelines of the grant program.

Zola & Sherrock 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 – Robert Dougherty reported that the concept engineering plan and cost estimate were completed for sewer separation in Sub-Area 1 in West Hazleton Borough. He said they were completed so the Authority could submit a LSA Grant Application through West Hazleton. He stated that there is one more month of flow readings to be taken on Ridge Avenue in West Hazleton then the meters will be removed. He said the data will be analyzed to determine how much drainage area will need to be removed to reduce flows to the vortex separator, then a project will be put together to remove the inlets next year.

Robert then reported on the roof drain disconnections associated with the Button Bock CSO Separation Project. He said of the 866 properties with rain leaders going into the ground, all letters have been sent to property owners and 833 properties have been inspected to date. He said 576 have been disconnected, but since all letters have now been sent, he anticipates that amount increasing closer to the 866 with some owners not responding. He said final notices will need to be sent to property owners that did not respond and it needs to be determined how to go about disconnecting those properties. He said there are 30 owners who want their properties dye tested to determine if the roof drains need to be removed. He said they would continue with the disconnection work over the next few months.

Board Member Ammon asked if the Authority has an analysis or plan relative to the stormwater systems in the City of Hazleton and Borough of West Hazleton on what needs to be done. Robert Dougherty responded that the Corrective Action Plans (CAPs) that were developed by the municipalities contain plans for reduction of flows to the treatment plant. He said the work being done in Button Bock section, Area 10, and the West Hazleton/Greenridge section are all contained in the CAPs as far as the combined sections of stormwater and sanitary lines. Christopher Carsia noted that the municipalities get credit under the MS4 for any sewer work the Authority performs. Andy Nowak noted that the Authority's plan only addresses the combined system, but does not address the separated stormwater systems within the municipalities. There was a continued discussion of the MS4 Permit in the City of Hazleton and Board Member Ammon suggested the municipalities meet with the Authority to try to combine resources to adhere to the stormwater regulations.

Rachel Govelovich reported that the Authority's draft NPDES Permit was published in the PA Bulletin on December 16, 2017 and Gannett Fleming is assisting the Authority to develop comments for submission to DEP prior to the January 15, 2018 deadline. She then reported that the contractor for the Primary Pump Station Concrete Repair Project was issued Notice to Proceed on September 26, 2017. She said the contractor coordinated a site visit on November 14, 2017 to verify the expansion joint width so product materials can be ordered. Rachel then reported that Authority Management and RJD Engineering provided necessary information for the LSA Grant Application being submitted through West Hazleton Borough. She said the grant request is for \$363,000 and the Authority contribution is \$35,000 for a total project cost of \$398,900. She said all land use planning letters have been received from the Borough and County and a resolution authorizing the grant application was adopted by West Hazleton Council on December 14, 2017. She said the application is in final review at her firm and it will be submitted prior to the December 31, 2017 deadline.

Rachel then reported on the Incinerator Installation Project. She said DEP responded to the request for additional information regarding the Authority's Air Quality Permit. She said they had no concerns in response to the information that was submitted. She said Gannett Fleming continues to negotiate the change order request submitted by Suez. She then reported that the Pennvest Application in the amount of \$11,411,000 was submitted along with addenda and hard copies to the DEP representative. She said there were general project status updates with both Pennvest and DEP over the past month along with responses to Pennvest inquiries. She said the Pennvest Board Meeting is on January 31, 2018 at which time the Authority will learn the amount of the funding offer, if any. Rachel then presented the Board with a bid review letter dated December 18, 2017 and explained the detailed contents of that bid review letter. She said bids for all three contracts were checked for completeness and correctness and the Solicitor reviewed them and found no material issues or bid form discrepancies. She also noted that there were no substitutions submitted by the contractors. She stated that the total of all three contracts is \$11,794,400, which is higher than the \$8,535,000 (\$9,815,000 with contingency) that was requested as the construction portion of the Pennvest Application. She stated that the potential for attracting additional bidders on the general construction contract if the project was re-bid is not likely since the pre-qualification process was opened twice and contractors were solicited to bid through construction journals and publications. She said of the five pre-qualified contractors, only two submitted bids for the project. She then noted that the two bids for Contract One were within \$197,000 of each other suggesting they prepared quality bids that were closely competitive. Rachel stated that there is a risk associated with re-bidding the project, which includes a high potential for additional delay claims in the form of change orders from Suez. Board Member Zola asked what percentage of change orders can be expected on this type of project. Rachel responded that a normal project can be about 5%; however, due to the uniqueness of this project, a higher percentage can be expected. She said for planning to fund the project, 10% to 15% can be used to be more conservative. She noted that due to the unknowns relative to coordination with Suez, the contractors erred on the side of caution when preparing their bids. Mr. Zola asked if this would then be a completed project, or will there be other additions not contained in the bid and estimated contractor change orders. Rachel responded that the items not contained in the project costs are training of employees on the incinerator equipment, air permitting at the end of the project to be completed in accordance with the 40 to 50 page plan approval document, stack testing, and issuance of a building permit. Board Member Zola asked what the total cost range would now be for the complete project. Rachel responded that the project cost should be in the \$15 million plus range through completion. She said place holders were input in the cost projections for items that were not yet known and actual amounts being input as they come in, so between Gregory and herself the costs are being updated as information becomes available. Rachel also noted that through their site visit last month, DEP representatives had concerns that the project is not proceeding as originally scheduled and they indicated that the Air Quality Permit must not be allowed to lapse. She said the permit expires in June 2018, so an extension to the permit will be applied for in March 2018. She said this will be the second or third extension, so delay of the project due to a re-bid may have a negative impact on the DEP's willingness to grant another extension. Rachel then recommended the Board consider issuing Intent to Award on the three contracts for the Incinerator Installation Project to the apparent low bidders.

Gregory Olander introduced Christopher Gibbons of Concord Public Finance who is acting as Financial Advisor for the Authority for funding of this Project. He said Mr. Gibbons has

provided debt service figures based on anticipated rates for a 20-year bank loan. Mr. Gibbons gave a brief presentation on his firm and explained how the term sheets are developed. He said for bank loan financing of a 20-year term you typically don't see a fixed rate for the entire term, but rather a fixed rate for 7 to 10 years with a variable rate for the remainder of the loan term. He said that he structures the loan such that the variable rate has a cap that cannot be exceeded. He stated that a list of 35 different bank contacts have been assembled to receive Request for Proposals (RFP) to be due a day after the Pennvest Board Meeting on January 31, 2018. He said the bank proposals are then compared to the bond market to determine the best financing for the Authority. He noted that over the past 2 to 3 years, most financings have been bank loans instead of bond issues due to the attractive bank rates during that period.

Gregory referenced three handouts that he provided to the Board. He said one handout is a comparison of the sewer rates charged by different municipalities in the area and where the Authority currently falls on that list. He said the other handouts contain financial projections for the next five (5) years given two different borrowing scenarios. He reviewed the scenario for a \$15 million private loan with a 20-year term to fund the project. He said under that scenario, the Authority would be faced with a 16% rate increase, which is a \$6.40 increase per month, beginning July 31, 2018. He noted that the debt service ratio is of particular concern, which must be maintained above 110% according to the Bond Trust Indenture. He said in the private loan scenario, the debt service ratio dips to 110.3% in fiscal year 2021-2022 given the 16% rate increase. Gregory stated that the other scenario assumes full funding through Pennvest for the \$11,411,000 with the remaining project costs funded by a combination of \$1,000,000 in Authority funds and a private 20-year loan for the remaining \$2,589,000. He said in this scenario, the operating and administrative expenses are covered and the 110% debt service coverage requirement is maintained through fiscal year 2021-2022 with a rate increase of 12.5%, which is a \$5.00 increase to the current \$40.00 per month rate. Board Member Zola asked if all costs relative to the incinerator project were included in the projections. Gregory responded by reviewing each line in the Capital Projects section of the projections, which includes the remaining balance on the engineering design and bid phase services, the remaining balance owed to SUEZ for equipment, legal, accounting, training, all three contract bid amounts plus a 15% contingency, and the estimated cost for engineering construction management. He said that the construction management amount is estimated until Rachel receives numbers back from her firm on costs to complete the project including the air permitting that is required. Gregory noted that the increases discussed are across the board and include both treatment and transmission divisions. He also noted that the figures in the financial projections may be changed as more current values are received. There was additional discussion of the expense picture once the incinerator is placed in service and changes to long term debt given the Federal Government's recent increase to interest rates. Mr. Gibbons distributed draft term sheets to the Board and Gregory noted that Mr. Gibbons would be distributing the term sheets to banks in the next week or so.

Sherrock & Fayock 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 at the Work Session, Attorney Ustynoski reported that SB 656 is on hold until the holidays are over and the House goes back in session. He also reported that all three settlement checks were received relative to the pumps at the Gashouse Pump Station. He then requested the Board move to executive session to discuss a legal issue.

Milot & 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, **Zola & Boyarski** moved to accept the Solicitor's report. Passed: Aye-9, Nay-0, Absent-0

Zola & Boyarski moved to accept the Investment Consultant's Report as presented.

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-yes

BILLS AND CREDITS

Sherrock & Grink moved to approve payment of Gannett Fleming, Inc. invoices and requisitions from September 30, 2017 through October 27, 2017, totaling \$46,154.59 as listed in the following table:

<u>Requisition #</u>	<u>Invoice #</u>	<u>Description</u>	<u>Amount</u>
Operating Fund	051153.A*45984	Annual Service Work	\$ 1,031.21
Operating Fund	051153.B*45986	Attending Authority Meetings	\$ 588.78
Operating Fund	051153.D*45987	Pretreatment Program	\$ 252.54
Operating Fund	051153.AG*45985	Financing & Grants	\$ 127.50
Operating Fund	051153.01*45982	Scada Update & Plant Water Service	\$ 8,254.22
Operating Fund	051153.02*45983	Primary Pump Station Concrete Repair	\$ 497.15
Operating Fund	048847.CO*45999	Incinerator Design, Bid Phase, & Pennvest	\$ 35,403.19
Total			\$ 46,154.59

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-no, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-no

Cuzzo & Grink moved to authorize payment from the Operating Fund in the amount of \$1,127,894.62 for Operating and Administrative Expenses (\$547,183.09); Construction in Progress (\$66,108.64); Series 2012-A Bond (\$165,000.00); Series 2012-B Bond (\$173,500.00); Pennvest Loan #27769 (\$172,675.90); and Pennvest Loan #58103 (\$3,426.99) from the month of November 2017.

Roll Call: Ammon-yes*, Boyarski-yes, Cuzzo-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-yes

**Board Member Ammon votes yes for all payments from the Operating Fund as presented except those for the Hazleton City Authority (HCA), for which he abstains.*

Fayock & Grink moved to approve issued credits totaling \$3,833.43 from month of November 2017.

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-yes

NEW BUSINESS

Cuzzo & Ammon moved to submit a Local Share Account (LSA) Grant Application in the amount of \$363,900.00 prior to the December 31, 2017 deadline, on behalf of the Authority, through West Hazleton Borough for the Sub Area #1 Sewer Separation Project.

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-yes

Sherrock & Grink moved to sell the Authority's used 2005 Bobcat Skid Steer Loader (Serial No. 526412273) including bucket attachment, in as-is condition, to the Hazleton City Authority (HCA), for the price of \$13,000.00, which is the trade-in value as quoted by Highway Equipment & Supply Co. on September 25, 2017.

Roll Call: Ammon-abstain, Boyarski-yes, Cuzzo-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-yes

Sherrock & Fayock moved to issue Notice of Intent to Award for the Incinerator Installation, New Ash Handling System, and Sludge Dewatering System Improvements – Contract One (General Construction) to the apparent lowest responsible bidder, Michael F. Ronca & Sons, Inc. of Bethlehem, PA, for the bid amount of \$10,877,000.00 as recommended by the Engineer.

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-no, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-no

Milot & Grink moved to issue Notice of Intent to Award for the Incinerator Installation, New Ash Handling System, and Sludge Dewatering System Improvements – Contract Two (Mechanical Work) to the apparent lowest responsible bidder, Master Mechanical Corporation of McAdoo, PA, for the bid amount of \$123,500.00 as recommended by the Engineer.

Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-no, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-no

Ammon & Grink moved to issue Notice of Intent to Award for the Incinerator Installation, New Ash Handling System, and Sludge Dewatering System Improvements – Contract Three (Electrical Work) to the apparent lowest responsible bidder, George J. Hayden, Inc. of Hazleton, PA, for the bid amount of \$794,400.00 as recommended by the Engineer.

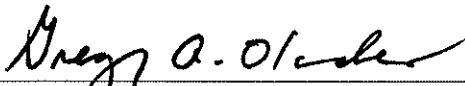
Roll Call: Ammon-yes, Boyarski-yes, Cuzzo-no, Fayock-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-no

Board Member Cuzzo stated that the Board needs to consider going to monthly billing due to the impending rate increase. Board Member Ammon noted that there would be an increase to expenses if the Authority moves from quarterly to monthly billing. Board Member Zola then asked if there was ever a consideration to bill for consumption especially for multi-dwelling properties. Gregory noted that some commercial customers and all industrial customers are currently billed on consumption, but the Authority's rate resolution sets a flat rate billing structure for all residential and some low consumption commercial properties on a per dwelling unit basis. He said in order to change to a consumption based billing structure a full rate study would need to be performed using several years of data to ensure there would be enough revenue generated to support the expenses and debt service. Board Member Ammon noted that if there is a decrease to the revenue generated from multi-dwelling properties, the rate for other property types would need to increase to cover the offset. Attorney Ustynoski stated that a full blown rate study would need to be performed and the change to the current rate structure would need to be approved by the bondholders due to the existing Trust Indenture. Christopher Carsia noted that under the consumption billing scenario, excessive water usage or leaks could account for much higher sewer bills for some residential customers.

Milot & Fayock moved to adjourn. Passed: Aye-9, Nay-0, Absent-0
The meeting was adjourned at 8:12 PM

A Special Meeting is scheduled on Wednesday, December 27, 2017 at 6:30 PM.
The next scheduled Work Session will be Wednesday, January 17, 2018 at 6:30 PM.
The next scheduled Regular Monthly Meeting will be Monday, January 22, 2018 at 6:30 PM.

Respectfully submitted,
Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary