

The February 5, 2018 Special Meeting of the Greater Hazleton Joint Sewer Authority was called to order by Chairman Sherrock at 6:30 PM. All in attendance gave a pledge of allegiance.

Roll Call:

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

Also in Attendance:

Christopher Carsia – Director of Operations	Gregory Olander – Operations Manager
Rachel Govelovich, P.E. – Gannett Fleming	Attorney Joseph D. Ustynoski – Solicitor
Christopher Gibbons – Concord Public Finance	
Attorney Jennifer Caron – Eckert Seamans Cherin & Mellott, LLC	Attorney Scott Mehok – Eckert Seamans Cherin & Mellott, LLC

PUBLIC COMMENT

There was no public comment.

Chairman Sherrock introduced Attorney Jennifer Caron and Attorney Scott Mehok representing the Authority's Bond Counsel from Eckert Seamans Cherin & Mellott, LLC and Christopher Gibbons of Concord Public Finance, the Authority's Financial Advisor for private financing.

George & Grink moved to approve Resolution 001 of 2018 declaring intent of the Authority to reimburse Authority funds and short-term borrowed funds with proceeds from Pennvest Funding and other tax exempt borrowings.

On the Question: Board Member Cuozzo asked if the other tax exempt borrowing was a loan. Jennifer Caron responded that it is a permanent bank loan. She noted that the resolution was slightly reworked from the draft version that was sent to the Board Members earlier, but they were minor alterations that did not change the substance of the document. Jennifer stated that final versions of the resolutions were passed out for the Board Members this evening. She said this resolution declares the Authority's intention under the tax code to use any permanent funding source to reimburse Authority funds and/or the short term bank loan funding piece.

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

George & Milot moved to approve Resolution 002 of 2018 authorizing, *inter alia*, the issuance of a \$2,000,000 interim bank loan at a variable interest rate equal to the one (1) month LIBOR rate plus 135 basis points adjusted monthly and accepting the commitment letter from First National Bank.

On the Question: Board Member Ammon asked if management looked at using Authority reserve fund balances to bridge the time between paying the contractors and receiving reimbursement from Pennvest. He said the Hazleton City Authority (HCA) works into contracts that contractors may need to wait a few weeks longer for their payments or have the option of using general fund balances to make payment until the reimbursement is received. Gregory Olander stated that the Authority could use its own funds initially and have the interim loan as backup in case there is a very large contractor payment amount, which would minimize the interest payment. Board Member Ammon then noted that there are costs involved in issuing the interim note.

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

George & Ammon moved to approve the Resolution 003 of 2018 authorizing, *inter alia*, the issuance of a \$2,895,000 permanent bank loan at a 3.73% fixed interest rate for a 20 year term and accepting the commitment letter from BB&T.

On the Question: Board Member Ammon asked if this loan is at the lowest rate the Authority can obtain. Christopher Gibbons responded that proposals went to 34 banks and received 23 proposals for the three different funding options that were requested. He stated that the BB&T response was the best offer received for the \$10 million and below permanent bank note for a 20 year term at a fixed interest rate of 3.73%.

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

George & Ammon moved to approve Resolution 004 of 2018 authorizing, *inter alia*, the acceptance of a Funding Offer awarded by the Pennsylvania Infrastructure Investment Authority (PENNVEST), authorizing the issuance of a \$2,425,000 debt obligation to Pennsylvania Infrastructure Investment Authority and accepting a grant in the amount of \$8,986,000.

On the Question: Board Member Cuzzo thanked the Authority's engineering firm for doing a great job with the application. Rachel congratulated the Authority staff and Board on the exceptional PENNVEST funding offer. Chairman Sherrock noted the amount of work done by Mr. Olander and Mrs. Govelovich on the funding application to receive such a favorable offer from the State's PENNVEST Board. Board Member Ammon also thanked the local municipal officials for their support; specifically, Senator Yudichak, Representative Toohil, and Representative Mullery.

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

Fayock & Milot moved to approve the submission of a Pre-Closing Letter prepared by Gannett Fleming, Inc. to the Pennsylvania Infrastructure Investment Authority (PENNVEST) to seek approval to begin construction prior to settlement with the Pennsylvania Infrastructure Investment Authority.

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

George & Ammon moved to issue Notice of Award to Michael F. Ronca & Sons, Inc. of Bethlehem, PA for Contract 1 (General Construction) of the Incinerator Installation, New Ash Handling System, and Sludge Handling System Improvements Project for the contract price of \$10,877,000.00 as recommended by the Engineer.

On the Question: Board Member Grink asked if this was the same contractor who did the Button Bock CSO Separation Project. Christopher Carsia responded that they are the same contractor and the Authority was satisfied with their work on that project.

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

Fayock & Grink moved to issue Notice of Award to Master Mechanical Corporation of McAdoo, PA for Contract 2 (Mechanical Work) of the Incinerator Installation, New Ash

Handling System, and Sludge Handling System Improvements Project for the contract price of \$123,500.00 as recommended by the Engineer.

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

George & Ammon moved to issue Notice of Award to George J. Hayden, Inc. of Hazleton, PA for Contract 3 (Electrical Work) of the Incinerator Installation, New Ash Handling System, and Sludge Handling System Improvements Project for the contract price of \$794,400.00 as recommended by the Engineer.

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

George & Fayock moved to approve Engineering Agreement Amendment #4 with Gannett Fleming, Inc., in the amount of \$1,533,000.00 (*amended to \$1,476,000.00*), to add additional services related to the Incinerator Installation Construction Phase Engineering Services as listed in the Scope of Services Outline dated January 2018 conditioned upon review and approval of contract documents by the Solicitor.

On the Question: Board Member Cuozzo asked if this agreement was all for the Incinerator Project. Rachel responded that it is all relative to the Incinerator Project. Board Member Milot asked the Solicitor if he reviewed and approves the agreement language. Attorney Ustynoski responded that the agreement was reviewed and is acceptable. Board Member Ammon asked if the resident observation is included in the agreement. Rachel responded that the resident observation is included. Board Member Ammon stated that he has issues with the resident observation portion of the agreement and he asked that the Board move into executive session for negotiations of a contract.

Milot & Grink moved to enter executive session for contract negotiations.

Passed: Aye-7, Nay-0, Absent-2

After the Board moved out of executive session, Chairman Sherrock read an amendment to the amount in the motion, which the Board changed from \$1,533,000 to \$1,476,000 with further negotiations on resident observer's mileage to and from the jobsite.

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

Attorney Ustynoski asked that Attorney Caron present the resolutions and fee agreements for legal services for the financings. Attorney Caron stated that the resolutions have all been acted on and the bank commitments from FNB and BB&T have been presented for the Chairman's signature. She said there was also a waiver letter for FNB since her firm also does work for FNB, which stated that in the event there is litigation between the Authority and FNB, neither party would be represented by her firm.

Gregory Olander referenced updated financial projections that were distributed to the Board since the funding offer was received from PENNVEST. He reviewed page two of the projections noting the new debt service amounts for the \$2,895,000 20-year bank note at a fixed 3.73% interest rate and \$2,425,000 for the 1% PENNVEST loan. He said full principal and interest payments will begin in fiscal year ended 2021. He then noted that the \$8,986,000 grant is also listed in the source of funds section of the spreadsheet and the capital projects sections of the spreadsheet, including the incinerator project, were updated given the most recent amounts

available at this time. He said given everything coming together with the most up to date information and considering capital projects scheduled for the treatment plant and collection system, the operating and administrative expenses, and updated debt service amounts, the debt service coverage is projected to be 111% for fiscal year ended 2022. He said in order to achieve the required debt service coverage; the rate increase that was previously proposed could be reduced from the 12.5% - 16% range down to 7.5%. He said the 7.5% increase equates to a \$3.00 per month increase for residential customers. Board Member Cuzzo asked if the Authority charges commercial and industrial customers a different rate than residential customers. Gregory responded that the Authority's rates are uniform, meaning that the same rate is charged across all rate classes. Board Member Cuzzo then asked if the law allows for the rates to be set differently across the rate classes. Gregory clarified that the residential customers and commercial flat rate customers get charged the same amount; however, if commercial and industrial customers exceed their allotment, which is 4,500 gallons per month, they are charged on a per thousand gallon basis above the flat rate. He said the per 1,000 gallon rate, currently \$6.65 for treatment and \$2.21 for transmission, is uniform and equal to the base rate for the 4,500 gallon allotment being charged to all customers. Board Member Cuzzo asked if the Authority can charge more to commercial and industrial customers to offset the increase to residential customers. Gregory responded that the rates that are set must be reasonable and uniform according to the Municipal Authority's Act. Board Member Cuzzo then asked that the effect of reducing the residential rates by increasing commercial and industrial rates be looked at before finalizing the rate increase. Gregory then informed the Board that he is available to discuss the financial projections at any time. He also noted that due to terms outlined in the Trust Indenture, the rate increase would need to take effect before the end of this fiscal year, which is July 31, 2018. He said in order to close on the new bank note on March 1, 2018 and on the PENNVEST funding offer, the rate increase would need to be approved with an effective date on or before July 31, 2018. Board Member Ammon stated that the Authority should be focusing on the rate savings realized due to the PENNVEST grant and low interest loan and letting the people know the Board is doing everything it can to reduce the rates from the higher levels originally projected.

Fayock & Ammon moved to enter executive session for contract negotiations.

Passed: Aye-7, Nay-0, Absent-2

After the Board moved out of executive session, an Eckert Seamans legal services letter was distributed to the Board. Attorney Caron stated that the letter is required by PENNVEST to set forth all fees for Bond Counsel and Solicitor for the financing. She said for PENNVEST, she would be preparing all necessary documents relative to the funding and doing work in the PENNVEST on-line system in conjunction with Rachel and Authority staff to complete the settlement process. Attorney Caron reviewed the fees outlined in the letter, which included \$40,000 for the PENNVEST piece, \$40,000 for the permanent bank loan part, which must be considered as a third supplemental indenture under the Bonds, and \$8,500 for the interim loan through FNB. She noted that there are different sets of documents that need to be created for each of the three funding pieces. Board Member Milot asked if these fees also included the Solicitor's fees. Attorney Ustynoski stated that the fees for the Solicitor are separate from the Bond Counsel fees. Chairman Sherrock asked if these fees were included in the PENNVEST Funding application. Rachel responded that the fees for Bond Counsel and the Solicitor relative only to PENNVEST were included in the application because at that time, the Authority did not anticipate needing an additional borrowing. She stated that the total legal fees in the amount of \$158,000 are now included in the budget for the overall project and borrowing. Attorney

Ustynoski stated that the fees originally listed for the Solicitor for the BB&T bank loan portion were not going to be charged by his firm, so he told Rachel that those fees would need to be removed. Board Member Ammon asked what the Solicitor's portion would be with the BB&T funding fees removed. Rachel calculated the fees and said it would be \$34,500 including the fee for Pennvest and the interim note through FNB. She stated that Bond Counsel fees would total \$88,500 for all three borrowings. Board Member Ammon stated that the Board was just provided the legal fee amounts and, in his opinion, the Bond Counsel fees are too high. Attorney Caron responded that she was of the understanding that the fees for the PENNVEST closing and interim loan were already agreed upon since those amounts have been part of the PENNVEST funding presentations to the Board. She said the only new fee that was added is for the permanent bank loan financing to supplement the cost of the project. There was additional discussion relative to negotiation of the legal fee for the permanent bank loan and how it relates to contingency and payment eligibility in the PENNVEST budget.

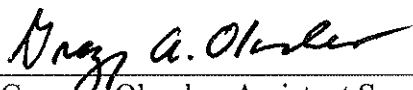
George & Fayock moved to approve the Bond Counsel legal fees for Eckert Seamans Cherin & Mellott, LLC in the amount of \$40,000 for the PENNVEST financing, \$35,000 for the BB&T permanent bank loan/third supplemental indenture, and \$8,500 for the interim note through FNB; and to approve the Solicitor's Legal fees for Ustynoski & Marusak Law Firm in the amount of \$30,000 for the PENNVEST financing and \$4,500 for the interim note through FNB.

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

Fayock & Ammon moved to adjourn.

The meeting was adjourned at 8:21 PM

Respectfully submitted,
Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary