

The November 19, 2018 regular monthly 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	Cuozzo – Present	Fayock – Present
Gallagher – Present	George – Present	Grink – Present
Milot – Present	Sherrock – Present	*Zola – Absent

Also in Attendance:

Gregory Olander – Operations Manager	Andy Nowak – Field Operations Manager
*Rachel Govelovich, P.E. – Gannett Fleming	Attorney Joseph D. Ustynoski – Solicitor
*John Nonnemacher, CPA – Snyder & Clemente	Robert Dougherty, P.E. – RJD Engineering
*Christopher Hetkowski, CPA – Snyder & Clemente	

*In attendance during the Work Session

PUBLIC COMMENT

There was no public comment.

Milot & Gallagher moved to approve the minutes of the October 10, 2018 Special Meeting
 Passed: Aye-8, Nay-0, Absent-1

George & Gallagher moved to approve the minutes of the October 22, 2018 Regular Monthly Meeting. Passed: Aye-8, Nay-0, Absent-1

OPENING OF BIDS FOR SLUDGE HAULING & DISPOSAL

BIDDERS NAME	Hauling to CES Landfill	Hauling to Keystone Landfill	Hauling to Alliance Landfill
Waste Management of Pennsylvania	\$306.00 M-F \$346.00 Sat	\$306.00 M-F \$346.00 Sat	\$306.00 M-F \$346.00 Sat
Solid Waste Services, Inc. d/b/a J.P. Mascaro & Sons	\$379.75	\$379.75	\$401.85

*All pricing is per load hauled from the GHJSA WWTP

Milot & Gallagher moved to table the Sludge Hauling & Disposal Bids for Calendar Year 2019 pending review by Management.

Roll Call: Ammon-yes, Cuozzo-yes, Fayock-yes, Gallagher-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-absent

AUDIT FOR FISCAL YEAR 2018

During the Work Session, John Nonnemacher, CPA of Snyder & Clemente, CPA thanked the Board for showing confidence in their firm to perform the audit again this year. He noted that the objective of the audit is the rendering of the audit opinion on the financial statements. As such, they review not only the financial statement amounts but the underlying internal controls over the related financial transactions. That internal control review can include test of controls, risk assessment, walkthrough of transactions, substantive testing, corroboration with outside parties,

and analytical procedures. He noted that their firm issued an unqualified or “clean” audit opinion for the FYE July 31, 2018. John then reviewed the revenues and expenses contained in the audit.

John then reported that the treatment plant revenues were \$10,604,829, which included revenue from acceptance of outside hauled waste. He said the hauled waste revenue accounted for 18.2% of the total revenue this fiscal year, which was an increase from the 16% of the overall revenue in the 2017 fiscal year. John stated that the transmission revenues were \$1,966,598 for the year and other operating income was \$519,838. He said there was a significant increase in other operating income for the year due to the settlement of \$484,000 from the Gashouse Pump Station Litigation. He said the total operating revenues were \$13.1 million compared to \$12.1 million the prior fiscal year. John then reviewed the expenses for the year noting that the treatment plant expenses declined slightly to \$4,418,991 and administrative expenses increased to \$1,850,416 with several increases and decreases within that category. He said the Collection System Division expenses were \$914,977 compared to \$864,012 the prior year indicating additional work performed in the collection system. He said the overall operating income was \$3,429,770 for the year and after including the non-operating expenses, there was an increase of \$2,696,445 to the Authority’s overall net position of \$37,051,673. John then explained that due to the implementation of Governmental Accounting Standards Board (GASB) 75, which changes the requirements on how the Other Post-Employment Benefit (OPEB) expenses are reported. He said the actuary must now calculate the entire OPEB liability to be included in the financial statements. He said previously, the OPEB liability was added to the financial statements incrementally each year; therefore, the 2017 Net Position was changed to \$34,355,228 to account for this cumulative effect in the change of accounting principles. John noted that the OPEB liability is \$2,699,278 for fiscal year 2018.

John then reported that the total current assets of the Authority are \$10,916,071 and the total current liabilities are \$3,068,164. He said the Authority has working capital of \$7.8 million with a healthy 3.56 to 1.00 ratio for 2018, which is an increase from the 3.45 to 1.00 ratio in 2017. He stated that it is important to maintain a good working capital position for purchases, capital improvement projects, and unexpected emergencies with plant operations. Board Member Zola asked Mr. Nonnemacher what an ideal working capital amount would be for this Authority. Mr. Nonnemacher responded that the Authority’s current working capital amount and ratio are ideal for an Authority of this size. He then reviewed a four-year history of working capital amounts and ratios and noted that the working capital has increased slightly each year. He said it is often asked what the net value is of an Authority at a point in time and he referenced the \$37 million net position of the Authority noting that \$27 million is the net investment in capital assets, or the assets not readily convertible to cash. He stated that \$3.5 million are restricted for bond covenants and the remaining \$6.3 million is available and unrestricted. He asked if there were any questions from the Board at this time. Board Member Zola asked if the financial condition of the Authority was healthy. Mr. Nonnemacher responded that the financial condition of the Authority is very healthy and well managed. Board Member Cuozzo asked why letters were being sent to the banks by his firm. Mr. Nonnemacher responded that letters are sent to the banks to confirm the balances at July 31st so those balances can corroborate the amounts in the Authority’s books and records. Board Member Zola asked if there were any areas that need improvement. Mr. Nonnemacher responded that based on the testing of internal controls and review of historical financial statements, the Authority is well run. He said there had been management letter comments in the past, especially when his firm first started performing the audit. John then introduced his associate, Christopher Hetkowski who helped conduct the audit again this year.

Milot & Gallagher moved to accept the Fiscal Year Ended July 31, 2018 Audited Financial Statements as presented by John Nonnemacher, CPA of Snyder & Clemente, CPA.
Roll Call: Ammon-no, Cuzzo-yes, Fayock-absent, Gallagher-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-absent

Pension Committee Report -

During the Work Session, Gregory Olander reported on behalf of the Pension Committee. He said there were two (2) reports completed by the Actuarial Consultants at Beyer-Barber Company, which were needed to complete the 2018 Audit: GASB 68 relative to the Pension Plan and GASB 75 relative to OPEB. He reviewed the handout of the GASB 68 Report with the Board noting that the net position of the Authority increased to \$2,088,610 due to the additional \$250,000 payment authorized by the Board and the higher rate of returns in 2017 and so far in 2018. He said with the increased funding and return rates, the plan is now considered minimally distressed with a funding ratio of 71.5% of the total \$2,919,891 pension liability. John Nonnemacher then stated that page 11 of the report shows the net pension liability and funding ratio over the past four (4) years and he noted that the funding ratio has increased from 59.6% in 2015 to 71.5% in 2018. Gregory then reported on the GASB 75 Report and he explained that the new GASB regulations require the entire liability to be recorded in the financial statements whereas in the past, each year's OPEB expense was booked incrementally. He said the new regulations require a more detailed report and the entire OPEB liability to be included in the financial statements similar to the way pensions have been reported over the past few years. He said the OPEB liability at July 31, 2018 was calculated by the actuary at \$2,699,278 and the Authority has not funded this liability to date. He said that it is not currently a requirement to fund the OPEB liability; however, the amount does get included in the Authority's financial statements and the amount will continue to increase each year. Chairman Sherrock stated that the Actuary said it would be difficult to fund both plans and it would be beneficial to continue overfunding the Pension Plan instead of the OPEB. Gregory added that since funding the OPEB liability is not yet a requirement, funding the pension plan with surplus revenues would yield more gains to that plan as the funding ratio gets closer to being fully funded. John Nonnemacher also discussed the fact that he is not aware of other municipalities funding their OPEB liability at this time and the disparity between what is actually paid by the Authority for these benefits, which was about \$15,000 this year, and the amount calculated by the Actuary of \$224,000 for the same year. Gregory then reported that there were no recommended changes to the pension account investment allocation by Morgan Stanley at this time.

Director of Operations Report - MONTHLY FLOW REPORT

	<u>October 2018</u>		<u>Year to Date</u>		
			<u>Total</u>		<u>Average</u>
Total Flow	<u>312,723,941</u>	Gallons	<u>3,301,967,973</u>	Gallon	xxxxx
Total Flow Bypassed	<u>12,472,338</u>	Gallons	<u>256,850,374</u>	Gallon	xxxxx
Days Flow Bypassed	<u>4</u>	Days	<u>68</u>	Days	xxxxx
Total Flow Treated	<u>300,251,603</u>	Gallons	<u>3,045,117,619</u>	Gallon	xxxxx
Average Minimum	<u>6.9</u>	MGD	xxxxx	xxxxx	<u>7.3</u> MGD
Average Maximum	<u>14.9</u>	MGD	xxxxx	xxxxx	<u>17.0</u> MGD
Average Daily Flow	<u>9.7</u>	MGD	xxxxx	xxxxx	<u>10.1</u> MGD

During the Work Session, Gregory Olander reported on the wastewater flows for October 2018. He said the total volume of wastewater diverted from all point sources for the month was estimated to be 60.122 million gallons with 12.472 million gallons of treated outflow being diverted at the treatment plant. He said approximately 3.717 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 312.7 million gallons with approximately 300.2 million gallons being fully treated. He also stated that the average daily flow to the treatment plant for the month was 9.7 MGD and the average daily flow for the year remained at 10.1 MGD, which is above the Authority's 8.9 MGD design annual average daily flow. He said the treatment plant continues to operate well within compliance of effluent permit parameters in spite of unusually high annual rainfall amounts that have led to high flows.

Gregory reported that the revenues for October 2018 were \$1,299,312.10, which was a 15.8% increase from the prior year. He said the billing for hauled waste received in October totaled \$244,026.82, which is an increase of 68.3% from the prior year. He then noted that the hauled waste business continues to drive the overall revenues and there have been six consecutive months with hauled waste revenues over \$200,000 due partially to the continued heavy precipitation.

Gregory then reported on a Notice of Violation (NOV) received from DEP due to the small amount of fuel oil spilled from the abandoned oil tank as it was being removed by the contractor, Michael F. Ronca & Sons, Inc. He said the tank was filled with concrete mix and it was too heavy to lift out of the excavation area intact. He said the NOV response letter was sent to DEP and the final step is to have the spoils pile sampled and tested by an environmental firm for a determination on disposal options. He said the contractor can do the additional work under the contract as a change order or the Authority can have the soil sampled and tested for transport to a landfill by the Authority. Rachel Govelovich noted that there is a \$14,000 allowance in the contract for removal of the tank, which was a placeholder estimate for excavation of the tank, if needed. She said the estimate did not account for additional expenditures that have been realized due to the spill and the need to dismantle the tank. Gregory asked the Board how to proceed with the removal of the approximately 120 tons of spoil material and the Board gave direction to remove the material in-house for the lowest possible cost.

Gregory then reported that he is in the process of updating the High Strength Wastewater Surcharge Report to account for the past three (3) years of expenses and plant operations data. He said the report will be given to the Board when complete, so the Board can approve any change to the surcharge rates. He said the current report is on the website and available for review. Gregory then reported that he had a request from Citterio's relative to installation of a high strength wastewater tank that was discussed at the last meeting. He said a Citterio representative recently contacted him and indicated that they were receptive to purchase of the tank if the Authority would contract for accepting their Prosciutto Line waste for a four (4) year period. He said the Authority would need escape clause conditions to be in the contract in the event the waste caused an upset to the plant or the state or federal regulation change so the waste can no longer be accepted. The Board agreed to move forward if an agreement can be reached with Citterio's purchasing the tank and the Authority performing the installation.

Andy Nowak then reported that there was walkthrough of the treatment plant by the Authority's Worker's Compensation carrier and the inspector was pleased with the results. He said a report

was received stating that there were no significant issues and noting that the four (4) issues from the previous inspection were all rectified.

Andy also reported that quotes were received to replace the existing Vac Truck this fiscal year. He said the preferred model is a Vactor 2100i on a Peterbilt chassis, which has a price of \$455,000 through the COSTARS Program. He said the current Vac Truck still has value and he has seen similar trucks selling for about \$150,000 on different auction sites. Board Member Zola asked what was wrong with the existing truck. Andy responded that the truck has been used hard over the past six (6) years and breakdowns are becoming more frequent and costly. He said there was \$28,000 in repairs this year and he is concerned that major components will begin to need replacement and the truck may lose its resale value. He said that he is requesting the Board approve the purchase this year because there is a scheduled price increase at the beginning of 2019. Board Member Zola asked about the warrantee for the new truck. Andy responded that the water tank carries a 10-year warrantee, the debris tank has a 5-year warrantee and the water pump has a 2-year warrantee. He said the other components have a 1-year warrantee. Board Member Gallagher asked if the truck could be built on different chassis. Andy responded that they can build on Mack or Kenworth chassis as well. He said the current truck struggles on hills with a 350 hp engine and the new truck has a larger 425 hp engine. Board Member Cuozzo asked if there is money in the budget for the purchase. Andy responded that there is \$300,000 in the capital budget this fiscal year for the purchase with the remaining money coming from the sale of the current truck.

Andy then informed the Board that a letter was received from the City of Hazleton Code Enforcement regarding excavation permits. He said the city is requiring excavation permits for every time there is a road cut on a public street. He said the Authority has been exempt from this requirement since taking over the collection system because the work is being done to repair the municipal sewer system. He also noted that there is a requirement to pave curb to curb if the excavation is over 100 feet in length.

George & Gallagher 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-8, Nay-0, Absent-1

Engineer's Report – Robert Dougherty reported that Notice of Award was issued to Wexcon, Inc. of Mohrsville, PA for the West Hazleton Borough Area 2 Separation Project. He said the performance and payment bonds were received and he recommends issuing Notice to Proceed conditioned on review and approval of the bonds and insurances by the Authority's Solicitor.

Rachel Govelovich reported during the Work Session that there has been no formal response to the Authority's comments on the draft NPDES permit from DEP. She then reported on the Incinerator Project. She said all Board approved change orders for the Project have been submitted to PENNVEST and DEP for approval. She reported that construction management was checking the status of the Fluidized Air Blower (FAB) that was returned to the manufacturer for inspection and testing. Rachel then noted that there has been no change regarding the delay claim since it was discussed at the October work session.

Rachel then gave a brief progress report on work performed under the three construction contracts of the Incinerator Project. She also noted that the Megger Testing was completed by the Electrical Contractor and there were no insulation failures identified in any of the equipment tested.

Rachel then reported that Ronca Payment Estimate #6 in the amount of \$162,630.00 and Hayden Payment Estimate #7 in the amount of \$53,100.00 are on the agenda and recommended for approval.

Rachel then reported on the removal of the abandoned underground storage tank and the associated surface spill of No.2 heating oil from the tank. She said since last month's report, soil samples of the excavation area were taken and the results were negative for contaminants, which allowed the building addition work to continue. She said the NOV response letter to DEP was issued and her firm will assist with procedures and responses relative to removal of the excavated soil.

Rachel also reported that estimated costs were requested from the contractor for purchase and programming of the two (2) valve actuators that are needed as an operational improvement to better automate the shutdown and startup of the incinerator. She said the costs will be presented to the Board when received. Rachel then stated that the next construction job conference was scheduled for November 27, 2018.

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

Passed: Aye-8, Nay-0, Absent-1

Solicitor's Report – In addition to what was reported in executive session at the work session, Attorney Ustynoski reported that he would be preparing the easement for RJD Engineering, Inc. relative to the West Hazleton Area2 Sewer Separation Project.

Gallagher & Fayock moved to accept the Solicitor's report. Passed: Aye-8, Nay-0, Absent-1

Gallagher & George moved to accept the Investment Consultant's Report as provided.

Roll Call: Ammon-yes, Cuozzo-yes, Fayock-yes, Gallagher-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-absent

BILLS AND CREDITS

Gallagher & George moved to approve payment of Gannett Fleming, Inc. invoices and requisitions from September 29, 2018 through October 26, 2018, totaling \$2,313.00 as listed in the following table:

<u>Requisition#</u>	<u>Invoice #</u>	<u>Description</u>	<u>Amount</u>
Operating Fund	051153.A*64316	Annual Service Work	\$ 1,236.04
Operating Fund	051153.B*64317	Attending Authority Meetings	\$ 442.86
Operating Fund	051153.D*64318	Pretreatment Program	\$ 519.72
Operating Fund	051153.02*64315	Primary Pump Station Concrete Repair	\$ 114.38
		Total	\$ 2,313.00

Roll Call: Ammon-yes, Cuozzo-yes, Fayock-yes, Gallagher-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-absent

Gallagher & Milot moved to approve payment of Gannett Fleming, Inc. Invoice #048847.C0*64314, in the amount of \$39,460.15, from September 29, 2018 through October 26, 2018, for the following Incinerator Project items: PENNVEST Administration (\$4,955.82), Air Permitting during Construction (\$384.00), Construction Administration (\$20,761.33), and Resident Observation (\$13,359.00).

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

Gallagher & Milot moved to authorize payment from the Operating Fund in the amount of \$978,935.28 for Operating and Administrative Expenses (\$644,096.28); Construction in Progress (\$100,907.34); Transfers to Other Authority Accounts (\$48,807.41); Debt Service Series 2018 Bond (\$8,998.63); Interest Expense Pennvest Loan (\$22.73); Debt Service Pennvest Loan #27769 (\$172,675.90); and Debt Service Pennvest Loan #58103 (\$3,426.99) from the month of October 2018.

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

**Board Member Ammon votes no for all payments from the Operating Fund as presented except those for the Hazleton City Authority (HCA), for which he abstains.*

Gallagher & George moved to approve issued credits totaling \$2,542.57 from month of October 2018.

Roll Call: Ammon-yes, Cuozzo-yes, Fayock-yes, Gallagher-yes, George-yes, Grink-yes, Milot-yes, Sherrock-yes, Zola-absent

Gallagher & Grink moved to approve Requisition #C182, payable to Michael F. Ronca & Sons, Inc., totaling \$162,630.00, for Payment Estimate #6 of the Incinerator Installation Project - Contract One (General Construction) as recommended by the engineer. The original contract price was \$10,877,000.00. Add for Change Orders #1 to #3 (-\$69,478.72) for a total contract of \$10,807,521.28. The total of payments made to date including this payment is \$2,571,574.75, which leaves a balance of \$8,235,946.53.

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

Gallagher & Milot moved to approve Requisition #C183, payable to George J Hayden, Inc., totaling \$53,100.00, for Payment Estimate #7 of the Incinerator Installation Project - Contract Three (Electrical) as recommended by the engineer. The original contract price was \$794,400.00. Add for Change Orders #1 to #2 (\$2,810.00) for a total contract of \$797,210.00. The total of payments made to date including this payment is \$459,270.00, which leaves a balance of \$337,940.00.

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

NEW BUSINESS

Milot & Gallagher moved to issue Notice to Proceed to Wexcon, Inc. of Mohrsville, PA for the West Hazleton Area 2 Sewer Separation Project as recommended by the engineer and conditioned upon approval by the Solicitor.

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

George & Gallagher moved to approve purchase of one (1) 2019 Vactor Model 2100i sewer cleaning truck, including a Peterbilt Model 567 chassis, accessories, and training, for the purchase price of \$451,644.00 from A & H Equipment Company of Harrisburg, PA, through DGS State Contract #025-044 (COSTARS), for use in the collection system division.

On the Question: Board Member Cuzzo asked if the truck was being purchased through COSTARS. Andy Nowak responded that the purchase was through the COSTARS Program. Board Member Gallagher stated that he reviewed the specifications for the truck and he feels they are good. Board Member Ammon stated that although he is not against the purchase of new equipment, in his opinion, the cost of the new Vac Truck is too high especially when there is more life left in the current piece of equipment.

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

Milot & Gallagher moved to adjourn.

Passed: Aye-8, Nay-0, Absent-1

The meeting was adjourned at 6:57 PM

The next scheduled Work Session will be Wednesday, December 12, 2018 at 6:30 PM

The next scheduled Regular Monthly Meeting will be Monday, December 17, 2018 at 6:30 PM

Respectfully submitted,

Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary