

THE HARRISBURG AUTHORITY
April 28, 2010 @ 6:00 PM
Regular Meeting Minutes

The Regular Meeting of The Harrisburg Authority was held on April 28, 2010 in the Authority's office at 212 Locust Street, Suite 302, Harrisburg, Pennsylvania, at 6:00 PM.

I. **Call to Order - Pledge of Allegiance** – The meeting was called to order by the Chairman at 6:15 PM on Wednesday, April 28, 2010.

II. **Roll Call and Announcements** – Chairman

Present: J. Marc Kurowski, Chairman
Erica K. Bryce, Vice-Chairman and Treasurer
Neil A. Grover
Eric T. Davidson
William J. Cluck
Michele T.V. Torres, Executive Director
Jack D. Lausch, Facility Director
Shannon G. Williams, Engineering Director
Steven M. Mrakovich, Finance Director
Karen M. McKillip, Office Manager/Executive Assistant

Absent: Bruce D. Foreman, Esq. (Foreman & Caraciolo, PC)

ANNOUNCEMENTS:

- Next regularly scheduled Meeting is scheduled for Wednesday, May 26, 2010 at 6:00 P.M.
- Announcement that Executive Sessions were held at 12:00 Noon on Friday, April 16, 12:00 Noon on Wednesday, April 21st and today April 28th prior to the meeting to discuss personnel and litigation matters.
- Introduction of new Board Members, Eric T. Davidson, Neil A. Grover and William J. Cluck who were confirmed by Harrisburg City Council on Tuesday, April 13, 2010.
- Chairman Kurowski also expressed his appreciation for the services provided from the out-going board members, Leonard L. House who has spent many years on this Authority and Cathy M. Hall, as well.

III. **Executive Director Report** –

- Ms. Torres congratulated Marc Kurowski for his win on the Leukemia and Lymphoma Society Man of the Year Award for raising \$23,000.00 for a wonderful charity.
- She also welcomed the new board members. She is excited about the new ideas being brought to the board and thanked them for taking on this task.
- She then advised that an Executive Director Report had been submitted and will be posted on the Authority's website.

- Ms. Williams advised that several items on tonight's agenda relate to her report i.e. Wastewater Item Nos. A and B. Not on tonight's agenda is that the Authority is undertaking a selection process for design engineers for the 2010 AWTF Improvements Project, previously named BNR. A question and answer session and tour for interested parties will be held Friday, April 30th. Solicitation and request for letters of interest were issued on April 19th. The letters of interest are due back on May 21st at which time they will be reviewed and a short list will be prepared. The Authority will then request proposals and conduct interviews with selected consultant teams. It is hopeful that this selection process will be completed for board consideration by the August 2010 board meeting in order to enter into a design contract for the project. The Authority is working on a schedule that has an end date associated with the NPDES Permit in 2013. If a portion of the project is not constructed by that time, the Authority may be required to purchase nutrient credits to make up the difference.
- Data Control System and Telemetry Upgrade Project for the Water System. A proposal for the first milestone and Consent Order and Agreement which is a feasibility study, is on the agenda for consideration tonight. The feasibility study is due next month as part of the milestone for that Consent Order.

Mr. Cluck questioned whether Ms. Williams prepares a separate report or whether it is part of the Executive Director's report. It was confirmed it is part of the Executive Director's report.

- Mr. Lausch reported that the Resource Recovery Facility has been running very well and continues to run well. He reported good news regarding post combustion ferrous at the facility. March pricing of a net \$143/ton is a new high for the last twelve months and is double what was budgeted per ton for 2010. As long as the scrap market remains good, it will provide a nice bump in supplemental revenue.
- Gabel Associates Contract – Item D. Last year the Authority utilized Gabel Associates for assistance in acquiring a long term contract for electricity since PPL's Agreement expired in December 2009. Currently the facility is selling on the PJM grid. Gabel Associates has solicited various firms to see what type of proposals could be obtained for a contract and have narrowed the information down to a short list of three firms with whom to negotiate. Gabel's proposal to continue marketing electric in 2010 and secure a fixed price contract is on a T & E basis not-to-exceed \$50,000.

- Ash Landfill. On March 15th the new contractor started at the Ash Landfill. Work is going extremely well, both in the appearance of the site and accessibility for trucks delivering ash.

Mr. Kurowski questioned clarification of some of the language in the Gabel proposal. Ms. Bryce questioned what the average KW hour was in March/April and if we are still at 6.5¢? Mr. Lausch advised we are currently at 4 to 4.5¢ for March and April. Can Mr. Gabel provide any indication of any trends for the market or projections? Mr. Lausch advised that electricity seems to track natural gas prices closer than any other utility and natural gas prices are low right now. He noted that in general electric usage is down which pushes the wholesale prices down. Ms. Torres reminded the board that the Authority's pro forma projected 4.5¢ so we are currently on target and possibly ahead. Ms. Bryce questioned if Gabel Associates was not being utilized, is there any way to project what we would receive? Ms. Torres advised that Covanta currently is doing the day to day monitoring for brokering to the PJM grid.

Mr. Cluck questioned whether the Authority has a current contract with Gabel Associates. Mr. Lausch advised that the Authority has a current contract with Gabel for last year and this is a renewal of that contract. Mr. Cluck requested whether an RFP was issued for the work? It was noted that Gabel Associates is a professional power broker and Mr. Cluck questioned if there are other power brokers in Pennsylvania? It was noted that Gabel Associates is from New Jersey and was recommended by Covanta due to their good experience with this company in the past.

Mr. Cluck questioned about the legislature's consideration of the alternative energy portfolio requiring electric companies to increase their purchase of alternative energy? Does this have any impact or is anyone following this issue on behalf of the Authority in regard to the pricing of our electricity? Mr. Lausch advised that this issue is not having the impact that it used to.

- 2009 Audit. Mr. Mrakovich reported that the auditors are three weeks into the field audit. Information is being provided to the auditors as requested.
- 2010 Admin and RRF Budget Forecast – The budget will be amended for the Resource Recovery Facility, along with the Authority performing cash flow projections for the RRF and the Administration budgets through December 2010. The reports are complete and awaiting management review.
- Water Rate Study – Support has been provided to HRG.
- Day to day accounting processes continue.

Ms. Bryce questioned whether Mr. Mrakovich was working on the under billing of sewer fees by the City of Harrisburg. Mr. Mrakovich noted that he will inquire into this matter.

Mr. Grover questioned why the tonnage numbers reported by Mr. Lausch are different from the tonnage numbers reported in the Covanta monthly report. An explanation of the discrepancy was discussed. Mr. Lausch advised that the correct numbers are what is reported in his report. There was a typographical error on the Covanta monthly report.

Mr. Grover also questioned the discrepancy of the ferrous tons from the two reports. Mr. Lausch advised that his report shows tons marketed during the month. Covanta only reports the tons recovered or shipped. Mr. Lausch advised that the numbers in his report reflect what the Authority sold and was paid for during that month, not the amount of tons that were recovered. He noted there will be differences each month regarding this reporting process.

Ms. Bryce questioned Ms. Williams about the Borough of Lemoyne approaching The Harrisburg Authority about processing their wastewater and is this something that is viable. Ms. Williams noted that this request has not been formalized, however she did report that the Harrisburg Advanced Wastewater Treatment Facility has excess capacity and this is a viable project. The technical aspect of how this will occur will have to be clearly investigated since the facility is on the other side of the Susquehanna River. This provides an opportunity for Harrisburg to help them meet their requirements under the Chesapeake Bay Program and to potentially add to our customer base. Ms. Williams will be discussing this issue with Ms. Torres and reaching out to them to inquire further. She will keep the board members posted.

IV. Operators and Consultants' Reports

A. Covanta Energy Services, Inc. – Resource Recovery Facility

Mr. Nowotarski, advised that the Monthly Report for March has been previously distributed and entertained questions. The Board accepted the report.

He provided highlights to the report advising volumes remain strong. He advised there was an upturn on the spot waste market in the Northeast. He continues to work with Mr. Lausch about obtaining higher priced spot waste. A cold plant outage was performed in March for 3-4 days. Volumes remained strong during this time period and coordination with Mr. Lefever went very well to divert as little waste as possible. An outage is scheduled for next week on the baghouse on the second unit.

Approximately three weeks ago the Covanta internal energy group published what they projected the market to be for the PJM market that Harrisburg is in.

They are anticipating an average for the balance of Apr thru Dec to be \$36.00 plus. There is an arrangement to add on an additional \$10.00 for a capacity payment. A discussion was held about the increased fees for capacity payments.

Mr. Cluck questioned Mr. Nowotarski about what the average price per ton is for spot waste. The bulk of spot waste is coming in at \$20.00/ton. Higher rates are charged for lower volumes and Mr. Lausch advised that larger supplier rates will go to \$22.00/ton as of May 1, 2010.

Referring to the Covanta report, Mr. Cluck questioned what amount of waste being burned is actually being converted to ash. It was confirmed that 1/3 of the amount of waste burned turns into ash. He questioned how this compares to other Covanta operated facilities. Mr. Nowotarski advised he will check into this and report back to Mr. Cluck. Some of the other Covanta facilities have non-ferrous systems that decrease the amount of ash. Mr. Cluck advised that the Harrisburg facility was represented in 2003 that this facility is an alternative to landfills and he was shocked that 1/3 of all ash continues to be landfilled. Covanta personnel continues to work to bring the ash level down as much as possible.

Mr. Cluck questioned under safety and environmental what the reportable exempt air emission permit exceedance for March was? It was noted that the permit limit was exceeded, but the rate at which the permit was exceeded does not require the matter to be reported. He explained the process to the board. Mr. Cluck questioned whether there were any issues regarding the Continuing Emission Monitoring System in March. Mr. Nowotarski reported no.

Mr. Cluck advised that their report shows that 6 of the 46 Covanta employees reside in the City, of which there are 10 minority employees. Is Covanta doing anything to encourage the hiring of City residents? It was noted that Covanta's policy was to interview all of the existing City employees that previously performed the job. Since this job is so technical, the pool of personnel available to perform this type of work is limited. Covanta's advantage of running the facility vs the City is that when personnel are needed, Covanta can pull employees from other facilities when needed. Covanta encourages residents within the City of Harrisburg who have this type of experience to apply but the resources are very limited.

Mr. Cluck questioned what incentives does Covanta provide to entice their personnel even if transferred from another facility to move into the City of Harrisburg? Mr. Nowotarski advised that Covanta does not have a home incentive policy.

Mr. Grover noted that after review of the many documents he posed several questions to Mr. Nowotarski:

1. It appears the construction manager is no longer on the site. From Covanta's view, is the construction project done? The construction project is substantially done and the current facility manager (Alan Lenge) took over the final stages such as siding, grass seeding, etc. Ms. Williams advised that the previous construction manager is still involved from his current location in Hawaii in the close out of the project.
2. Mr. Grover expressed his concern over the subcontractors who have not yet been paid since Covanta has not paid the Authority. A lengthy discussion was held regarding the process of the loan for the construction project. Mr. Grover requested that the message be on the record that he wants taken back to the New Jersey officials that he knows that Covanta receives \$996,000.00 wired to them each month. Unless Covanta is telling the Authority that there is a workmanship or performance problem with the subcontractors, it is his intention to make a motion that the Authority will take the \$996,000.00 and put it towards the \$1.8 Million or \$2.3 Million owed to the subcontractors and that the Authority will pay the subcontractors who have performed their work. As far as he knows there has been no complaint from Covanta about the performance of the workmanship.

Mr. Nowotarski advised Mr. Grover that he was combining the operating agreement of the facility with the Construction Loan. A lengthy discussion was held regarding this matter and Mr. Grover confirmed that he knows he is combining the two issues, but he also advised that the Authority has not continued to draw down on the remainder of the construction loan. Mr. Grover does not want the Authority to risk having local subcontractors going under due to the non-payment by Covanta. The Authority will consult legal counsel regarding this matter and he doesn't want this issue to continue to drag on.

He requested that he take the message back to the New Jersey representatives that one Authority board member is prepared to make a motion to not make the payment to Covanta if the problem is not quickly resolved. This is an issue of restricted and non-restricted funds and the loan draw down is not a restricted fund. He wants it known that local contractors here in Harrisburg will not go under while money sits in the bank while personnel continue to argue the issue about how they get paid. He noted that if the issue is not resolved within one month he will be willing to make the motion not to pay Covanta.

Mr. Grover also asked for the names of the main subcontractors that are owed the most money. JEM Group, Castine and Jordan Contracting .

Mr. Cluck questioned who prepares the report in their packets that is entitled Dauphin County Commissioners Project Status Report. Ms. Torres advised it is prepared by HRG Engineering.

Mr. Cluck advised that this report shows that 5,403 tons of waste was hauled to the Harrisburg RRF from New Jersey. He was not aware that our facility was accepting or receiving out of state waste. Was this a one time receipt or what? It was noted that this is the \$20.00/ton waste that is coming from New Jersey. Mr. Nowotarski referred Mr. Cluck to Mr. Lausch for his further questions as these are Authority customers, not Covanta customers.

Ms. Bryce noted that Covanta has recently performed many community clean up projects. She requested an update. Mr. Nowotarski advised that the Weed & Seed organization and the United Way had over 200 high school students from local schools work in the South Allison Hill area and cleaned up approximately 22 vacant lots that had becoming dumping areas, while others were involved in painting buildings and painting over graffiti. By St. Stephens there was a lot where 21 raised garden beds were constructed as a community garden.

Ms. Bryce noted that another community clean up will be held this Friday, April 30th. When the trash comes to the Harrisburg RRF is the trash picked up in City trash trucks or by volunteers? Trash was picked up several ways. Materials that were generated in the clean up of South Allison Hill were picked up by the City in the collection trucks. The greenbelt that was performed last year and will be performed again this year was picked up by employees using their personal vehicles and the material was loaded into their vehicles and then delivered to the facility. Ms. Bryce questioned if this type of debris is bypassing the tipping scales if the City trucks are bringing in the waste. Is it being weighed? Mr. Nowotarski advised that all material is being weighed regardless and Covanta is being billed for the fee by the Authority. Ms. Bryce thanked Covanta for their participation in this project and the clarification for the record.

B. City of Harrisburg - Water and Sewer Bureaus

Mr. Bingaman advised that the Bureau of Water Monthly Report for March 2010 had been distributed and entertained any questions. He also reported that the Annual Water Supply Report was also submitted. He entertained any questions.

Mr. Cluck asked Mr. Bingaman to report on the March 24 NOV. Mr. Bingaman advised that the NOV was for a late transmission of alkalinity numbers to DEP from the Bureau of Water's laboratory. The number was to have been submitted by the 10th of the month to DEP but was submitted late. Mr. Cluck questioned why the NOV was not reported in the monthly report. Mr. Bingaman advised that it was reported in the previous month since the incident occurred in February but the NOV was issued in March. Mr. Cluck requested that in the future if there is correspondence from DEP regarding NOV that board members be immediately informed. It was confirmed that the notice was issued to the City of Harrisburg. Ms. Williams advised DEP that in the future when any notices are issued to the City of Harrisburg, Bureau of Water, that The

Harrisburg Authority is also copied on the correspondence. It was confirmed that the violator was the City of Harrisburg Bureau of Water, not The Harrisburg Authority. It was also confirmed that no penalty will be imposed regarding this NOV. Ms. Williams also confirmed with DEP that it can be reported to the public that at no time was there any threat to the public's health regarding the water system relative to this NOV.

Mr. Grover questioned whether there was 100% of service calls taken care of by the Bureau of Water in March. Mr. Bingaman advised that there is no backlog of service calls. Mr. Grover inquired about the goals for April. Have all of the goals for March been met? Mr. Bingaman advised yes and that if some of the goals from the prior month had not been completed, they would be marked on their monthly report as goals in progress.

Several members commented that Harrisburg has excellent drinking water. Ms. Bryce advised she was told that the Harrisburg water system sells water to Aqua Fina for bottling their water. Mr. Bingaman advised that the Pepsi Cola Company is located in the Union Square Industrial Park who purchases their water from the Harrisburg Water System for the purpose of bottling Aqua Fina bottled water, therefore Aqua Fina bottled water is from the Harrisburg Water System.

The Board accepted the Reports.

Mr. Deily advised that the Bureau of Sewerage Monthly Report for March 2010 had been previously distributed and entertained any questions. He highlighted that the preparation for an inspection by the EPA encompassed most of the month of March. The inspection was of the Collection, Conveyance and Treatment Systems and the operations of the facility. Mr. Deily was informed that this was not a regulatory inspection according to EPA, however a report will be generated. No major deficiencies were pointed out relative to the Conveyance and Treatment System, however they did mention a number of issues relative to infrastructure system of the Collection System which is owned and operated by the City. The Conveyance and Treatment System which is owned by the Authority had issues to be addressed. The City and HRG feel that most of the items addressed by EPA have already been addressed through the Long Term Control Plan for CSO management and maintenance. According to EPA the Harrisburg facility was the last large facility in the Northeast to undergo this inspection and the inspection was to target combined sewer overflows. He will keep the board updated.

The Board accepted the Report.

C. HRG Engineering, Inc.

Mr. McIntosh advised that an engineering report had been previously distributed to the Authority and entertained any questions. Some additional updates to the report are:

- On-going pilot testing for the compliance with the Chesapeake Bay Tributary Strategy.
- Letters of interest relative to the design engineering for the AWTF were issued. HRG will not be performing the design on that but will put this project out to bid as previously mentioned by Ms. Williams. Responses are due back May 21st.
- Series of projects identified on their monthly report are projects funded by H2O Grant monies as well as Pennvest loan monies. They are currently in various degrees of construction and he will address any questions, if needed.
- Funding reimbursement requests for the Pennvest and H2O Construction Projects are also on tonight's agenda.
- Draft Water Rate Study will be provided to Ms. Williams and the office within the next week or two.

Mr. Kurowski inquired about the liquidated damage issue regarding the Belt Filter Press. Are we close to a resolution and what will it be? Ms. Williams advised that HRG has been requested to provide cost over-runs that have been incurred regarding delays, inspections, reinspections, letter writing, etc. so an amount can be established as to what the actual cost has been incurred to the Authority. Once this information is established, negotiations will begin to be held. Mr. Kurowski questioned whether enough retainage funds are being held until this issue is resolved. Ms. Williams confirmed we are.

Mr. Cluck referred to the March meeting minutes regarding the Authority's procurement policy. This issue does not appear in the April report and he questioned whether the issue was resolved. Mr. McIntosh advised the issue has been resolved.

Ms. Bryce questioned when HRG anticipates on-site activities for the Effluent Water Reuse Project for the Resource Recovery Facility to begin and what is the time frame for this project. Work should begin at the end of May. The project is preliminary scheduled to be complete 45-60 days ahead of schedule.

Mr. Grover inquired when was the last Water Rate Study performed? The last study was performed in 2006 and the rate increase was approximately 8-9%. Mr. Grover questioned the 16% rate increase and what it entails. Mr. McIntosh explained the proposed rate increase and the use of funding of a capital improvement program which is something that hasn't been proposed in the past.

Mr. Grover advised that a Notice of Default regarding non-payment of Resource Recovery Debt Service Payment has been issued by the Authority again. Mr. Scott Mehok advised that Covanta issued a notice to both the City and the Authority advising that the April 1, 2010 payment had not been made setting forth certain rights and remedies under the Local Government Unit Debt Act, as well as the Authority's Act under the Operating Agreement.

Mr. Cluck questioned Mr. Corey Stein regarding the RRF Property Boiler and Machinery Insurance. Maintaining coverage for this insurance requires close attention recommended by their inspectors. Has the board received copies of those recommendations? Mr. Stein advised the board should have copies of those recommendations and he has been working with Mr. Lausch regarding this issue.

Ms. Bryce questioned Mr. Williard of Public Financial Management regarding the remarketing issue. Is the Authority working on other underwriters counsel other than RBC. He can provide other names but a decision has to be made rather quickly.

V. Minutes of Previous Meetings:

- A. A motion was made by Ms. Bryce, seconded by Mr. Kurowski, that the minutes of the March 31, 2010 Regular Meeting and the April 5, 2010 Special Meeting be approved as prepared. The motion was approved with Messrs. Davidson, Grover and Cluck abstaining from the vote.

VI. Modifications or Deletions to the Agenda – Item D under FACILTIES Resource Recovery Facility – Energy Consulting Agreement – Gabel Associates will be withdrawn from the agenda.

Mr. Grover noted that he has previously submitted a motion that does not appear on the agenda to provide direction to the Executive Director to formulate a policy for board members to have access to the records of the facility since the Authority has an electronic data base and get back to the board members with a recommendation.

VII. Public Comments - Agenda Items (3 minutes) – None.

VIII. New Business:

A motion was made by Mr. Cluck, seconded by Ms. Bryce, that the following items be approved as follows - GENERAL MISCELLANEOUS, Item No. A:

GENERAL/MISCELLANEOUS:

A. **Authorization to Execute CashLink Online Banking Agreement to Sign up for Cash Link Basic Services for On-Line Banking at Fulton Bank:**

Motion: The Board authorizes that the Executive Director be authorized to execute the CashLink Online Banking Agreement and Small Business Setup Form affiliated with the online banking services offered by Fulton Bank.

The motion was unanimously approved.

A motion was made by Mr. Grover, seconded by Ms. Bryce, that the following items be approved as follows - GENERAL MISCELLANEOUS, Item No. B:

B. **Request for Proposals for Solicitor and General Counsel to The Harrisburg Authority:**

Motion: The Board authorizes that the Executive Director shall promptly coordinate the issuance, advertisement and scheduling of a Request for Proposals for the position of Solicitor and General Counsel to The Harrisburg Authority in a time frame that facilitates a decision and vote at the regularly scheduled May 2010 public meeting. At the minimum, the Request for Proposals should be advertised in the Patriot News, the Central Penn Business Journal, the Dauphin County Reporter and posted on the Authority website.

Mr. Grover commented that this is an attempt to bring in general counsel for The Harrisburg Authority and Mr. Foreman who is the Authority's current solicitor is certainly invited to participate in the selection process of the new RFP. Ms. Bryce also noted that this in no way reflects Mr. Foreman's performance and noted that he has been a true asset to this Authority.

The motion was unanimously approved.

A motion was made by Mr. Grover, seconded by Mr. Davidson, that the following items be approved as follows - GENERAL MISCELLANEOUS, Item No. C:

C. **Appointment of Advisory Committee for the Coordination of a Forensic Audit:**

Motion: The board authorizes that in accordance with Article VI of the Bylaws of The Harrisburg Authority, that the Chairperson appoint a Forensic Audit Advisory Committee made up of no less than five (5) persons for the purpose of formulating recommendations for the process, options and scope of a forensic audit of the Authority. In the course of appointing members of the Forensic Audit Advisory Committee, invitations for appointment by the Chairperson shall include

the Controller for the City of Harrisburg, or his designee; the Controller of Dauphin County, or her designee; and a representative of the Pennsylvania Department of Auditor General. If one (1) or more of those entities shall decline to participate in the Advisory Committee or otherwise fail to respond, the Chair shall extend additional invitations to other qualified individuals to obtain a Committee compliment of at least five (5) members.

Mr. Grover advised that this committee is consistent with part of the Resolution that was recently approved by Harrisburg City Council regarding the forensic audit issue. The entities that are being invited to serve on this committee should provide confidence to the public that the Authority is opening the records of The Harrisburg Authority up to full inspection and to get recommendations from both public officials and from the private sector as to what a forensic audit will entail. This action taken today moves us in an orderly way to build up public confidence as to where this Authority currently stands. By opening the records up for a forensic audit it is hopeful that a report can be compiled to be provided to the general public. Mr. Kurowski echoed Mr. Grover's comments. He also advised that when persons are selected to serve on this committee they will be able to dig in to perform this task as this will be an extensive, expensive and time-consuming audit. This will also run parallel with any other work the audit is currently conducting.

Ms. Bryce noted that back in 2007 when she came on as a board member, this issue was discussed. Now that she has been on the board and has an idea of where and what issues have to be dug into. She did advise that although City Council has requested that this forensic audit be performed prior to Council voting on other items, she agrees that the forensic audit must be performed parallel to the other issues that the Authority is currently addressing. She wanted to point out that this can take a lot of time and money and the funding to pay for this forensic audit still has not been identified as to who is going to pay for this. She also pointed out if anyone thinks the forensic audit will uncover hidden funds, they are incorrect. Ms. Torres pointed out that normally when the board takes action to engage a contract a funding source is identified to pay for the service. This has not been identified and the board members quickly pointed out that this Advisory Committee is a committee who will be invited to perform this service, not hiring the personnel to perform this as a public service in a time when a public service is needed. That is the expectation of this motion and the persons coming in to perform the service will need to be aware of this. It is an unfunded project. The Authority is looking for direction to be provided to what the scope of financial services will be in order to have a forensic audit. Mr. Grover pointed out that the advisory committee will provide the parameters to perform the forensic audit not to do the audit themselves.

Mr. Cluck confirmed that this is an invitation to members of the public and not limiting the invitation to just residents of the City to participate or apply. Mr. Grover advised that the Chairman is the person who will make the decision as to who will be invited to participate on the committee. Mr. Grover advised that he will offer his

recommendation. Mr. Cluck advised that if there is someone out there that the Authority is not aware of and wants to participate in the Advisory Committee for the coordination of this Forensic Audit they are encouraged to come forth and contact the Executive Director, Michele Torres as soon as possible.

Mr. Cluck questioned whether a time line should be established. After discussion, the advisory committee will be expected to come back to the Authority for a recommendation of the scope of work required. Mr. Grover is hopeful that the invitations be issued so that the Advisory Committee can be formed by the May 26th meeting.

Mr. Cluck wanted to point out that The Harrisburg Authority is subject to an independent financial audit by an accounting firm every year. We have also been requested to provide a financial analysis and management audit for the Resource Recovery Facility which is something completely different than the financial accounting audit, and something completely different from a forensic audit. He wanted it noted that the Authority is not taking action on the companies that had been recently interviewed for the financial analysis and management audit and he wants to make that clear.

What we are not clear about, is whether the proposed forensic audit that may occur is in response to City Council's Resolution which he has not seen. A determination has to be made as to whether a current year forensic audit will occur or will they suggest going back to year 2003 to begin the forensic audit which is his preference. Mr. Grover believes that going back to the year 2003 is consistent with what City Council was requesting when the bonds were originally approved. The scope of the forensic audit has to be specifically identified.

Mr. Grover referred to a meeting that was held wherein three parties were interviewed for the operation and management appraisal of the Harrisburg Resource Recovery Facility. A special session is anticipated to be held in May with this Authority to vote or not vote on the recommendation of these companies. These detailed reports are currently being reviewed and apologized if someone expected them to be on tonight's agenda, however there is a substantial amount of material to review and the board is just not ready to make that recommendation yet.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Cluck, that the following items be approved as follows – FACILITIES Wastewater, Item No. A:

FACILITIES:**Wastewater:****A. BNR Pilot Testing – Laboratory Testing**

Motion: The Board *ratifies the execution of a Purchase Order with Analytical Labs for completion of laboratory testing for the BNR pilot testing in a Not-to-Exceed amount of \$5,000.00.* Funding Source: H2O Construction Fund.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Davidson, that the following items be approved as follows – FACILITIES Wastewater, Item No. B:

B. 2010 AWTF Improvements Project (Previously named “BNR Project”) - Program Management

Motion: The Board authorizes the Chairman and/or Executive Director to *execute the proposed Amendment to Owner-Engineer Agreement Program Management and Related Services with Herbert, Rowland & Grubic, Inc. dated August 26, 2009, and the Engineering Director to issue notice to proceed for the work. Compensation for services shall not exceed those outlined in Modified Exhibit C, Section 2.01, the sum of which is \$177,500 plus up to \$6,900 per month in new fees.* Funding Source: H2O Construction Fund 7202.4.

The motion was unanimously approved.

A motion was made by Mr. Davidson, seconded by Ms. Bryce, that the following items be approved as follows – FACILITIES Water, Item No. C:

Water:**C. Data Control System and Telemetry Upgrades Project**

Motion: The Board authorizes the Chairman and/or Executive Director to *execute the proposed agreement with Herbert, Rowland & Grubic, Inc. dated April 20, 2010 for a Feasibility Study as required by the February 22, 2010 Consent Order and Agreement and authorizes the Engineering Director to issue notice to proceed for the work. Compensation for services shall not exceed \$9,700.00 plus reimbursable expenses.* Funding Source: Water Renewal and Replacement Fund 7601.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Kurowski, that the following items be approved as follows – FINANCE Item No. A:

FINANCE:

A. **Treasurer's Report – March 2010:**

Motion: The Board approves the March 2010 treasurer's report as submitted.

Bank/Register balances as of March 31, 2010 are as follows:

Administration	\$ 205,939.47
Water	1,892,620.27
Sewer	15,958.29
Resource Recovery	4,813,171.26

The Treasurer's Report reflecting the above balances will be attached to the minutes as Exhibit "B".

Ms. Bryce, Treasurer, commented that although there is a balance of \$4,813,171.26 in the Authority's Resource Recovery Account right now, and the Authority had a first quarter profit, the Authority is currently working with our bond insured to see if those funds are able to be distributed. We have approximately \$2,000,000 to distribute but we are awaiting approval on whether those funds can be applied to the Authority's current debt obligations.

The motion was unanimously approved with Messrs. Davidson, Grover and Cluck abstaining from the vote.

A motion was made by Ms. Bryce, seconded by Mr. Kurowski, that the following items be approved as follows – FINANCE Item No. B:

B. **Bond Redemption and Improvement Fund (BRIF) Requisitions: (See Attached Listing marked Exhibit "A")**

1. 2009 Improvement Fund Requisitions - Subaccount of the 1992 Conveyance and Treatment BRIF: (Approve Nos.106 - 109)

Mr. Cluck questioned Requisition No. 106 on Exhibit "A" payable to Rhoads & Sinon as to whether the work performed for TMDL is still pending litigation. Mr. Cluck requested a report on all work being performed by the law firm of Rhoads & Sinon and what they are currently working on prior to the next meeting.

Mr. Grover requested an explanation of what the TMDL matter is for the public. Mr. Ellinger explained that the invoice from Rhoads & Sinon is for litigation relative to the Paxton Creek TMDL issue. The Federal EPA came out with a draft TMDL (Total Maximum Daily Load) and finalized the matter with a final TMDL. For the most part in the final TMDL The Harrisburg Authority is off the hook, as we only need to comply with the Long Term Control Plan which is already in place. The original TMDL had larger restrictions and could have become extremely expensive for the Authority. For this reason, through Mr. Deily and Ms. Torres information was gathered and in the final TMDL the more stringent requirements were removed.

Mr. Ellinger advised that he is not familiar with what Rhoads & Sinon would currently be doing on the Authority's behalf but he is aware that there was some follow up litigation that he was aware of for a group of municipalities that we were under because we were in between the draft and final TMDL. He did note that the HRG invoice for TMDL marked as Requisition No. 107 is for a separate issue because EPA has come out with a Chesapeake Bay TMDL. It is not out in draft form yet, but they have requested information from all the municipalities and they are working with Ms. Williams and Mr. Deily to compile information to cut this off so that we are not dealing with erroneous information that could lead to more restrictions on the facility that were eventually waived in the final TMDL.

Mr. Ellinger advised that what HRG is working on is completely different than what Rhoads & Sinon is working on. Rhoads & Sinon appears to be working on follow up on the litigation for the Paxton Creek TMDL which came out in final version about two years ago. Further discussion was held wherein Ms. Williams explained the statewide coalition that the Authority is represented with by Hall & Associates in Washington D.C. The Authority entered into that coalition back at the time when the Paxton Creek issues were going on but the Authority has not been formally removed from that issue yet. The Authority will be setting up a conference call with Hall & Associates with HRG to determine whether the Authority wants to continue on with this matter. Rhoads & Sinon would be the firm to draft the legal motions to remove The Harrisburg Authority from that litigation. Mr. McIntosh pointed out that while The Harrisburg Authority no longer has any legal involvement in this matter, there is a huge impact on the City of Harrisburg that continues to play out on this matter. The City of Harrisburg has not really retained their own counsel and because of the link between the City and the Authority, the Authority has been continuing to keep up on this matter but now the time has come to revisit whether the Authority should remove itself and let the City take over the responsibility of this matter.

Mr. Cluck questioned the Authority's impact on this and if there is an impact on the City and not the Authority, he feels it is the City's responsibility to hire their own counsel at this point. Mr. Cluck questioned if the litigation hasn't been active for over a year, why was \$1,400.00 in legal fees incurred. He would like an accounting of what this legal invoice is for and he requests a full report of what current matters the firm of Rhoads & Sinon is performing work on for The Harrisburg Authority.

Ms. Bryce recommended that the motion be amended to strike the approval of Requisition No. 106 until the new board members have an opportunity to review the matter and obtain a report from Rhoads & Sinon.

A motion was made by Ms. Bryce, seconded by Mr. Grover, that the previous motion to approve Requisition Nos. 106 thru 109 from the Bond Redemption and Improvement Fund be amended to include only Requisition Nos. 107, 108 and 109 and to omit Requisition No. 106.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Davidson, that the following items be approved as follows – FINANCE Item No. B:

B. Bond Redemption and Improvement Fund (BRIF) Requisitions: (See Attached Listing marked Exhibit "A")

1. 2009 Improvement Fund Requisitions - Subaccount of the 1992 Conveyance and Treatment BRIF: (Approve Nos.107 - 109)

The motion was unanimously approved with Mr. Cluck abstaining from the vote.

Mr. Grover requested an explanation of what the Bond Redemption and Improvement Fund is for. Mr. Mehok explained that the Authority receives lease payments from the City into the Authority's Clearing Fund and the Clearing Fund transfers monies to the Debt Service Fund to pay the debt service payments. The Lease payments are made to generate about 110% of debt service. In theory the Authority should have an extra 10% of revenue from what the City pays the Authority in lease payments that moves over to the Bond Redemption and Improvement Fund. Once the money is in the Bond Redemption and Improvement Fund it can be used to either:

- Redeem bonds;
- Pay for Extraordinary repairs to the sewer system;
- Fund an improvement project; and
- In addition, if the City has excess monies in the Sewer System, after setting aside half the lease payment for the year and admin fees, that excess money should also flow into the Bond Redemption and Improvement Fund.

Mr. Grover advised that he was under the impression the Authority had bonds that were no older than 1998. For Resource Recovery that is true, however, this 1984 Indenture a/k/a 1992 Bond Redemption and Improvement Fund is relative to Sewer related bonds.

A motion was made by Ms. Bryce, seconded by Mr. Kurowski, that the following items be approved as follows – FINANCE Item No. C:

C. **Bond Redemption and Improvement Fund Requisitions (1992 First Series – 4th Supplement to 1984 Indenture):**

1. Req. No. 25 - The Harrisburg Authority (re: 2009 Improvements) - \$10,000.00

Mr. Grover requested clarification for what this is for. Ms. Williams advised that Requisition No. 25 are the funds needed to pay the Requisitions previous authorized for payment from the 2009 Improvement Fund. It was noted that for future meetings, this transfer should be voted on first with the approval of the 2009 Improvement Fund requisitions being voted on last.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Kurowski, that the following items be approved as follows – FINANCE Item No. D:

D. **2009 Pennvest Reimbursement Request #4:**

Motion: The Board authorizes *the submission of a Loan Drawdown Request #4 to PENNVEST for project costs in the amount of \$20,260.30.* These funds will be placed into the 2009 Construction Fund to pay AWTF construction project costs.

The motion was unanimously approved.

A motion was made by Ms. Bryce, seconded by Mr. Davidson, that the following items be approved as follows – FINANCE Item No. E:

E. **2009 Construction H2O Project Reimbursement Request #4:**

Motion: The Board authorizes the *submission of a Grant Drawdown Request #4 to DCED H2O for project costs in the amount of \$142,293.00.* These funds will be placed into the 2009 Construction Fund to pay AWTF construction project costs.

The motion was unanimously approved.

IX. Public Comment Non Agenda Items – None

Mr. Grover made a comment for the record before adjournment that with the formulation of a full board he wanted to offer some assurance that existing and new board members, are working with the Executive Director and a wide variety of professional staff to move forward on the crisis mode which most of the public is

interested in which is the \$68 Million shortfall this year and the \$288 Million obligation this Authority and others have and at the same parallel time to track the day to day operations of the issues that affect the quality of life of the citizens of the City of Harrisburg and Dauphin County. There is quite a bit that goes on in the background that is very technical, but he believes that this Authority will move forward this calendar year to a collective proposed solution working with this board, the City and the County, the insurers and everyone else.

On this end this board will make every effort to be at the table for any discussion to get the City, County and this Authority past the current crisis and will entertain everything from a restructuring to a bankruptcy and anything else in between to an expansion if that gets us to the point we have to be at and he wants it known that a lot of people are putting a lot of thought, power and work into this Authority moving forward to the future to be an asset to this community and its services.

Mr. Cluck thanked the staff of the Authority for their professionalism over the past two weeks. This has not been an easy transition and given that all board members have time constraints, a significant amount of executive sessions have been held with all five members of the board present and working very well together, but the intent is to be transparent, to make documents available and hopefully we'll be able to upgrade the Authority's website to become more proactive to the public.

Mr. Kurowski again welcomed the new board members. They have taken on a lot of material in a very short period of time. It is refreshing to have a full compliment on this board that are truly invested in working in all the different challenges that have been on the table for some time and he is excited in moving forward

X. Adjournment

A motion was made by Ms. Bryce, seconded by Mr. Cluck that the Authority adjourn the meeting at 7:52 P.M. The motion was unanimously approved.

THE HARRISBURG AUTHORITY

Michele T.V. Torres, Assistant Secretary-
Treasurer