

MINUTES
REGULAR MEETING OF THE BOARD OF THE
ALLEGHENY COUNTY SANITARY AUTHORITY
DECEMBER 14, 2023

The meeting was called to order at 4:30 p.m. in the office of the Authority, 3300 Preble Avenue, Pittsburgh, Pennsylvania. Those participating were Board Members Ms. Syliva Wilson, Dr. Shannah Tharp-Gilliam, Ms. Emily Kinkead, Mr. Harry Readshaw, Mr. Darrin Kelly. Absent from the meeting were: Ms. Theresa Kail-Smith and Mr. Paul Klein. Also participating in the meeting were Ms. Williams, Ms. Buys, Ms. Kennedy, Ms. Fantoni, Ms. Thomas, Ms. Clark, Ms. Motley-Williams. Messrs. Michael Lichte, Doug Jackson, Phil Cole (Authority Staff), Max Junker (Babst Calland), and Colin Lampark (HATCH).

Everyone stood for the Pledge of Allegiance.

No Public Comments for this meeting.

Ms. Sylvia Wilson stated there was an Executive Session before the start of this meeting, and no votes are taken during Executive Session.

Karen Fantoni, Director of Finance, presented a review of the 2024 Budget for Operations and Capital Improvements. The process of pulling together all information needed to complete the budget takes five months and begins in April. We are in the third year of a five-year rate resolution and are very comfortable in forecasting what we believe the revenue should be. A draft of the budget was presented to the Board for their review on November 16, 2023, and later in the agenda, we will be asking the Board to approve it. Once the budget is approved, we will present it to BNY Mellon, our Trustee; as in compliance with the Trust Indenture, it will be posted to our website. Our budget will also be presented to EMMA, in compliance with the municipal bonds. The following are highlights of this year's budget: 7% rate increase for 2024, providing additional funding for self-funded capital, increases to the Clean Water Assistance Payment for the sixth year in a row by \$3.00 to \$45.00/quarter, improves coverage ratio and liquidity, and meets all requirements of the first indenture. From an operations perspective, we need \$121,419,100.00, Debt Service \$78,181,900.00, 2024 Capital Spending \$231,367,600.00, Self-Funding Capital Reserve. The total budget is \$440,468,600.00. Most of the money will come from our rate payers. We have budgeted revenue of \$229,737,800.00, that is taken into consideration, also with the 7% rate increase and budgeted interest income. This is the first budget that we have had in a long time that shows actual interest income. This year we are fortunate to receive interest income because of the rising rates; however, rates are projected to go back down. Our expenditures by Division, were spending the operating budget, of the \$121,419,100.00. Some of the larger increases are in the Interceptor Systems, cleaning contracts (that increased about \$3,000,000.00), to continue our required cleaning and maintenance of the Interceptor Systems. The other areas of increases are plant operations and maintenance and our utilities, water bill increased about 20%, gas increased 25%, we have budgeted an extra 34%, for our electric with Duquesne Light. Also, we noticed an increase with our chemicals and some of the supplies that we utilize in that function. Other increases are our staff increases, as we continue through the Clean Water Plan and we continue through regionalization, we have various vacancies that we need to continue to fill and retirements. We are always looking to hire new folks here. Capital spending, this is the first time all three tunnel segments reflected in the Clean Water Program plan. A couple of years ago, we dissected the capital budget into a couple of segments. Clean Water plan, there are a couple different projects that are making up the plan that is ongoing. We have our "Organic" capital, would be our routine types of capital to maintain and operate the plant, so these are things outside of the Clean Water Plan. When we look at total Capital funding for the year, around \$231,000,000.00 of total capital spending expected in 2024.

Kimberly Kennedy, Director of Engineering and Construction, highlighted some of the major progresses made on the current projects. These projects are the top five capital projects anticipated for 2023, with the largest being the CSO bypass and disinfection project that was awarded in 2022. There will be lots of work on that project next year. The Northend plant expansion and East headworks will come in just under \$30,000,000.00 each, both of those projects have been going on for a couple of years now. Our Environmental Compliance facility, the building next to the parking garage, will be done next year and our staff will start moving over mid-year, of next year and then we will bid the Ohio River Tunnel. We have \$15,000,000.00 spent to get us into a position to bid the project third quarter. Kimberly showed slides of the projects and their progression from the beginning to present and stating the values of the contracts. The Northend, the contract value is just under \$115,000,000.00, we have spent just under \$80,000,000.00 to date, so we are coming up on 70% complete and will be completed in 2025. The East Headworks, the contract value is just under \$90,000,000.00, 65% complete on the East Headworks and will complete right before the Northend and will be completed in 2025. The Environmental Compliance Facility is a \$32,000,000.00 building, we have about six more months on this project. Lastly, the Ohio River Tunnel is bidding next year. This is the alignment, the near facilities and everything that we went over when we received the Authorization to Advertise. In terms of capital, that will be our major focus for 2024. Karen Fantoni, continued with the presentation beginning with the rates. The legally mandated Capital program would not be possible without rate increases. The 7% rate increase that is budgeted for 2024, means a cost at the average rate payer of \$41.16 more a year more than what they paid in 2023, \$3.43 more a month in order to afford the increase. Our credit rating where we went out for bonds, in 2022, at that time the S&P upgraded the authority to double A-, with a stable outlook. The previous bond issuing in 2020, Moody's increased to Aa3, with a stable outlook. We are going out for bonds in 2024 and will see what they agencies have to say at that time. In 2022, we were told our strengths and we have continued to build upon them. Our credit challenges have not changed in terms of Consent Decree is substantial, both in terms of cost and scope. Our debt ratio already is well above the average of 65%, versus median of 40%, for similarly sized systems in the U.S, and our future debt required to fund the capital projects. The following factors could lead to our rating to become downgraded. A downgraded net rating would raise our interest cost, which would raise the amount of money we would have to pay, in order to afford these programs.

Colin Lampark, Project Manager, HATCH presented our Consulting Engineering Report for 2023. The annual report for development, system review and capital improvement programs, review of revenues and operating expenses, review of debt service, coverage, and insurance and the 2024 outlook and conclusions.

Kimberly Kennedy, Director of Construction and Engineering presented the 2023 Capital Budget Status Report. We are at the end of 2023, and we are just about \$157,000,000.00 spent this year.

Report of actions by the Executive Director in approval of construction change orders within the contingency included with Board Approval at the time of Contract Award as authorized by Resolution No. 2022-03-04:

1. No. 4, under Contract 1759E, "ALCOSAN Environmental Compliance Facility" from Bronder Technical Services in the amount of \$9,588.90. These costs are associated with the relocation of a transformer from the ceiling to the ground level within the electrical room so that the transformer is safer and easier to maintain. The original amount of the contract was \$3,382,700.00. The current value of the contract including this change order is \$3,460,798.18.
2. No. 4, under Contract 1759G, "ALCOSAN Environmental Compliance Facility," from Hudson Companies in the amount of \$889.00. These costs are associated with the replacement of standard plugs with twist lock plugs on the reach-through coolers within the laboratory due to a clearance issue. The

original amount of the contract was \$16,732,000.00. The current value of the contract including this change order is \$16,941,643.00.

3. No. 1, under Contract 1759H, "ALCOSAN Environmental Compliance Facility," from Guy's Mechanical Systems, Inc. in the amount of \$3,124.14. These costs are associated with mechanical changes due to the addition of a mudroom and minor reconfiguration of offices. The original amount of the contract was \$9,098,000.00. The current value of the contract including this change order is \$9,101,124.14.
4. No. 2, under Contract 1759P, "ALCOSAN Environmental Compliance Facility," from SSM Industries, Inc. in the amount of \$20,197.00. These costs are associated with plumbing changes for an added Mudroom on the third floor. It includes a slop sink, additional domestic water lines, sanitary lines and a waste stack. The change also covers alterations to the 3rd floor's sprinkler system where the mudroom was added. The original amount of the contract was \$3,068,000.00. The current value of the contract including this change order is \$2,996,907.42.

Report of actions by the Executive Director in approval of construction change orders less than \$30,000.00 and a cumulative total change order value to date of less than five percent of the original contract amount:

1. No. 1, under Contract 1760E, "CSO Bypass and Disinfection," from Wellington Power Corporation in the amount of \$7,910.72. These costs are associated with modifications to the equipment within the electrical room to meet code requirements. The original amount of the contract was \$11,764,000.00. The current value of the contract including this change order is \$11,771,910.72.

Upon motion by Darrin Kelly, and seconded by Dr. Shannah Tharp-Gilliam, the Board approved the Board Meeting minutes of December 14, 2023.

Upon motion by Harry Readshaw, and seconded by Emily Kinkad, the Board authorized payment of invoices in excess \$20,100.00, processed during the period of November 7, 2023, to December 4, 2023, and review the summary report of expenses in excess of \$10,900.00, processed during the same period.

Upon motion by Dr. Shannah Tharp-Gilliam, and seconded by Darrin Kelly, the Board awarded the following contract:

1. Contract No. 1790 "Ohio River Tunnel Substation Transformer – Pre-Purchase" to Schaedler Yesco Distribution, Inc. at the price of \$1,561,000.00.

Upon motion by Harry Readshaw, and seconded by Dr. Shannah Tharp-Gilliam, the Board approved the following contract:

2. Contract No. 1795 "Inverted Siphon Cleaning 2024" to Redzone Robotics, Inc. at the price of \$1,955,305.00.

The items denoted with an asterisk () were reviewed by the Professional Service Committee at a publicly advertised meeting on November 30, 2023. The Committee unanimously approved and recommended that these items be submitted to the Board.*

*Upon motion by Dr. Shannah Tharp-Gilliam and seconded by Emily Kinkad, the Board approved the following Service Authorizations for Professional Consultants. Assignment is based on consultants past efforts. Knowledge and understanding of the tasks involved and the availability of the consultant's staff to perform the tasks in the time required:

1. For HDR, under the agreement for Engineering Consultant Services, for an amount not to exceed \$3,724,050.00, to perform the scope of services under Capital Project S-467, "Primary Sedimentation Tanks E-4 & E-5".

*Upon motion by Darrin Kelly, and seconded by Emily Kinkead, the Board approved modification of Service Authorization 373 for Mott MacDonald for work associated with the final design of the Ohio River Tunnel project for an amount not to exceed \$10,632,200.00.

*Upon motion by Emily Kinkead, and seconded by Darrin Kelly, the Board approved the scope of services from Perkin Elmer for the relocation and recalibration of certain specialty laboratory equipment required for the move from the existing to the new laboratory and authorize the Executive Director to negotiate a fee.

*Upon motion by Dr. Shannah Tharp-Gilliam, and seconded by Emily Kinkead, the Board modified the Grant Agreements for the Green Revitalization of Our Waterways (GROW) Program by extending the Term of the Contract.

*Upon motion by Harry Readshaw and seconded by Darrin Kelly, the Board authorized the Executive Director to execute a Wastewater Sampling and Data Use Agreement with Allegheny County regarding the collection and testing of wastewater to assist the Allegheny County Department of Human Services and its contractor Biobot Analytics, Inc. in conducting wastewater epidemiology supporting Allegheny County's opioid mitigation efforts.

*Upon motion by Emily Kinkead and seconded by Darrin Kelly, the Board authorized the Executive Director to execute the Settlement Agreement for the litigation docketed in the U.S. District Court for the Western District of Pennsylvania at Docket No. 2:23-cv-591.

*Upon motion by Darrin Kelly, and seconded by Dr. Shannah Tharp-Gilliam, the Board approved the Board Meeting dates for the calendar year 2024 and authorize advertisement of those dates in accordance with the Sunshine Law.

*Upon motion by Emily Kinkead and seconded by Dr. Shannah Tharp-Gilliam, the Board adopted the 2023 Consulting Engineers Report and the 2024 Operating and Capital Budgets.

Before everyone departed from the meeting, the ALCOSAN Board members wished everyone a Happy New Year!

The next Board of Directors meeting will be held on January 25, 2024.

There being no further business, the meeting adjourned at approximately 5:00 pm.