

THE HARRISBURG AUTHORITY

EXECUTIVE DIRECTOR AND SENIOR MANAGEMENT REPORTS

MICHELE T. V. TORRES, J.D.

SEPTEMBER 2009

**EXECUTIVE DIRECTOR
REPORT**

**MICHELE T. V. TORRES, J.D.
SEPTEMBER 2009**

A. Internal Policy Development & Management:

Accounting Policies: The following policies are under development:

- Summary of Significant Accounting Policies
- Commitment Policy Associated with Expenditures and Disbursements
- Petty Cash
- Chart of Accounts – Work Breakdown Structure (WBS)
- Policies Associated with Revenues and Cash Receipts
- Capitalization and Depreciation of Fixed Assets (revised)

These policies have been reviewed by the Solicitor, and submitted to the Board for approval on September 23, 2009.

B. External Relations:

Website: The August facility reports, treasury reports, and Executive/Senior Director reports will be posted on the website.

C. 2008 Audit:

Met with the City Administration to discuss and resolve pending 2008 outstanding audit issues. These discussions are still ongoing.

D. Litigation Matters:

The Authority cannot reveal the details of pending litigation matters. All public filings of legal matters involving the Authority can be found in the appropriate courts of record. Several meetings were held regarding various legal matters.

E. Long-Range Planning (2009 Strategic Plan Goals):

RRF Deficit: In an effort to address the reduction of the RRF debt, the following meetings were held:

- The Authority, their bond counsel and finance team continue to meet with City representatives and their counsel to discuss the RRF debt service payment issues. We are discussing short term plans to address the 2009 payments as well as discussing plans for the long term debt service payments.
- Electric Sales Contract: The Authority has met with an energy expert Steve Gabel of Gabel Associates, to discuss the best direction for the Authority to pursue an electric sales contract given the energy market is at an all time low.

F. City Council Public Works Committee Meeting - September 1, 2009:

The Authority attended the City Council Public Works Committee Meeting Chaired by Patty Kim. The Council was given a status report on the RRF construction project. The Authority asked President Thompson for an Executive Session to discuss legal issues. The request was granted.

G. City Council Budget Committee Meeting – September 15, 2009:

The Authority attended the City Council Budget Committee Meeting Chaired by Wanda Williams. The topic for discussion was the \$1.8M PennVest low interest loans awarded in July to the Authority. The Committee requested a breakdown of the projects by order of priority. The Authority asked the Committee to consider guaranteeing this loan at their next legislative meeting, to allow the Authority to utilize the matching \$5.5M H2O grant awarded on July 14, 2009.

**FACILITY DIRECTOR
REPORT**

**JACK D. LAUSCH
SEPTEMBER 2009**

Resource Recovery Facility (RRF):

Waste Deliveries: In August the RRF received 1,453 less tons than in July. Tons received were reduced because of a ten day outage on Unit #2 boiler and also because August had five weekends and subsequently less full delivery days than July. Comparing August 2008 deliveries to August 2009, the RRF received 10,465 more tons this year. Year-to date THA has received 29,053 more tons in 2009 than through August 2008.

	August '09	YTD
Tons Received:	21,691	161,089
Tons Processed:	21,680	148,221
Tons Transferred:	1,496	13,136

Supplemental Waste: We are working towards receiving our first deliveries of Supplemental Waste and hope to start receiving deliveries by the end of September. The waste will be coming in through Chesapeake Waste Solutions (CWS). A Form U is being prepared and associated documentation is being gathered for submission to DEP for approval. We are working with Covanta to ensure all matters relative to operations are covered. A Facility Audit package is also being assembled to assist with marketing the RRF. Each ton of Supplemental Waste received can displace a ton of Spot Waste.

Ferrous: Ferrous recovered in August was consistent with previous months. Fortunately the market price for ferrous continues to rise. August ferrous revenue was \$36,710 or \$72 per ton after deducting for transportation. The August price was \$11 per ton higher than July.

	August '09	YTD
Post-Combustion Ferrous Recovered:	493 tons	2,905 tons

Ash Landfill (LF):

Ash Mining: Based on the Landfill survey completed at the end of July and our records on ash removed from the Landfill versus ash deposited, we have determined that as of September 11 we can curtail hauling of ash off-site through the remainder of the year. With off-site hauling operations ending for this year, American Ash Recycling (AAR) is no longer interested in being on-site to manage the pushing and grading of ash being deposited daily in the Landfill.

Ken's Trucking and Excavating, who was AAR's subcontracted excavating contractor and who has been on-site since ash mining began, would like to handle this task. Ken's has been very cooperative during their tenure at the Landfill. As such the Board is being asked to approve entering into an Agreement with Ken's to perform the necessary pushing and grading of ash on an as needed basis. Management of Ken's will be handled by THA's Facility Site Manager.

	August '09	YTD
Material Removed from Landfill:	12,612 tons	74,155 tons
Ash Deposited in Landfill:	7,149 tons	48,130 tons

RFP for Ash Beneficial Use/Disposal: An RFP will be prepared seeking facilities interested in receiving THA's ash in 2010. THA will continue to need off-site ash disposal until such time as an expansion of the Landfill is completed or another alternative for long term disposal is secured. When responses are received, a recommendation will be brought to the Board for consideration.

DEP Inspections: The monthly DEP inspection of both the RRF and LF occurred at the end of August. The inspector was satisfied with the operations of both facilities and the commitment THA and Covanta have to operating the facilities in compliance.

Administrative:

2010 Budget and Finances: Ongoing discussions and meetings on the 2010 budget and THA's financial/debt situation.

Electric Sales: Michele and I met with Steve Gabel of Gabel Associates. Gabel Associates specializes in assisting its clients with contracting with utilities and others for the sale or purchase of energy. Mr. Gabel provided excellent insight into the whole process of an entity selling their electricity, and it appears he would be an excellent addition to our electric sales team.

Insurance: Prepared and submitted applications to Corey Stein for renewal of General Liability and Pollution coverage. Met with Corey to discuss settlement of the two lube oil system claims from 2007.

Prescription Drugs: Met with Dauphin County representatives and DEP to discuss Dauphin's idea to have a prescription drug take-back program. It was concluded that the best alternative was consumer education on safe disposal of prescriptions in their trash. Dauphin and City residents can safely dispose of their prescriptions in their trash since their waste is flow controlled to the HRRF where it is incinerated.

**ENGINEERING DIRECTOR
REPORT**

**SHANNON G. WILLIAMS, P.E.
SEPTEMBER 2009**

Wastewater

1. *Funding Applications* –

- a. ***H2O-PA*** - Received a July 23, 2009 acceptance letter that was executed by Chairman Ellison and Executive Director Torres on August 19, 2009 and returned. This letter does not constitute a grant agreement that would allow us to draw down funds. Based upon their knowledge from following this grant program, HRG does not anticipate that funds will be available until early 2010.

- b. ***PENNVEST*** - The Authority has been offered a \$1,880,000.00 PENNVEST loan with a term of 240 months at an interest rate of 1.273% for years 1-5 and 2.545% for years 6-20. Assuming the Board approves moving forward with securing this loan, there are several items of importance. First, PENNVEST is requiring that the City guarantee this loan. Subsequently, an amendment to the lease agreement is necessary to account for the increased debt service. Carol Cocheres is working to secure this guarantee and amendment to the lease agreement and the resolution necessary from the Authority (Agenda Item). Additionally, since some or all of the money from PENNVEST is ARRA-funded (i.e. Stimulus), there are several requirements that must be met with respect to scheduling, MBE/WBE/DBE solicitation, "Buy America" provisions, and wage rates. These requirements are being written into bid documents that must be advertised by September 1, 2009.

While the application for funding included the Dewatering, Grit Removal and Facility Improvements Projects, we were hoping to utilize the PENNVEST funding for only the Grit Removal and Sludge Staging Area improvements for ease of accounting, however PENNVEST has informed us that this change in scope may cause us to lose priority points and possibly lose the funding. As such, HRG is fast-tracking some of the Facility Improvements Projects that enabled us to achieve points (the digester gas line replacement and biogas sphere rehabilitation) to include in the scope with the Grit Removal and Sludge Staging Area Improvements with the hope that PENNVEST will provide funding for this reduced-scope project.

Pre-Closing Letter (agenda item).

2. ***Belt Filter Press Procurement*** – New presses are scheduled to be delivered to the site on or before October 2, 2009.

3. ***Dewatering Project*** – Notices of Intent to Award were issued by HRG to Blooming Glen Contractors, Inc. for Contract 2009-DEW1 (General Construction) and Pro-Electric, LLC for Contract 2009-DEW2 (Electrical Construction) on August 28, 2009.

Award is contingent upon receiving DEP approval of the DBE compliance documentation and PENNVEST approval of a pre-closing letter as discussed above.

4. **Grit Removal System Upgrade Project** –Advertisement for Bids was issued on September 1, 2009 for Contract 2009-GRT1 (General Construction) and Contract 2009-GRT2 (Electrical Construction) and a pre-bid meeting was held on September 15, 2009. Bid opening is scheduled for 11:00 a.m. on Thursday, October 15, 2009.
5. **Facility Improvements Project** – As discussed above under Funding Applications, all proposed Facility Improvements Projects are proceeding quickly with the exception of the Chlorine Contact Tank Modifications and the Primary Digester Rehabilitation, both of which will be included in the BNR project. The balance of projects must be fast-tracked to meet PENNVEST's requirements and are summarized below:
 - a. **Biogas Piping and Storage Sphere Rehabilitation Project** –Advertisement for Bids was issued on September 1, 2009 for Contract 2009-BG1 (General Construction) and Contract 2009-BG2 (Electrical Construction) and a mandatory pre-bid meeting will be held at 10:00 a.m. on September 21, 2009. Bid opening is scheduled for 1:00 p.m. on Thursday, October 15, 2009.
 - b. **Sludge Storage Shed Addition Project** - Advertisement for Bids will be issued on October 1, 2009 with bid opening scheduled for November 2, 2009.
 - c. **Effluent Reuse Project** - Advertisement for Bids will be issued on October 15, 2009 with bid opening scheduled for November 15, 2009.
6. **Act 537 Plan** – DEP approved the plan on August 21, 2009. The next step is to proceed with Pilot testing and design for the BNR Upgrade Project. Reimbursement Application (agenda item).
7. **Nutrient Credits** – CCX meeting, NPDES numbers, expiration date, drop out of Pa Alliance (agenda item).
8. **NPDES** - Bhal
9. **BNR Upgrade Project** –

Water

1. **Game Commission Easement** – Nothing new to report.
2. **Pilgrim Alley Waterline Replacement** – This project is complete and the third and final release of funds was authorized on September 15, 2009.
3. **Elmerton Ave. Extension Feasibility** – Subsequent to the August 26, 2009 approval of the Phase 2 work – Financial and Administrative Evaluation, HRG is working toward completion of this phase by October 10, 2009.

4. **United Water** - Meeting is scheduled for September 30, 2009.
5. **Water System Project Prioritization** – No activity.
6. **Cell Tower at Dehart Dam** – No activity.
7. **Request for Reduction in Ready to Serve (RTS) Charge** – Received an opinion from Bruce Foreman. Discussing options with him and Executive Director.

Solid Waste

1. **Construction Completion Project** – Processed change orders and agreements and attended project coordination meetings.

Per 8/18/09 Covanta Cost Report Detail:

Commitments to Date (under contract):	\$20,818,353
Billed through 07/2009:	\$16,783,778
Cost to Complete (not yet under contract):	\$ 4,608,054
Current Forecast to Completion:	\$24,041,501

See Covanta RRF Construction Completion Project Summary (attached). (Agenda Item).

Rejection of Siding (agenda item) *Ratify the rejection and rebid of COV-0039 – Siding based on the recommendations of Kerry Kirkland and Bruce Foreman, and rebid project. Bids were received on July 24, 2009. Rejection notice was sent on September 1, 2009. The project was advertised for rebid on September 4, 2009, with bids due September 24, 2009.*

Note that invoices and payment applications for May and June work (June and July Invoices due July and August) totaling \$1,598,058.21 have not yet been paid because Covanta has not released the funds requested to pay these invoices. As a result, the vendors cannot remain on site much longer. In fact, some have demobilized from the site already. I have been in communication with them to make sure that we do not incur additional expense as a result.

Additionally, the project schedule has been delayed due to the above lack of funds. THA is not entering into new contracts and change orders until this issue is resolved. As such, a portion of the work will be delayed. A schedule forecast cannot be generated until this issue is resolved. It is anticipated that this issue will be resolved within the next week.

2. **Steam Pipe Line** –Coordinating with First Energy for grant reimbursement of expenses. Preparing a Request for Proposals for design engineering services.

Administrative

1. **Public Works Briefings** - Held on September 10, 2009. Present at this meeting were Jack Lausch (THA), Mick Yanich (City of Harrisburg – COH), Chad Bingaman (COH Bureau of Water), Mike Deily (COH Bureau of Sewerage), Ed Ellinger and Russ McIntosh (HRG). We discussed ongoing projects. Next meeting will be held on October 1, 2009.
2. **New THA Website** – In the last month, there have been 408 visits by 202 different visitors. Press Releases for the Act 537 Plan were uploaded, as were bid advertisements.
3. **FTP Site** – A File Transfer Prototol (FTP) site has been set up to allow the Board to access files electronically without the need of email attachments. The web address is <ftp://173.15.136.185/> and the board area will be password protected. This is a work in progress, so any recommendations and comments are appreciated.

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**FINANCE DIRECTOR'S
REPORT**

**STEVEN MRAKOVICH
September 2009**

A. Accounting Software:

QuickBooks. The work breakdown structure chart of accounts continues being updated for internal/external reporting purposes. A continuous effort is being made to clean up the database and reduce the redundancy of information.

B. Budgets/Forecasts:

"8+4" Forecast. An "8+4" forecast for the Resource Recovery Facility (8 months of actual costs plus 4 months of projected spending) was prepared for internal use.

2010 Resource Recovery Facility (RRF) Preliminary Budget - The 2010 RRF budget is continuously being updated with input from the RRF Director and the Executive Director.

C. Debt Service:

Debt Schedule – A Debt Service Schedule was prepared for all debt service payments to date and scheduled for the remainder of 2009.

D. Re-engineering of Accounting Practices:

Accounting Processes. Daily processes/practices are continuously being re-engineered/implemented to adhere to internal control and generally accepted accounting principles.

E. Monthly Reports:

Treasurer's Report. Preparation of the Treasurer's Report for the Administration, Water, Sewer and Resource Recovery Facility bank accounts were completed. Also, a report of all 'end of the month" reconciled bank account balances is available on a monthly basis.

F. Tracking Systems:

A spreadsheet has been developed for the daily tracking of all invoices that require payment by either check or wire. Both checks and wires contain daily and cumulative totals for cash management purposes.

G. Accounting/Finance Policies:

A procedure for the Resource Recovery Facility was drafted for internal control of the Cash Box/Check activities. The procedure is being formatted for review/approval.