

THE HARRISBURG AUTHORITY

EXECUTIVE DIRECTOR AND SENIOR MANAGEMENT REPORTS

MICHELE T. V. TORRES, J.D.

NOVEMBER 2009

**EXECUTIVE DIRECTOR
REPORT**

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2008 Audit:

All 2008 Outstanding Audit issues have been resolved.

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.

Resource Recovery Facility:

- 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.
- THA participated in conference calls with FSA to update them on the status of the remaining 2009 debt service payments. Since July, the City of Harrisburg has met their guarantee obligations. THA notified the City that THA does not have the means to make any of the upcoming December 2009 payments. The County also received adequate notice. TD Management, Trustee, made the appropriate notifications to the County.
- THA participated in a conference call with Moody's to provide a report on the status of the RRF situation. Moody's downgraded the City's rating.
- Electric Sales: The electric market is currently at a historic low. It is Gabel Associates' recommendation that the Authority delay seeking a long term contract until the market rates increase. Gabel has also recommended hiring a scheduling agent to perform the day-to-day transaction for the sale of the electric energy and capacity sales through PJM. Our operator, Covanta, has agreed to provide these scheduling services at no cost.

RRF 2010 Projected Budget: The RRF 2010 Projected Budget is being submitted to the Board with a deficit budget of approximately \$73M. This amount includes the \$35M working capital loan taken out in 2007 and due in full December 2010; \$20M of regular debt service payments and the replenishing of all the debt service reserve accounts drawn against to make these payments.

City's Early Intervention Program Plan: The City requested that THA meet with Management Partners, Inc., a finance company retained by the City to evaluate their financial situation and provide a plan for the City. A meeting was held on November 11th for four hours. The entire session was dedicated to the Resource Recovery Facilities finances. A five year projection was requested and will be completed by early December.

Sewer:

Data Historian: The Authority met with DEP to discuss schedule for compliance.

PennVest Loan \$1.8M: The closing for the \$1.8M PennVest loan is scheduled for December 23, 2009.

**FACILITY DIRECTOR
REPORT**

**JACK D. LAUSCH
NOVEMBER 2009**

Resource Recovery Facility (RRF):

Waste Deliveries and RRF Performance: During the month of November the RRF received 23,267 tons which was 1,461 more tons than received in October. More tons were received and processed in November since there were no scheduled outages and boiler availability was 89.5% for the month. Comparing November 2009 deliveries to November 2008, the RRF received 7,246 more tons this year. Year-to date THA has received 49,530 more tons in 2009 than through November 2008. Electric sales for the month were very good as 8,385,200 KWH were sold yielding revenue of \$503,052.

	November '09	YTD
Tons Received:	23,267	230,956
Tons Processed:	21,594	214,052
Tons Transferred:	1,176	17,098

Spot Waste: Received a disposal inquiry from the future operator of a transfer station located in northern PA. This potential customer will be touring the RRF during the later part of December.

Post Combustion Ferrous: More ferrous was recovered in November than during October which was consistent with increased tons processed through the RRF. Payment for ferrous tons marketed in November was not yet received as of the time of this report.

	November '09	YTD
Post-Combustion Ferrous Recovered:	488 tons	4,471 tons

Ash Landfill (LF):

Ash Operations: Ken's Trucking & Excavating, Inc. continues to maintain the LF site by pushing and grading ash that is deposited daily. However, due to space constraints and the issue of ash delivery trucks being able to access areas of available permitted space in the LF, it has become necessary to again transport ash offsite. Ken's can provide transportation of the ash offsite to the LCSWMA Landfill and satisfy this short term need. Our Agreement with Ken's does not address offsite transportation therefore it should be amended to address compensation for transportation services. An Addendum to the Ash Operations Agreement with Ken's Trucking & Excavating, Inc. has been prepared for Board approval.

	November '09	YTD
Material Removed from Landfill:	0 tons	77,454 tons
Ash Deposited in Landfill:	7,425 tons	69,695 tons

RFP for Ash Beneficial Use/Disposal: Work continues on the RFP for beneficial use or disposal of THA's ash in 2010 and beyond. In the interim, the Waste Services Agreement with LCSWMA for beneficial use/disposal expires on December 31, 2009 and should be extended. LCSWMA has agreed to extend the Agreement on a month to month basis at the same price and terms. An Addendum to the Waste Services Agreement with LCSWMA is ready for Board approval.

DEP Inspections: The DEP inspection of the RRF and LF for the month of December had not occurred at the time of this report.

Administrative:

DEP Air Quality: Preparing a response to DEP's letter on outstanding air quality violations from 2006 through 2008.

Electric Sales: Continue to work with Gabel Associates on the sale of electric generated at the RRF and with the AWTF on the sale of the electric they generate. A Declaration of Authority form for PJM has been executed signifying Covanta as scheduling agent.

VMC Building Heat: Repairs to the Clever Brooks oil fired boiler have been completed in order to provide heat to the VMC building.

Ash Landfill Engineering: THA has received a proposal from Rettew to perform the following required activities at the Ash Landfill in 2010: Updated Site Life Evaluation, Municipal Waste Annual Operation Report, and Quarterly Groundwater and Leachate Monitoring (including sampling and laboratory analysis) for a not to exceed price of \$35,782.00. Rettew has provided this service to THA in the past and pricing is below the 2009 costs for these services. It is recommended that the Board approve the addendum issued by Rettew for these services in 2010.

2010 – 2014 RRF Budget: A five year operating budget for the RRF was prepared. A five year Capital Improvements budget is currently being prepared. The 2010 Gate Rate Tipping Fees, to be effective January 1, are also ready for Board approval. There is no increase in the Harrisburg City or Dauphin County Municipal Solid Waste (MSW) tip fee on January 1. The gate rate for Cumberland, and Perry County MSW; all Construction/Demolition Waste; and all Bulky Waste increases by 2%.

City Early Intervention Program: Per their request, a copy of the draft five year operating budget for the RRF was provided to Management Partners Inc.

City Council Public Works Meeting: Prepared information on the five year operating budget and attended the City Council Public Works Meeting to discuss the five year budget and THA's ability to make future debt payments.

**ENGINEERING DIRECTOR
REPORT**

SHANNON G. WILLIAMS, P.E.

November 2009

Wastewater

1. **H20-PA Grant** – Received fully executed grant agreement on 11/24/2009. I'm working with HRG and the Finance Director to prepare the first application for reimbursement of project costs.
2. **PENNVEST Loan** – Working with HRG and Eckert Seamans to complete the closing documentation for settlement, which is currently scheduled for 12/23/09 (rescheduled from 01/05/2010 due to complications associated with the change in City Council and Administration on 01/04/2010). See below for status updates on the bidding/award of the five "PENNVEST projects".
3. **Dewatering Project (PENNVEST Project - 2009-DEW)** – Construction is ongoing.
 - a. **Belt Filter Press Procurement** – HRG is continuing to work with Ashbrook to resolve defective work. Liquidated damages of \$500 could be assessed per the contract. As of 12/11/09 the damages are calculated to be \$71,500. The maximum per the contract is \$103,350.
4. **Grit Removal System Upgrade Project (PENNVEST Project - 2009-GRT)** – Contracts have been executed and DEP approval has been granted. Notice to Proceed will be issued after PENNVEST closing.
5. **Biogas Piping and Storage Sphere Rehabilitation Project (PENNVEST Project - 2009-BG)** – Contracts have been executed by the contractor and are being reviewed and processed by THA. Notice to Proceed will be issued after PENNVEST closing.
6. **Sludge Storage Shed Addition Project (PENNVEST Project - 2009-SS)** – Notice of Intent to Award has been sent. Contracts must be executed prior to PENNVEST Closing and Notice to Proceed will be issued after PENNVEST closing. There is the possibility that this project will need to be removed from the "PENNVEST project" since there is the need for a waterways permit that was not originally anticipated. Permits must be obtained prior to PENNVEST closing and it is not clear at this point if that will be possible. I am working with HRG, DEP and PENNVEST to resolve this issue and make sure that funding is not jeopardized.
7. **Effluent Water Reuse Project (PENNVEST Project - 2009-EFR)** – Bids were received for the Effluent Water Reuse (2009-EWR) project on Friday, December 4, 2009 (On FTP site). At the 11/24/09 meeting, the THA Board gave conditional approval of the Base bid up to \$700,000 and the Alternate bid up to \$375,000. Unfortunately the bids came in much higher than that (see attached). HRG, HDR

and I have discussed the bids received and believe that the engineer's estimates were too low and that the bids represent the work included in the project.

Therefore, it is my recommendation that:

1. we issue Notice of Intent to Award (NOIA) the Base Bid (Effluent Water Reuse System) ONLY to Conewago Enterprises (General Contract) for \$850,403.00 and Pro-Electric, LLC (Electrical Contract) for \$214,442.76, for a total construction amount of \$1,064,845.76.
2. we request that HRG/HDR revisit and possibly redesign and rebid the Alternate Bid (Ash Processing Center Water Treatment System) since there may be the ability to redesign for cost savings and there is no time requirement like there is for the Base bid (discussed below).

I am coordinating with the Executive Director to determine how to issue the NOIA as soon as possible given the approvals made (Agenda Item). It is important that we issue NOIA quickly for this project for the following reasons:

1. PENNVEST has told us repeatedly that if we don't include the Effluent Water Reuse Project, the funding is no longer available to THA. (We will lose the \$1,880,000 loan.)
2. We need to have fully-executed contracts submitted to PENNVEST before our closing date (currently scheduled for December 23, 2009)
3. Contractors legally have 15 days from receipt of NOIA to return the documents. Upon the receipt, they must be reviewed and Signed by Bruce Foreman, James Ellison and attested by yourself or Cathy Hall.

As evident, there already isn't enough time to accomplish all of this using standard schedules. We believe we may be able to convince the contractors to turn the documents around faster, but there is only so much they can do.

8. **Act 537 Plan** – THA received word from DEP that the Act 537 Sewage Facilities Planning Assistance Grant Application is currently in a "received" status. However, because of a lack of funding, it is unlikely that the reimbursement of approximately \$100,000 due to THA will be made until after September 2010 at the earliest.
9. **Nutrient Credits** – Nothing new to report.
10. **NPDES** – The revised NPDES permit was received on December 4, 2009. It is being reviewed by Attorney Bruder, HRG and the Bureau of Sewage to ensure it is in line with our expectations as expressed in our Stipulation of Settlement.
11. **BNR Upgrade Project** –
 - a. **Side Stream Treatment (2009-SST)** – HRG is reviewing the bid received to ensure that it is in order prior to providing a recommendation.
 - b. **Program Manager / Design** – HRG is to provide a breakdown of all costs anticipated for the Program Manager agreement so that the Board may determine which scope items to authorize.

12. **Rate Study** – Nothing new to report.

Water

1. **Pulpwood Sales** – The Required E&S permit was to be issued on 12/07/2009, however we have not yet received a copy.
2. **COA – SCADA Historian** – I am working on incorporating all comments into the draft COA to provide back to DEP.
3. **Rate Study** – HRG is reviewing the draft water budget provided by the City on 11/24/2009 for incorporation into an interim study.
4. **Game Commission Easement** – No activity.
5. **Elmerton Ave. Extension Feasibility** – I met with HRG, Bureau of Water, and the Department of General Services on 12/02/2009 to discuss the results of the interim report and the next steps with DGS. The DGS representative we met with was receptive and is to discuss with decision makers at the department.
6. **United Water** – Nothing new to report.
7. **Water System Project Prioritization** – No activity.
8. **Cell Tower at Dehart Dam** – No activity.

Solid Waste

1. **Construction Completion Project** – Processed change orders and agreements.

December Covanta Report due next week. See Covanta RRF Construction Completion Project Summary. (FTP Site). (Agenda Item).
2. **Steam Pipe Line** – Nothing new to report.
3. **Consulting Services** – HDR is to provide a proposal for Board consideration at the December meeting. (Will be on FTP site when received. Agenda Item).

Administrative

1. **Public Works Briefings** – Held on 12/10/09 (postponed from 12/3/09). Present at this meeting were myself, Chad Bingaman (COH Bureau of Water), Mike Deily (COH Bureau of Sewerage), Ed Ellinger (HRG). We discussed ongoing projects. Next meeting will be held on 01/07/2010.
2. **THA Website** – In the last month, there have been 284 visits by 158 different visitors. DEP press release regarding NPDES was linked.

**FINANCE DIRECTOR'S
REPORT**

**STEVEN MRAKOVICH
November 2009**

A. Accounting Software:

QuickBooks. The 2008 Auditor's year-end recommended adjusting entries were posted to QuickBooks to bring all account balances up-to-date based on the audit ending 12-31-08. Reversing journal entries will be posted to specific accounts for 1-1-09. Trial balances are being reviewed for accuracy. The preparation for the 2009 year-end adjustments will be planned and executed over the next couple months.

B. Budgets/Forecasts:

2010 Resource Recovery Facility (RRF) Budget - The 2010 RRF budget has been presented to THA's Board of Directors and was approved.

2010 Administration Budget - The 2010 Administration Budget has been presented to THA's Board of Directors and was approved.

2010 Water Budget - The Water Budget was received from the City of Harrisburg but was tabled at the THA's Board meeting in November since it had not been passed by the COH.

C. Early Intervention Program (EIP):

Work Shop Sessions - Attended two sessions thus far to exchange and gather information to assist Management Partners in compiling their recommendations for the City of Harrisburg.

5 Year Plan - A 5-Year Budget Plan was prepared for the Resource Recovery Facility and is under review by Management Partners.

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 Reports for the Administration, Water, Sewer and Resource Recovery Facility were completed.

F. 2008 Audit:

Audit Report. The 2008 Audit Report was received and reviewed at an exit interview with our independent auditors. Recommendations were made to strengthen internal control processes and to implement specific practices to enhance our accounting system. A response to the audit and corrective actions are in progress.

G. Moody's Water Enterprise Conference Call:

Preparation. Moody's is reviewing every rating in their portfolio this year. So, written questions were presented to THA in preparation for a conference call on THA's Water System scheduled for December 10, 2009. Various schedules and financials are being prepared in advance.