

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
OF THE BETHLEHEM AUTHORITY**

**January 10, 2013**

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on January 10, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA immediately after the reorganization meeting and called to order at 3:40 PM by Chairman Vaughn Gower. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Richard Master, Secretary
- Mr. Mark Jobes, Treasurer
- Ms. Laura Burtner, Assistant Secretary/Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

**APPROVAL OF MINUTES OF DECEMBER 13, 2012**

V. Gower presented the minutes of the regular meeting held December 13, 2012.  
L. Burtner moved for their approval. J. Tallarico seconded. Motion passed unanimously.

**RECOGNITION OF VISITORS**

V. Gower recognized and welcomed the following visitors:

- Mr. Stephen Antalics, Bethlehem citizen
- Mr. J. William Reynolds, City of Bethlehem Councilman
- Mr. Michael Recchiuti, City of Bethlehem Councilman
- Mr. Craig Young, The Bank of New York Mellon
- Mr. Benjamin Radio, The Bank of New York Mellon
- Mr. Neal Kern, P.E., Barry Isett & Associates
- Mr. Jeff Andrews, City of Bethlehem Superintendent of Water Supply and Treatment
- Mr. David Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Mark Sivak, City of Bethlehem Director of Budget and Finance
- Mr. Ron Madison, P.E., Rettew
- Mr. John Orsulak, Bethlehem Authority Part Time Patrol Officer

## **COURTESY OF THE FLOOR**

Mr. Antalics said that of all the different meetings he attends within the City, the Authority Board is most respectful of citizens who speak. They always respond to the issues that are brought up, which is very commendable. That is the way City government should be run. V. Gower thanked him for the comment.

## **CHAIRMAN**

**Wind Energy Project.** V. Gower reported the draft proposal with Iberdrola Renewables has been provided to City Council. The Public Works Committee has scheduled a meeting on January 31 to discuss the proposal. It is hoped the proposal will be approved so that the project can move forward.

**Operating Authority.** V. Gower reported that the Board, S. Repasch, D. Brong, J. Broughal, S. Goldfield, and Ms. Isabella Schroeder from ARCADIS held a workshop today to discuss the assumptions, issues and concerns that would be associated with transitioning to an operating authority. It is a complex transaction with a lot of interconnected attributes. The group agreed to have another workshop before the February meeting to document the advantages and concerns more effectively before presenting and discussing the issues with Administration and Council.

R. Master added this is a very important subject and serious decision for the City, the water system and the customers. It will become one of the major subjects of discussion for the City in the coming months.

V. Gower concluded the Authority is not investigating this issue for its own purposes. It is an issue for both the Authority and the City. The positives and negatives for both must be considered. He is confident that there will be no surprises or negativity.

## **EXECUTIVE DIRECTOR**

**The Bank of New York Mellon.** S. Repasch introduced Mr. Craig Young and Mr. Ben Radio, our trust associates from The Bank of New York Mellon (BNY). BNY handles all the transactions related to the bond issues of the Authority.

C. Young thanked the Board for the opportunity to work with the Authority. BNY values the relationship and hope it continues in the future. BNY has undergone some changes in the past year that mostly affect the administration of the bonds. There used to be one point of contact that handled all the work for a corporate trust client. Now, the review of documents for new bond funding and issuance will be handled by a legal team and bankers. He is in charge of the relationships within the corporate trust group and his goal is to increase the visibility of other services BNY can provide. B. Radio said he is the day to day contact for the Authority and handles the movement of funds and

compliance items for the Authority. He also mentioned that there have been a lot of bond redemptions in western Pennsylvania, given the low interest rates in the bond environment. V. Gower commented that with Council's approval, restructuring is planned for 2014.

S. Repasch thanked both Craig and Ben for their introduction to the Authority.

**Carbon Credits Update.** S. Repasch reported he had a conference call with Blue Source and The Nature Conservancy this past Tuesday. There was a small set-back with the Rain Forest Alliance and the carbon verification is not final. It is anticipated the carbon will be registered in March, with payment to the Authority in April.

**Forest Management Update.** S. Repasch reported the Hysie Gap timber sale will be finished next week. The Stand 50 timber sale is slightly behind because the farm field is too wet for the harvester to haul the logs across. When that is complete, the harvester will begin the blow down sale, which is the trees of veneer quality that were blown down during Hurricane Sandy and valued at ~\$15,000.

**Part Time Patrolman.** S. Repasch reported that discussions over the last several months indicated the need to hire another part time patrolman in addition to Mr. Steven Mertz, who was hired in 2012. Because of the vastness of the watershed area, it is difficult for one person to keep on top of all the issues. During budget sessions, a second part time patrol position was added to the 2013 budget. S. Repasch introduced Mr. John Orsulak, whose resume was previously provided to the Board and who was the second choice in 2012, and highly recommended him to be hired as a part time patrolman for the Authority.

R. Master moved to approve the hiring of John Orsulak. J. Tallarico seconded. Motion passed unanimously.

**East Allen Township.** S. Repasch reported that the PUC's decision was favorable for the City to acquire the East Allen Township water system. By agreement, the deal must be closed in 30 days. J. Broughal said his office is working on the closing documents. Closing should be completed by the end of January. Since all the agreements have already been executed by the parties, it is not necessary for any Board members to be present at closing.

**1<sup>st</sup> Quarter 2013 Income-Expense Projection.** S. Repasch reported the format of this document has been revised to coincide with the new budget format which separates operating expense and capital reserve expenses:

### Operating Funds

- Cash on Hand, Beginning of Period – \$169,990
- Projected Cash on Hand Before Expenses – \$232,015
- Total Projected Professional, Administrative and Police Expenses for the 1<sup>st</sup> Quarter – \$92,665
- Total Projected Cash on Hand at the end of the 1<sup>st</sup> Quarter – \$139,350

### Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$336,750
- Total Projected Capital Expenses for the 1<sup>st</sup> Quarter – \$8,500
- Total Projected Cash on Hand at the end of the 1<sup>st</sup> Quarter – \$328,250

He explained that the capital funds are the monies in the savings accounts at Embassy Bank and Team Capital Bank, which are budgeted for capital projects. On the advice of the Controller, he proposed opening a money market checking account with Embassy Bank using the money in the savings account to allow for a more clear division and use of funds. After a brief discussion, the Board indicated they were amenable to this.

M. Jobes queried if the Authority will receive the carbon credits revenue in March.

S. Repasch responded the revenue is expected in late March or early April in the amount of \$75,000 to \$80,000 (for June to December 2012). Thereafter, for the next 3 ½ years, the carbon credits revenue is expected to be ~\$150,000 annually. He also said that when the economy crashed, so did the timber markets. Now, there is a demand for lumber products because of the increase in the housing market and repairs due to Hurricane Sandy. The last few timber sales have not been impacted by the Authority's FSC certification yet because it appears that the FSC certified lumber market is lagging behind in this region of the country. It is hoped that next year will prove different.

**Expense Budget Comparative.** S. Repasch reported the following for the year ended December 31, 2012:

- Professional Services – 90% of budget
- Operating Reserves – 72% of budget
- Security and Property – 60% of budget. The part time patrolman was not utilized as much as was planned due to an injury he sustained at his other job.
- Administrative Expenses – 97% of budget
- Total Operating Expenses – 91% of budget

### **CONTROLLER**

J. Filipos thanked the Board for his and his firm's reappointment as the Authority's Controller. His report for the month ended December 31, 2012 was circulated and filed, and he pointed out the following:

- The increase in the General/Administrative Operating Account was mostly due to the operating funds received from the City and timber sales received in the 4<sup>th</sup> quarter.
- The Landfill debt service payment (\$345,000 principal and \$269,623 interest) was made on December 3.
- The Leaseback debt service payment (\$5,000 principal and \$526,278 interest) was made on December 3.
- The City paid the 5% lease coverage on December 21 in the amount of \$259,960, which was deposited into the BRIF.

**Resolution 347 – Approval of Expenses.** V. Gower presented Resolution 347 in the total amount of \$113,318.04 for the payment of the following:

- Water capital expenses (Requisition 334) in the amount of \$73,581.16 from the BRIF
- Professional and administrative expenses in the amount of \$39,736.88 from the general account

V. Gower queried D. Brong why the capital expense budget is large yet it seems that the City is not spending a lot on those expenses, and how long of a lag period is involved. D. Brong responded the annual budget process allows for the ability to perform engineering and award contracts. Many contracts won't be spent for a period of time beyond the budget. He said there is a lot of spending budgeted for the upgrades to the pump stations, but engineering was halted because of various hydraulic concerns. They are now in the process of concluding the design issues.

R. Master moved to approve Resolution 347 as presented and discussed. J. Tallarico seconded. Motion passed unanimously.

**SOLICITOR**

J. Broughal thanked the Board for his and his firm's reappointment as the Authority's Solicitor.

**CONSULTING ENGINEER**

N. Kern thanked the Board for the reappointment of his firm as the Authority's Consulting Engineer and looks forward to continuing the relationship. In 2012, they spent three days inspecting the infrastructure, pump stations, meter chambers, etc. The insurance certification has been issued and provided to the Trustee. He is waiting for the financial information from the City so he can complete his annual report, most likely in April. The only additional engineering item completed in 2012 was the environmental assessment on the controlled burn issue.

## **SPECIAL POLICE**

Officer Meixell's report for the month of January 2013 was circulated and filed. He talked about an encroachment problem that involved some property owners who decided to clear an area of their property. The logger they contacted said he would remove the trees for free if he could keep the wood. The logger crossed over onto Authority property and cut some of its trees. He and S. Repasch met with the parties. The area and the logger are being monitored, and the property owners were advised to get professional advice in the future.

## **WATER REPORT**

The Water Report for the month of December 31, 2012 was circulated and filed, and indicated both reservoirs are full.

## **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

D. Brong reported on the following :

Water Fund. There was over \$19.2 million in invoicings as of December 31, 2012. It was an epic year of revenue and expenses. The debt service and lease coverage was paid, but the Water Fund fell short on its ability to contribute back to the General Fund.

East Allen Township. The City is getting all the contracts signed for the people who will help operate the East Allen Township (EAT) water system. The City does not have experience operating ground water supplies, so the operation of the well systems will be contracted with the current operator. There is strategic interest to connect the well systems to the City's supply, then cut and cap the wells as soon as possible.

2012 Capital Budget. With regard to the Water Fund's capital budget, which was under-spent for 2012, he noted the following:

- The 12MG reservoir, which holds about 1/3 of the finished water supply, was placed back in service after replacing the liner and cover at a net cost of ~\$1.3 million.
- As mentioned earlier, the pump station upgrade project had been delayed.
- A lot of time was spent making the SCADA system information (tank levels, pump status, flows, etc.) accessible from managers' work stations. Prior to the upgrade, the information could only be accessed in the control room.

Water Line Replacement Project. Money is being spent on engineering related to replacing approximately one mile of a 90+ year-old water main along Delaware Avenue in Fountain Hill. They are piggy-backing on the project with Fountain Hill for some cost savings. The walls of this section of pipe are very thin. There is also some spending planned for an area in Bethlehem Township that has been problematic over the years.

The Board said deferred in-ground maintenance is the biggest challenge and the biggest reason for appropriately financing the system. The transition to an operating authority may be the way to achieve that.

### **OTHER BUSINESS**

None.

### **COURTESY OF THE FLOOR**

Councilman Reynolds commented that the Board and City have some tough decisions coming regarding the operating authority issue, and he was glad to hear about the workshops. The Authority Board is trusted because they have a lot of experience outside of the Board room. Transitioning to an operating authority is a big decision, there is a lot of nervousness, and obviously we will never know until the path is taken. He encouraged the Authority to provide Council and the public with as much information as possible. He has talked to D. Brong at length about the water system and agrees with some of the long-term concerns, such as deferred maintenance. Whatever is decided to do all together, it is about the next 10-15 years. One thing learned in the last couple of years is that we are paying the bills now for decisions made 20+ years ago. 2014 is a big year and he understands the decisions need to be discussed and worked on now. V. Gower said he feels the Board advanced enough in today's workshop to see a vision of how everything can be assembled in a way that everyone can understand.

S. Antalics said the Authority needs to be independent because of his three-legged stool theory and the politics involved.

R. Madison said although it has been a few years since Westgate Water/Utilities Inc. signed the agreement to receive Bethlehem's water, he wanted to pass along that two people recently approached him and told him how much they love Bethlehem's water.

### **NEXT MEETING**

V. Gower announced the next meeting is February 14, 2013.

### **ADJOURNMENT**

J. Tallarico moved and M. Jobes seconded to adjourn the meeting. 4:30 PM. Motion passed unanimously.

***Richard L. Master, Secretary***