

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

April 11, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on April 11, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Chairman Vaughn Gower. The following were also in attendance:

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

**APPROVAL OF MINUTES OF MARCH 14, 2013**

V. Gower presented the minutes of the regular meeting held March 14, 2013 and J. Tallarico moved for their approval. L. Burtner seconded. Motion passed unanimously.

**RECOGNITION OF VISITORS/COURTESY OF THE FLOOR**

V. Gower recognized and welcomed the following visitors:

- Mr. Nate Jastremski, Bethlehem Press
- Mr. Stephen Antalics, Citizen
- Ms. Lynn Olanoff, Express Times
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. David Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Mark Sivak, City of Bethlehem Director of Budget and Finance

There were no comments at this time.

*(Mr. Ron Madison and Ms. Vicki Bastidas entered after recognition of visitors)*

## **CHAIRMAN**

**Operating Authority.** V. Gower reported the Board held another workshop prior to today's meeting to discuss the issues, timing, and complexity of the operating authority evaluation. There is nothing definitive to report as yet, but we will continue to meet and discuss it.

*(Mr. Mark Jobes entered the meeting at 3:32 PM)*

V. Gower announced it was learned that today would be L. Burtner's last meeting as a Board member. He personally thanked her for the great perspective and background she brought to the Board and Authority as a whole. He wished her the best. Laura thanked the Board and said the Authority Board comprised of very thoughtful, methodical and pragmatic individuals who have come together to do good things for the residents of Bethlehem. It was an honor to work with everyone.

## **EXECUTIVE DIRECTOR**

**Wind Energy Project Update.** S. Repasch reported that the escrow and termination agreements with Atlantic Wind (Iberdrola) have been signed and notarized this week. They are en route to Iberdrola's headquarters in Portland, Oregon. Iberdrola hired a surveyor for the two (2) locations where temporary met towers will be erected and applied for the permits with Penn Forest Township. There will be zoning hearings because of the conditional use or special exception required, which needs to be clarified, and he will attend those hearings as the Authority's representative. He suggested to Iberdrola to obtain local counsel who would be familiar with the township and its residents (as Call Mountain Wind had done), and will follow up about that with Craig Poff. If everything goes smoothly, the met towers should be up by June or July.

**Carbon Credits Update.** S. Repasch reported he had a conference call yesterday with Clue Source. They finished all their work, answered all the questions and addressed all the issues with the Rainforest Alliance (RA) inventory auditors. The RA senior review team approval is expected by the end of this week, and the VCS approval and registration of the carbon is anticipated by the end April. There is more carbon tonnage than originally estimated and the unit price for the carbon is higher than originally anticipated. Chevrolet, the buyer, and Blue Source will plan a public announcement in the near future.

**Forest Management Update.** S. Repasch reported the deer fencing is ready to be installed in Stand 50. The contractor is waiting for the field to dry. The restoration work on Stand 53 will be completed. He received an email from The Nature Conservancy that their foresters are predicting an increase in gypsy moth activity in northeastern PA. It is the Authority's Forester's belief that most of the gypsy moth activity will occur in Wayne

and other counties north of Monroe, and he will advise of any activity that could be detrimental or impact the Authority's timbering and FSC management practices.

**Part Time Officer Resignation.** S. Repasch reported that the Authority's part time patrol officer, Mr. John Orsulak, sent an email indicating he had to regretfully resign from his position due to family issues. D. Meixell said he is entering a busy time of the year and will work on finding a replacement best fit for the job as quickly as possible.

J. Tallarico moved to accept the resignation of Mr. John Orsulak as part time patrol officer. R. Master seconded. Motion passed unanimously.

**Wild Creek Property.** S. Repasch reported on the Wild Creek property (former caretaker's house) that is being rehabilitated into a security office. It was known that the house needed major repairs but because of the costs, it was decided to phase in the repairs over several years. He said J. Tallarico has taken the lead on the most recent upgrades and coordinating the restoration efforts. Following is a summary of the repairs to the property over the last several years:

- 2010 – replaced roof.
- 2011 – replaced door and windows.
- 2012 – replaced another door, several more windows and renovated the side porch.
- 2013 – replaced two more windows. Currently upgrading the electrical system and reframing the kitchen/bathroom area on the first floor. The anticipated additional expense for repairs in 2013 is \$24,060, under the \$25,000 budgeted for this specific project, although there is a total amount of \$37,500 budgeted for property improvements.

J. Tallarico said the mission is to inhabit the property as a security office and meeting place in the watershed. The old heating system (oil-fired boiler with radiators) failed and the pipes burst, damaging some of the hardwood floors. The floors need to be redone, plumbing work needs to be done, and is painting as well. It was determined the biggest interior expense to complete this year was installing a new HVAC system.

S. Repasch said proposals were received from All Weather Heating and Air Conditioning for \$13,857 and ASI Mechanical for \$16,900.

He would like the Board's approval to award the contract to All Weather Heating and Air Conditioning for the HVAC system, which consists of installing electric heat pumps and duct work for two zones (second floor is planned to be used for record storage). It is anticipated to take two months to complete the work. The plan is to utilize the property as an office by the beginning of 2014.

R. Master moved to accept the proposal from All Weather Heating and Air Conditioning in the amount of \$13,857 to install an HVAC system in the house at Wild Creek as presented and discussed. J. Tallarico seconded. Motion passed unanimously.

**Landfill Debt Refinancing.** S. Repasch reported that all necessary and critical documents for the City's refinancing of the Landfill debt were signed last week by the Authority Chairman and Secretary and settlement took place on April 10. The City's efforts to complete this complex transaction were appreciated.

**East Allen Township Update.** S. Repasch reported that approval is anticipated by the Bath Borough Authority for a water service agreement with the City at their April 17 meeting. The City will schedule settlement on the East Allen Township Municipal Authority water system acquisition shortly thereafter.

**2<sup>nd</sup> Quarter 2013 Income-Expense Projection.** S. Repasch reported the following:

**Operating Funds**

- Cash on Hand, Beginning of Period – \$168,035
- Projected Receivables – \$122,035
- Projected Expenses – \$105,855
- Total Projected Cash on Hand, End of Period – \$184,215

**Capital Reserve Funds**

- Cash on Hand, Beginning of Period – \$316,695
- Projected Expenses – \$41,200
- Total Projected Cash on Hand, End of Period – \$275,645
  
- TOTAL CASH ON HAND, ALL FUNDS – \$459,860

**Operating Expense Budget Comparative.** S. Repasch reported the following for the month ended March 31, 2013:

- Professional Services – 23%
- Security and Property Expenses – 11%
- Administrative Expenses – 19%
- Overall – 19%

**CONTROLLER**

S. Repasch informed the Board that due to tax season, Mr. Filipos was not able to attend today's meeting. His report for the month ended March 31, 2013 was circulated and filed. It was noted there was a disbursement from the BRIF for water capital, as well as some debt service activity.

**Resolution 350.** S. Reppert presented Resolution 350 to the Board in the total amount of \$220,815.39 for payment of the following:

- Water capital expense Requisition 337 in the amount of \$191,226.75 from the BRIF.
- Professional and administrative expenses in the amount of \$29,588.64 from the general and reserve checking accounts.

J. Tallarico moved to approve Resolution 350 as presented. R. Master seconded. Motion passed unanimously.

### **SOLICITOR**

None.

### **CONSULTING ENGINEER**

**Water Fund Budget Certification and Draft Annual Report Distribution.** S. Repasch reported that the financial certification for the 2013 Water Fund Budget was issued by the Authority's Consulting Engineer (CE). The key item stated was: "Based on the projected Water Fund Budget for fiscal year 2013, the budget will be in balance with a small surplus projected for fiscal year 2013." The CE is charged with determining whether the annual Water Fund Budget and system economics are or are not satisfactory for the given year, meaning that there is sufficient cash flow to maintain the system and service all debt. This document is provided to the Trustee.

There was discussion and comment about the finances and challenges of the water system, as follows:

M. Jobs said this certification is issued based on a budget that always balances. The Board has a fiduciary responsibility to the bondholders. He thinks the average citizen that uses Bethlehem water has no idea that the system is not sustaining itself, and they need to be told so they understand the situation. If we are looking at alternative ways to operate, but at the same time saying that everything is OK, then people will think "why change?" It's going to get worse. Last year we saw cash flow issues where the City was scrambling to make the debt payments.

V. Gower said it was not easy for the City to balance the budget for this year and we can again anticipate revenues and expenses for next year's budget will have to be balanced somehow. We are dealing with it and trying to develop enough understanding and sharing of other alternatives, such as the operating authority.

R. Master said the concern is about the ability of the system to sustain itself over a long period of time, and to provide for the rehabilitation of the infrastructure that ultimately needs to be done. We are working toward solutions but they are long term, very

dramatic, and far-reaching. It is taking time because there are all kinds of local, political and financial considerations. Everyone coming together will make it work. We've done a good job of repairing the dam, maintaining the reservoirs and updating water treatment, but have not addressed aggressively enough the piping in the ground.

J. Broughal said his opinion is quite clear. The Authority has done its financial responsibility to the bondholders by complying with the terms of the Trust Indenture, which is done religiously. The sustainability of the system that the Authority leases to the City is the City's responsibility. Where it can, The Authority helps the City in terms of the finances of the system.

J. Tallarico said even though it's out of our realm, we want a very efficient system that supports itself and its capital expenses.

L. Burtner said this is not unique to Bethlehem, and infrastructure is an issue up and down the east coast. We're part of a greater whole trying to be pragmatic about a solution, and not political.

Mr. Ron Madison, from Rettew, said there is an engineer's certification and report. There may be a chapter in the report about the soundness of the infrastructure, and the CE can provide a narrative that doesn't change the fact that the debt payment can be made, but it raises the concern.

In response to R. Madison's comments, S. Repasch read the following from the report: "Due to financial constraints, the City does not have an aggressive replacement program for its lines and appurtenances. It is recommended that an annual program of between 5,000 and 10,000 linear feet of distribution pipe replacement be established in the water capital budget."

V. Gower said the CE is not a finance person. The report is the status of the system. The change in the financial performance last year should be illustrated and addressed in the annual report. He said to provide all comments to S. Repasch to forward to the CE, who will be at the May meeting. The annual report will be on the agenda for acceptance.

### **SPECIAL POLICE**

D. Meixell's report for the month of April 2013 was circulated and filed. He mentioned that one area being marked for a met tower is in a most remote area of Penn Forest. Also, a situation arose recently along the gas pipeline in Long Pond that crosses Authority property. Several residents have told him their properties were broken into by persons on ATV's utilizing that pipeline. He has no access, but recently developed a contact with Williams Pipeline. The company will provide access through their yard so he and Pocono Regional Police can get into the area to address the issue. The Game Commission recently hired two new officers who can help out as well.

## **WATER REPORT**

The Water Report for the month of March 2013 was circulated and filed. It indicated that the reservoirs remain at 100% capacity.

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

D. Brong reported that as of March 31, 2013 there was \$4.5+ million in invoicings and ~\$1.6 million cash on hand in the Water Fund, which is in line with projections and is attributed to very reasonable first quarter water consumption. The residential user class was at ~ 25% of budgeted revenue.

Two capital projects are approaching bidding. One is the 12" water line replacement being done in conjunction with the Delaware Avenue reconstruction project in Fountain Hill. The other is the William Street pump station, which had been delayed due to hydraulic issues for the ability to pump water from the east side to the 2MG tank on the west side of the south side. This was important to the overall project since the next phase includes an upgrade to the south side pump station behind St. Luke's Hospital.

## **OTHER BUSINESS**

None.

## **COURTESY OF THE FLOOR**

Mr. Stephen Antalics said he found L. Burtner's comments "thoughtful and pragmatic" very interesting. He feels the operating authority is precisely the solution to the problem and agrees that this Authority Board is thoughtful and pragmatic and has the best interests of the city at heart. For that reason, he doesn't think there is the need for a "citizen's review" of the Authority.

## **NEXT MEETING**

The next meeting is scheduled for May 9, 2013.

## **ADJOURNMENT**

J. Tallarico moved and L. Burtner seconded to adjourn the meeting at 4:35 PM. Motion passed unanimously.

*Richard L. Master, Secretary*