

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

August 8, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on August 8, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Mr. Vaughn Gower, Chairman. The following were also in attendance:

- Mr. John J. Tallarico, Vice Chairman
- Mr. Richard Master, Secretary
- Mr. Mark Jobes, Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant

APPROVAL OF MINUTES OF JULY 11, 2013

V. Gower presented the minutes of the regular meeting held July 11, 2013 and J. Tallarico moved for their approval. R. Master seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

V. Gower recognized and welcomed the following visitors:

- Mr. Stephen Antalics, Bethlehem citizen
- Mr. David DiGiacinto, City of Bethlehem Councilman
- Mr. David Brong, City of Bethlehem Director of Water and Sewer Resources
- Bethlehem Press

CHAIRMAN

Operating Authority. V. Gower reported the change in interest rates since May has had a big effect on the projections and they are being recalculated. Once ARCADIS provides the updated document, it will be provided to the Board and a workshop will be scheduled.

LVEDC Economic Sustainability Plan. The Lehigh Valley Economic Development Corp. hired a consultant (Garner Economics) to help support the development of a sustainable economic development plan for the Lehigh Valley (LV). Focus groups of various local stakeholders are being formed and their input will lead to recommendations on how to best focus regional resources in development and supported development in the LV. He was invited to the first meeting that will be held on September 11. He asked the other Board members to provide their thoughts about water systems and Bethlehem's water system in conjunction with economic development in the LV, which he will include in these discussions. M. Jobs said he serves on the LVEDC Board and might be at that meeting.

EXECUTIVE DIRECTOR

Rentricity Energy Project. S. Repasch reported that Rentricity has been gathering information and plans to have a kick-off meeting in early September. He will keep the Board apprised on the progress of the project.

Wind Energy Project. S. Repasch reported that Atlantic Wind recently learned Penn Forest Township is requiring a zoning variance for the met tower sites. Atlantic Wind is working on this but the process could take 60 to 90 days. He will keep the Board updated.

Forest Management Activity.

Wild Creek Stand 1G. S. Repasch reported the Stand 1G Timber Sale has progressed very well and should be finished in approximately three weeks. The anticipated revenue is between \$10,000 and \$12,000. The site looks great and we would like to use the contractor, Elite Timber, in the future.

Stands 24/25 Timber Sale. Two timber stands in Long Pond, Stands 24 and 25, were recently bid for sale. These stands are adjacent to the Smith property, and the Authority entered into a license agreement with the owners to use an access road on that property to access the stands. The Authority's Forester contacted timber contractors and lumber yards used in past sales and RGM Hardwoods offered to buy the entire stand for \$17,000. The Forester felt the offer was much too low and that a unit sale (selling timber to a contractor who delivers to various markets for the best prices) would bring more revenue. Keith Walter did not return any calls and Elite Timber is not available. Mark Case Logging from Beach Lake, PA offered the following:

- \$3/ton for hardwood pulpwood
- \$190/thousand board feet for hardwood sawlogs if sold to RGM Hardwoods
- \$210/thousand board feet if sold to Diaz Forest Products
- As the sale progresses, if other markets become available that offer higher prices, the timber can be sold to those markets.

The revenue from this timber sale is expected to be between \$22,000 and \$25,000. He recommended that the Board approve the contract, which has been reviewed by J. Broughal. If approved today, the contractor will move equipment into the stands this weekend. Use of the Smith property access road is only for three months once timbering begins. The contractor expects to be on site for three to four weeks.

M. Jobs moved to approved the Stands 24/25 Timber Sale Contract with Mark Case Logging as presented and discussed. R. Master seconded. Motion passed unanimously.

Wild Creek Property. S. Repasch updated the Board on the renovations at the Wild Creek property that will become the Authority's security office. The hardwood floors were refinished this week, the painters will begin next week, the work in the kitchen and bath areas should be done by Labor Day. After that, the property should be ready to occupy. He mentioned about the possibility of having a meeting there in the fall if Board would like.

H2O PA Grant Project Audit. S. Repasch reported that the State required an audit of the \$1.6 million H2O PA Grant the Authority received for the reservoir project. While the data was being collected and provided to the auditors, we discovered an invoice in the amount of ~\$206,000 was submitted twice for reimbursement, and the State reimbursed the Authority twice (reimbursement from the State is 66% of amounts submitted). The auditors then discovered two invoices totaling ~\$4,000 were not provided by the City to send to the State for reimbursement. The State was made aware of this, they asked that the missing invoices be submitted and they would like the audit process to continue. It appears we will owe the State ~\$130,000+ for the over-reimbursement. The money will come from the BRIF because it was deposited into the BRIF. This will cause the balance to drop below the Board-imposed \$2.2 million minimum but not the Indenture requirement of \$2 million.

After further discussion, the Board was in agreement to acknowledge the error, repay the \$130,000+ when it is due, and hold in abeyance (suspend) the \$2.2 million Board minimum until the fall, at which time the Authority expects to receive the lease coverage payment (from the City) that will bring the BRIF balance in excess of the \$2.2 million Board minimum.

3rd Quarter 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$123,915
- Projected Receivables – \$125,915
- Projected Expenses – \$145,325
- Total Projected Cash on Hand, End of Period – \$104,505

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$286,720
- Projected Receivables – \$55,710, including \$55,060 transferred from the Operating Fund as budgeted from carbon credits revenue.
- Projected Expenses – \$27,000
- Total Projected Cash on Hand, End of Period – \$315,430

- Total Cash on Hand, All Funds – \$419,935

Expense Budget Comparative. S. Repasch reported the following for the seven months ended July 31, 2013:

- Professional Services – 44%
- Security and Property Expenses – 46%. The engine repairs on the patrol truck have been completed at a cost of \$2,100 and will be paid this month.
- Administrative Expenses – 61%. This includes \$55,060 transferred to the Capital Reserve Fund as budgeted.
- Overall – 55%
- Capital Reserve Expenses – 64%

CONTROLLER

J. Filipos's report for the month ended July 31, 2013 was circulated and filed. He noted that the \$735,000 increase in the Revenue Fund was due to the \$650,000 Emmaus loan principal payment, which was paid August 1. The December 31, 2012 draft/unaudited year-end report was circulated to the Board via email. The report is a summary of the monthly reports, the DCED report and certain schedules that are prepared by the City. The audit is usually complete in the fall.

Resolution 354 – Approval of Expenses. V. Gower presented Resolution 354 to the Board totaling \$93,342.48 from the general and reserve accounts for payment of professional and administrative expenses. He noted that the water capital expenses for this month will be paid from the City's line of credit.

R. Master moved to approve Resolution 354 as presented. J. Tallarico seconded. Motion passed unanimously.

SOLICITOR

J. Broughal reported that he would like the Board's approval to settle a claim with Traveler's Insurance in the amount of \$1,600.02 and for the Executive Director to sign full release. To summarize, the developer of Valley View Estates II went out of business. The court-appointed receiver for the developer stopped making payments

that were required to be placed in an escrow account established by EATMA to cover costs associated with a public water extension system in the development. The escrow account became depleted and \$1,600.02 of project-related costs had to be paid from General Funds. EATMA made a claim against the developer's bond around the same time the water system was acquired by the City/Authority and this claim against Traveler's was assumed by the City/Authority as well.

M. Jobs moved to authorize the Authority Solicitor to settle the claim with Travelers as presented and for the Executive Director to sign the release. R. Master seconded. Motion passed unanimously.

SPECIAL POLICE

Officer Meixell's report for the month of August 2013 was circulated and filed.

WATER REPORT

The Water Report for the month of July 2013 was circulated and filed.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported the following:

- \$11.1 million in invoicings as of July 2013 and 7% ahead of the same period last year. It is based largely on the rate increase, and could also indicate a slightly favorable trend in water consumption. Overall, year-to-date invoicings are on plan.
- \$1.7+ million cash on hand in the Water Fund as of July 2013 vs. \$1.4 million last year.
- 1,200 feet of a total 6,100 feet of new water main has been laid in the Fountain Hill project. This project is behind schedule, but overtime hours associated with this project will be covered by St. Lukes.
- The water main replacement project in Birchwood Estates in Bethlehem Township should be complete within a couple of weeks.
- The design and specs are almost complete for the 5th & William Street pump station project, and it should be bid by October.
- The implementation of the new water billing system went very well. There were a few minor start-up issues.
- Several new industrial meters have been installed and customers of extreme water usage are showing more accurate readings.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

Mr. Antalics commented about fracking procedures and wastewater from fracking. The Authority's watershed is massive, unprotected and very vulnerable to illegal dumping. The Authority should contact all agencies (State Police, Game Commission, etc.) to be on the lookout for bandit trucks (trucks with no markings). S. Repasch said Officer Meixell has been very vigilant since the sighting of an unmarked truck last month. The Authority's part-time officer works for Pocono Mountain Regional Police. They are also aware of this and will continue to monitor the area for this type of activity.

NEXT MEETING

The next meeting is scheduled for September 12, 2013.

ADJOURNMENT

V. Gower adjourned the regular meeting at 4:15 PM to hold an Executive Session concerning personnel matters.

M. Jobs moved and R. Master seconded to adjourn the Executive Session at 4:30 PM. Motion passed unanimously.

Richard L. Master, Secretary