

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

October 10, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on October 10, 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 Tallarico, Vice Chairman
- Mr. Mark Jobes, Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Mr. Daniel Meixell, Special Police Officer
- Ms. Sandra Reppert, Administrative Assistant

APPROVAL OF MINUTES OF SEPTEMBER 12, 2013

V. Gower presented the minutes from the regular meeting held September 12, 2013 and J. Tallarico moved for their approval. M. Jobes seconded. Motion passed unanimously.

(L. Gostley-Hackett entered the meeting at 3:31 PM.)

NEW BOARD MEMBER INTRODUCTION

V. Gower introduced Ms. Laurie Gostley-Hackett, the newest member of the Authority Board. Ms. Hackett thanked everyone and said she's excited for this opportunity to serve on the Board. She has lived in Bethlehem all her life and cares deeply about the City. She worked for the City under Mayor Smith on the 250th Anniversary Committee, and served on the City's Zoning Hearing Board for 13 years, the last five as Chair. She currently works at Air Products in Public Affairs and handles Community Relations.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

V. Gower recognized and welcomed the following visitors:

- Mr. David DiGiacinto, City of Bethlehem Councilman
- Mr. Michael Recchiuti, City of Bethlehem Councilman
- Mr. Gene Auman, City of Bethlehem Deputy Controller

- Mr. David Brong, City of Bethlehem Director of Water and Sewer Resources
- Bethlehem Press

CHAIRMAN

Operating Authority. V. Gower reported the Board's focus has been on the Water Fund budget and forecast over a multi-year period. Those findings were communicated to the City Administration with the intent they will influence 2014 budget preparations. Not much work has been accomplished as a Board since then and there has been no response from the Administration.

EXECUTIVE DIRECTOR

Forest Management Activity. S. Repasch reported that the prescribed burns scheduled for this year are complete. 528 acres were burned, and a total 963 acres burned in the last three years. There are another 200 to 300 acres to burn next year and then that will conclude the program. For the benefit of the new Board member and others, V. Gower said the PA Game Commission and The Nature Conservancy formed a partnership for controlled burns in the Authority's watershed, with the objective to restore the scrub oak habitat. S. Repasch added there are indications that the golden wing warbler and snowshoe hare are returning. There is a project planned with a Penn State student who will trap and collar snowshoe hares to track them.

S. Repasch reported he contacted Blue Source to make sure the carbon credits revenue projection of ~\$200,000 in 2014 is still a valid projection. Blue Source confirmed that it is, and they also indicated there are some exciting possibilities after this current sale is concluded in 2015.

Revised H2O PA Grant Audit. S. Repasch reported that last month the Board accepted the H2O PA Grant Audit report and it was submitted to the Commonwealth Financing Authority (CFA). The CFA did not agree with the \$66 discrepancy that the report indicated was owed by the Authority and they asked for a revised report. The \$130,703 duplicate reimbursement received by the Authority from the CFA has been returned to them by the Trustee.

M. Jobs moved to accept the revised H2O PA Grant Audit report from Maher Duessel. J. Tallarico seconded. Motion passed unanimously.

Arbitrage Report. S. Repasch reported that the draft arbitrage report on the Series 1998 Bonds shows there is arbitrage totaling \$34,236.04. 90%, or \$30,812.44, is due by October 18. It is believed though that some investments in an escrow fund were made with negative arbitrage, and if so would reduce the final amount. Until this is resolved, his recommendation is for the Board to accept the draft report from BNYMellon and authorize the minimum payment of \$30,812.44. He also recommended to issue the

check from the Authority's reserve account. We will then be reimbursed from monies in the Authority's arbitrage fund held by the Trustee.

J. Tallarico moved to accept the draft arbitrage report and to proceed with the minimum payment of \$30,812.44 as discussed. M. Jobs seconded. Motion passed unanimously.

4th Qtr. 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$131,240
- Projected Receivables – \$193,715
- Projected Expenses – \$92,990
- Total Projected Cash on Hand, End of Period – \$231,965

This includes \$140,000 that has been budgeted to move from reserves to the operating account. This was a budget compromise with the City that reduced its contribution to the Authority by half for 2013. By the time the 2014 budget is approved, we should know how much is needed to support operations, and it could be less than \$140,000.

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$309,395
- Projected Receivables – \$650
- Projected Expenses – \$148,000, which includes the planned \$140,000 to transfer to operating funds
- Total Projected Cash on Hand, End of Period – \$162,045

- Total Cash on Hand, All Funds – \$394,010

Expense Budget Comparative. S. Repasch reported the following for the nine months ended September 30, 2013:

- Professional Services – 56%
- Security and Property Expenses – 59%
- Administrative Expenses – 76%
- Overall – 69%
- Capital Reserve Expenses – 80%. The improvements for the new security office are complete for this year. There are no significant expenses anticipated on the operating authority evaluation for the remainder of this year.

2014 Preliminary Operating Budget. S. Repasch reported that he and V. Gower have had discussions on the preliminary operating budget for 2014. There are some issues that need to be resolved. One issue he would like the Board to discuss today is leasing versus purchasing a new patrol truck. He has not been able to get lease prices yet, but

the purchase price of the truck under consideration is ~\$34,000. In the past, vehicles were purchased outright and amortized for five or six years.

V. Gower said he would like to lease the truck if economically justified. After the Board's discussion on this issue, more information will be sought before a final decision is made.

G. Auman said there is a Federal program run through the State GSA to purchase used vehicles that are in good shape. The only cost involved is an administrative fee. He will provide the Authority with the information about this program.

The Budget should be done in another week or two and will be sent to the Board. If necessary, a workshop will be scheduled to discuss the budget before it is formally adopted by the Board.

CONTROLLER

J. Filipos's report for the month of September, 2013 was circulated and filed. He noted that ~\$827,000 was received at the end of September for the Hirko debt service payment that was due and paid on October 1.

2012 Audit Letter. J. Filipos reported that Maher Duessel's audit opinion letter on the Authority's financial activities for calendar year 2012 is qualified and clean. The Authority's year end report is a compilation of the monthly reports, along with some schedules provided by the City, and the DCED report. He recommended that the Board formally accept the audit opinion so that the Authority's 2012 financial reports can be submitted to the banks and government agencies as required. S. Repasch added we are characterized as a blended component unit of the City's financial statements.

J. Tallarico moved to accept Maher Duessel's audit opinion letter on the Authority's financial activities for calendar year 2012. M. Jobes seconded. Motion passed unanimously.

M. Jobes queried the date of the November debt service payment and the cash position of the Water Fund to make the payment. D. Brong responded the money is sent to the Trustee the first week of November for the payment to be made on the 15th, and yes the cash position is good.

Resolution 356 – Additional Account Signer. S. Reppert presented Resolution 356 to the Board for approval. Since some banks require a copy of a formal action adding persons to the accounts, this resolution authorizes L. Hackett as an additional account signer on the Authority's bank accounts, including but not limited to National Penn, Embassy and Team Capital banks.

J. Tallarico moved to approve Resolution 356 authorizing Laurie Gostley-Hackett as an additional signer on the Authority's bank accounts. M. Jobs seconded. V. Gower voted aye. L. Hackett abstained. Motion passed.

Resolution 357 – Approval of Expenses. S. Reppert presented Resolution 357 to the Board totaling \$46,151.11 from the general and reserve accounts for the payment of administrative, professional and security/property expenses. The check that was authorized today for the arbitrage payment will be added to next month's resolution for ratification. The City's water capital expenses for October are being paid from the line of credit.

J. Tallarico moved to approve Resolution 357 for the payment of expenses as presented. M. Jobs seconded. Motion passed unanimously.

SOLICITOR

No report.

CONSULTING ENGINEER'S REPORT

No report.

BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report for the month of October, 2013 was circulated and filed. He noted that hunting season has begun. He is slowly getting his new office furnished. He and S. Repasch took the Prescribed Burn Council on a tour last week. They were very impressed with the partnership, and the results of the burns. S. Repasch noted that the FSC audit will be conducted tomorrow and part of the meeting will be held at the security office. There are no problems anticipated.

WATER REPORT

The Water Report for September, 2013 indicates that the reservoirs are at nearly 100% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported the following:

Water Fund. As of September 30, 2013, invoicings total \$14.4 million (1% ahead of 2012) and cash in bank totals \$3.1 million (\$300,000 behind 2012). A financial transaction is presently being worked on that will result in ~\$1.7 million, and after

paying General Fund obligations, the Water Fund should net ~\$1 million and will be in good position to make the November 15 debt service payment.

Projects. The new water main being replaced on Delaware Avenue in Fountain Hill is expected to be completed by the end of October. 800 feet of water main was replaced in Birchwood Farms, Bethlehem Township. This area was known for failure and property damage. A key loop connection that had been cut and capped for many years was re-established. 900 feet of new water main was installed on Florence Avenue in the Central Park West development. This project was done by City crews and they did an excellent job. Prior to this project, the water was supplied through a connection to the city of Allentown's system. That supply has now been turned off.

Water and Sewer Budgets. The Water and Sewer Fund budgets have been constructed with a lot of reorganization and reviewed with the Board. The union and affected workforce have been notified and the changes have been received with moderate apprehension. Management is asking Water and Sewer maintenance crews to be cross-functional to provide organizational efficiencies. Through upgrading the Waste Water Treatment plant, new technology will be in place in 2014. There will be fewer employees, but they will be more highly-trained and highly-paid. This is how most municipalities and utilities operate now. The preliminary Water Fund budget is ~\$19.9 million and the Authority is fully funded in 2014. Utility headcount is 110 (down from 126 in 2004). The Water Capital budget is \$3.3 million, with \$2.8 million coming from the line of credit, \$350,000 from the BRIF (coverage) and \$200,000 from carbon credits. Accessing capital markets in 2014 will need to be seriously discussed.

L. Hackett queried what the BRIF is. D. Brong responded it is the Bond Redemption and Improvement Fund managed by the Authority and used by the City for capital expenses for the water system. S. Repasch added the BRIF has a \$2 million minimum balance requirement, but the Board has taken the position to maintain \$2.2 million in the fund. The fund is at the Board minimum.

J. Tallarico queried about East Allen Township since the acquisition. D. Brong responded things are going well. The acquisition has added ~\$230,000 to revenues and expenses. The customers like Bethlehem's presence. They are currently investigating a process to flush out the manganese sediments in the distribution system.

OTHER BUSINESS

There was no other business to discuss.

COURTESY OF THE FLOOR

None.

NEXT MEETING

V. Gower proposed holding next month's meeting at the new security office. After discussion, the Board was in agreement to hold the November 14 meeting at Wild Creek at 3:00 PM. This change will be advertised one week in advance, and directions will be provided to those who may need them.

ADJOURNMENT

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

Laurie Hackett
Assistant Secretary