

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

April 10, 2014

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on March 13, 2014 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 4:05 PM by Mr. Vaughn Gower, Chairman. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Ms. Laurie Hackett, Secretary
- Mr. John Abel, 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

J. Abel moved and L. Hackett seconded to approve the minutes from the regular meeting held March 13, 2014. Motion passed unanimously.

RECOGNITION OF VISITORS

V. Gower recognized and welcomed the following visitors:

- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Stephen Antalics, Bethlehem resident
- Mr. David Brong, City of Bethlehem Business Administrator
- Mr. Robin Wildermuth, Bethlehem Authority Forester
- Bethlehem Press

COURTESY OF THE FLOOR

None.

CHAIRMAN

2014 Refinancing. V. Gower provided a brief history about the refinancing plan. The operating authority evaluation focused on a five year utility model that showed water fund deficits. Now the Board has to examine whether refinancing makes sense or if

cash for capital can be generated without borrowing in the future. He would like one other Board member to participate in discussions with him, S. Repasch, D. Brong, E. Boscola and the Authority's Financial Advisor. D. Brong added that the five year plan is being restated since the cross-functioning of water and sewer utility workers was implemented this year. The City is looking to add a water distribution surcharge to all utility bills to use toward capital. Also, since the City's pension expense will increase in 2015, it is actively looking at maneuvers with existing debt and to possibly aggregate any City and Authority financial transactions to save on costs.

EXECUTIVE DIRECTOR

Illicks Mill. S. Repasch reported that J. Broughal is reviewing the City's new sub-lease agreement between the City and Gertrude Fox Environmental Center which is owned by the Authority.

Forest Management Update. R. Wildermuth provided an update on the forest management projects. Income from this year's timber sales is projected to be approximately \$160,000. There is a small prescribed fire planned in Wild Creek for oak regeneration. A professor from Penn State whose specialty is fire and carbon, will be sampling pre- and post-burn sites on the Wild Creek site to determine the fire's impact on the carbon stock.

Carbon Credits. S. Repasch referred to a memo he provided to the Board regarding this year's carbon credits revenue. The Authority was strongly assured it would receive ~\$210,000, but the amount has been reduced to ~\$117,000. The difference equates to ~11,000 tons at \$9 per ton. R. Wildermuth explained that initially 2,600 temporary plots were established to estimate the standing carbon volume at the beginning of the project. However, since being audited, and because the plots were not permanently marked, the forest needed to be re-established with permanent plots to estimate growth rates. In the end, the project was short 1% of the total standing volume. The Board wants an explanation from Blue Source about the calculations and how its reconciliation of a 1% difference in the carbon inventory has equated to a 40% to 50% difference in the dollar amount. They also want to know if The Nature Conservancy's and Blue Source's share of the revenue (30% split) has been reduced proportionately as well.

Rentricity. S. Repasch reported that Rentricity's model has been refined after several discussions. They have focused on two sites to install turbines at pressure reducing valves to generate electricity (Howertown and Pennsylvania Avenue). There is a conference call tomorrow and he will have more to report on next month.

EATMA Insurance Claim/Taxes. J. Broughal presented the final release agreement with Travelers Insurance related to an insurance claim that was filed by EATMA, assumed by the Authority when it acquired the EATMA water system assets and was never collected. The insurance settlement amounts to \$1,600.

L. Hackett moved and J. Abel seconded to authorize the Chairman to execute the final release agreement with Travelers Insurance Co. Motion passed unanimously.

EATMA Property Taxes. S. Repasch reported that the Authority received county and township real estate tax bills for the properties that were part of the EATMA acquisition. These bills total ~\$2,400, and the school taxes have not yet been received. The City is required to pay all taxes under the lease agreement with the Authority. He queried the Board if the bills should be forwarded to the City for payment, or if the Authority should pay them and absorb the expense. The Authority has already filed for tax exempt status, but that process takes a year.

L. Hackett moved and J. Abel seconded for the Authority to pay the current county and township real estate taxes and forthcoming school taxes for the EATMA properties in this circumstance for this year only on behalf of the City Water Fund. Motion passed unanimously.

The Bank of New York Mellon, Trustee. S. Repasch reported he contacted the Authority's Financial Advisor and Bond Counsel with regard to changing trustees. In their opinion, changing trustees mid-stream is doable but very complicated, time consuming and not worth it. Their recommendation is to wait until the refinancing and change Trustees at that time.

Consulting Engineer's Annual Report. S. Repasch reported that the Authority's Consulting Engineer will be at the May meeting to review the Annual Report on the Water System. V. Gower pointed out there is a thorough review of all the assets of the system, their condition and recommendations for improvements. There are also financial accountability points in the report because the Consulting Engineer must certify the system is in good financial condition for the benefit of the bondholders.

2nd Quarter 2014 Income/Expense Projections. The 2nd Quarter 2014 Income/Expense Projections report was circulated and filed. The carbon credit revenue is also budgeted to pass to the City for water capital.

Expense Budget Comparative. The Expense Budget Comparative for the three months ended March 31, 2014 was circulated and filed. In lieu of making budget amendments, known budget variances will be duly noted.

CONTROLLER

J. Filipos's report for the month of March, 2014 was circulated and filed. The unspent arbitrage funds were returned to the Trustee.

Resolution 364 – Approval of Expenses. V. Gower presented Resolution 364 to the Board in the total amount of \$43,247.38 for the payment of administrative, professional and capital reserve expenses. This month's water capital expenses are being paid from the City's line of credit.

J. Tallarico moved and L. Hackett seconded to approve Resolution 364 as presented. Motion passed unanimously.

SOLICITOR

None.

BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report for the month of April, 2014 was circulated and filed. He mentioned that the phone number for the Authority office has been decaded on both patrol trucks in the event people have questions about the Authority's activities in the watershed. J. Abel queried if timber theft still occurs, if there is a large amount of cherry trees and how old those trees are. D. Meixell and R. Wildermuth responded that there have not been any thefts, especially since there is a wider presence on the property with forest management activities. There is a good amount of cherry trees, and most trees are between 60 and 120 years old.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and Water Capital projects was circulated and filed. S. Repasch said that the listed projects will be presented along with a map of the Water System to show where the projects are located. The City has a meeting with the Northampton Borough Municipal Authority regarding water service to the proposed FedEx building site in Allen Township. There is no known tenant yet for the proposed 1.94 million sq. ft. warehouse building at the Majestic Center.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

S. Antalics queried if there is an existing lease with Illicks Mill that is being amended. J. Broughal responded that is a question for the City. S. Antalics went on to say that the City received a grant from the PA Historical and Museum Commission in 1996 for restoration on the mill which required the Authority to sign as fee owner. He is assuming the Authority received the money and gave it to the City and queried if that is fact, and if so how much? J. Broughal responded the Authority leases property to the City. There are no other responsibilities or obligations of the Authority. The questions need to be directed to the City.

NEXT MEETING

The Board discussed holding the May (or June) meeting at the security office at Wild Creek and having a brief tour of the watershed prior to the meeting. It was decided to hold the meeting at Wild Creek on May 8.

ADJOURNMENT

J. Abel moved and J. Tallarico seconded to adjourn the meeting. Motion passed unanimously and the meeting adjourned at 5:30 PM.

Laurie G. Hackett, Secretary