

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

**JANUARY 8, 2009**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on January 8, 2009 in Conference Room B504, 10 E. Church Street, Bethlehem, PA, immediately following the reorganization meeting. The meeting was called to order at 3:40 PM by Chairman Mark Jobes, with the following in attendance:

John Tallarico, Vice Chairman, Assistant Secretary / Treasurer  
Richard Master, Secretary  
Vaughn Gower, Treasurer  
James Broughal, Esq., Solicitor  
John Filipos, Controller  
Stephen Repasch, Executive Director  
Sandra Reppert, Administrative Assistant  
Daniel Meixell, Special Police Officer

**APPROVAL OF MINUTES**

Chairman Jobes presented the minutes from the regular meeting held December 11, 2008. Mr. Gower moved to approve the minutes. Mr. Master seconded. Motion passed unanimously.

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

Chairman Jobes recognized:

- ◆ Mr. Don Oaks, Forestry Consultant
- ◆ Dr. David McGuire, Lehigh Valley Sierra Club
- ◆ Mr. Dave Brong, City of Bethlehem
- ◆ Mr. Neal Kern, Barry Isett & Associates
- ◆ Mr. Gene Auman, City of Bethlehem Deputy Controller
- ◆ Members of the Press

*(It is noted that Mayor Callahan and Mr. Bud Cook entered the meeting after it convened.)*

Mr. Tallarico thanked Mr. Master for his three years as Chairman (2006-2008). A lot has happened for the better under his leadership and hard work. There is light at the end of the tunnel. Chairman Jobes extended his congratulations as well for a great job in stewarding and directing the Authority to where it is now. He looks forward to the continued momentum. Mr. Master responded he enjoyed every moment as chairman, and has learned a lot about finance, government operations and politics. He looks forward to his continued service on the Board.

## REPORT OF THE CHAIRMAN

Chairman Jobes said he is honored for the appointment by the Board. He feels this Board works very well together and he looks forward to continued progress and working cooperatively with the City.

**Bethlehem Authority Bond Rating Upgrade.** As was reported in the Morning Call, the City's bond rating was upgraded from BBB to A-, and the Authority piggybacks off the City's rating. This will certainly help in the future if the Authority looks to restructure its debt. The primary reason for the upgrade, as noted in the report, was the casino and the income stream that will be realized from it.

**Lehman Brothers Swap Situation.** This has been an on-going situation. There were discussions with our Financial Advisor, PRAG, yesterday regarding the Lehman swap. First, Wachovia has approached PRAG about the possibility of replacing Lehman. Chairman Jobes would like Wachovia to submit a formal proposal to the Authority for review to better understand the complexity of the proposal. It is not an exact replacement, and there are different components that need further investigation. He would like to form a subcommittee to investigate these swap issues, since they will be reoccurring until something is decided upon. Mr. Gower and Mr. Master volunteered to work with the Chairman to help the Authority work its way out of this issue.

Second, the Authority's responsibility for the payments due to Lehman that have been accruing was discussed. Rates now have dropped to less than the swap's fixed rate. Chairman Jobes would like to have a sub-account set up related to the swap for the money that is due and payable when such time in the future occurs. Mr. Repasch has had conversations with Trustee, and this is being checked into. There is some hesitancy on Trustee's part in keeping a sub-account, as they are not sure if the Trust documents allow for this. The money that would normally be paid to Lehman is in the Emmaus Debt Service Fund and will remain there if a sub-account cannot be set up. Currently the amount is being tracked internally.

Mr. Master moved that, to the extent the trust documents and other legal documents permit, a sub-account be created for setting aside the Lehman interest swap payment obligation that is accruing. Mr. Gower seconded. Motion passed unanimously.

Chairman Jobes would also like to form a committee to investigate the Authority's debt and some of the options that may or may not be available. The Authority should start formulating a sustainable plan that can be implemented in the future. The markets right now are very out of sync, interest rates and treasuries are very low, and the Authority should be ready if things change. The municipal market has not reacted normally, but hopefully there will be opportunities to restructure or refinance a more sustainable plan. Mr. Gower and Mr. Master volunteered to help in this endeavor, along with the Chairman.

At this point in the meeting, Mayor Callahan publicly thanked Mr. Master for his leadership over the Authority the last four (should be three) years. The Authority has come a long way in a short period of time – in strengthening its finances, the operations at the plant, the ability to produce quality water, and the stewardship of the land to name a few. The Authority and the City have worked very well together, especially in the implementation of a strategic plan, adhering to it and moving forward, the marketing of water and expanding service territory, and financial stability. The City has come in line with its charges related to the Authority and there are mutual goals of self-sufficiency. Much of this is due to Mr. Master's guidance. He is very proud of each and every professional on the Authority Board, and he thanked all of

them on behalf of the residents, the City and the water system customers for their efforts. He looks forward to working with Chairman Jobes this year. His closing comment was "keep up the good work."

## **REPORT OF THE EXECUTIVE DIRECTOR**

**Forestry Program.** Mr. Repasch reported that timbering commenced in Stand 62 and Don Oaks is present to provide an update. Mr. Oaks visited the stand. The ground is amenable to the type of activity and the harvest is proceeding well. In his opinion, it is less than 25% complete, and most of the logs and roundwood are on the landing. The tops on the ground are providing a food source to the wildlife (deer) that is otherwise unavailable. Mr. Repasch added that on the downside, the market for sawtimber has decreased again. Mr. Oaks indicated that if there were not an investment already made in the herbiciding, it would be advisable to hold off. However, there will be economic return from this sale because the Authority is getting the best price for the roundwood.

**Fence Contract.** As part of the forestry program, several years ago (3+) the Authority entered into a fence construction contract with Forest Regeneration Services (FRS) for their services to fence a stand after the area has been timbered (to keep deer out). Due to increased costs for fence materials and labor, FRS would like to revise its contract. Mr. Repasch feels this is warranted and an addendum is presently being reviewed by himself and the Solicitor. Chairman Jobes queried the escalation on the prices. Mr. Repasch responded most are material costs that had escalated, especially wire, but more recently those costs have come back down. They will attempt to negotiate these costs. Mr. Tallarico queried if the fence contract should be bid again. Mr. Repasch responded he is fairly certain this was not bid. There are only one or two firms in the State that do this type of work. It was deemed a professional service. Mr. Tallarico asked Mr. Repasch to check the market for this service before any contract addendum with FRS is awarded.

**New Open Records Act and Resolution.** Mr. Repasch reported that the Authority is required to update its Open Records Policy, in accordance with the revisions to the State's new Open Records Act. The Solicitor's office prepared a revised Open Records Policy and resolution, which explains some of the minor differences between the old and new acts. The State's new act requires the appointment of an Open Records Officer, and he has suggested himself for that position. Also, in the appeals process, if a request is denied and appealed, the requestor must appeal to the State Office of Open Records whereas before it was appealed to the Authority Board.

Mr. Broughal added that the forms are standardized for requests and must be posted on the website. Under the new act, the presumption is all documentation is available. The Authority has the burden of saying it is not, whereas before it was the opposite. The old act actually defined what records were public. The new act does not. He said the Authority had an Open Records Policy but it is being amended because the State's Act has been amended. There needs to be a motion to adopt the resolution and Policy.

Mr. Master moved to adopt the new Open Records Policy and Resolution, and to appoint Mr. Stephen Repasch as the Open Records Officer for the Bethlehem Authority. Mr. Gower seconded. Motion passed unanimously.

Dr. McGuire commented about a time approximately eight years ago, the Sierra Club had the need to request files relative to the timbering plan of the City and activities in the watershed. The documents

were forthcoming, once found among many, many boxes. A philosophy that would be very helpful is for the Board to keep in mind (in its dealings with other entities, the City and its departments) that any matter could be recognized as that of public interest, and to keep full and complete records, including email, as part of such.

Chairman Jobs commented that he is not sure about email records, and Mr. Broughal indicated email is clearly defined in the Act and Policy. He also queried past records and where they are being kept. Ms. Reppert indicated she has everything in the office from the past six years. The remainder can be found in the storage area of City Hall. Mr. Repasch added that it's a struggle to know what and what not to retain. There are some things that need to be kept, and to be on the safe side, more than is probably necessary.

**Wind Energy Potential.** Mr. Repasch informed the Board he is meeting next Tuesday with a firm who is interested in looking at the potential to develop wind energy facilities in the watershed. He feels this is something that needs to be investigated. Previously, the Authority looked at possible energy through the water pipeline (Rentricity), which didn't work out. The watershed has many windy areas and seems to be an ideal situation. He will report to the Board on this next month. Chairman Jobs queried the name of the firm. Mr. Repasch responded that Dennis Tracy, who formerly worked for Schoor DePalma when they were the Authority's consulting engineer and who now works for the firm Buckhart Horn, set up the meeting with industry representative.

Dr. McGuire commented that the State and PPL have wind maps and the Authority should check into those. Also, there are a number of environmental issues being discussed (e.g. certain migration patterns of eagles) that may or may not permit or be advisable for full-time use of wind facilities. If this wind energy potential progresses, he will help in any way on finding out the potential impact on birds, etc.

Chairman Jobs queried if the Sierra Club has taken a stance on this issue. Dr. McGuire responded yes, in principal they are in favor of wind energy, but the problem is the siting of the facilities. There are National and State guidelines that should be available in a few months. He appreciates that the Authority is looking ahead.

**Final 2008 Budget Comparative.** Mr. Repasch reported the following:

Expense Budget Comparative for the year ended December 31:

- ◆ Professional Services – \$158,055, 95% of budget. He noted that \$3,100 in Financial Advisor fees was for the operating authority transition, and \$16,580 was for dealing with the Lehman swap issue, which was not budgeted. Fees will still be incurred for this issue in 2009. Legal fees for the PUC territory expansion were \$42,000 and not budgeted. Even under these circumstances, professional services were under budget for the year.
- ◆ Security and Property Expenses – \$14,292, 55% of budget. The biggest expense was fuel.
- ◆ Administrative Expenses – \$220,731, 96% of budget.
- ◆ Overall – \$393,077, 93% of budget.

Chairman Jobs commended the organization for their fiscal responsibility.

**First Quarter 2009 Income and Expense Projection.** Mr. Repasch reported the following:

Income and Expense Projection for the 1st Quarter, 2009:

- ◆ Cash on Hand at January 1 - \$446,750 (\$121,180 in checking; \$106,470 in a 90-Day CD; \$219,100 in CD)
- ◆ Revenues Receivable and Projected Cash on Hand Before Expenses – \$101,535 overall for the 1st Quarter
- ◆ Total Projected Professional, Administrative and Police Expenses - \$109,385 overall for the 1st Quarter
- ◆ Total Projected Cash on Hand at the end of the 1st Quarter - \$438,900

Chairman Jobs queried the legal fees. Mr. Repasch responded they represent estimated fees for the PUC territory expansion. This will be discussed later.

**REPORT OF THE CONTROLLER**

Mr. Filipos' report as of December 31, as filed, was accepted without comment. He noted that the landfill debt service payment of \$579,000 was made December 1.

**Ratification of CD Investments.**

**Operating Funds Reserve CD.** Mr. Repasch reported that a CD in the amount of \$219,098.57 matured on December 30. The money has not yet been reinvested, but needs to be by tomorrow. His recommendation was to reinvest \$109,549.57 with KNBT/National Penn for 90 days at 1.35% and invest the remaining \$109,549.00 with a Fulton Financial (Lafayette Ambassador Bank) affiliate for 90 days at 1.92%.

Mr. Gower queried if the Board could establish a threshold where the Authority would be willing to be flexible along as long as it is within a certain dollar amount. He also said the top priority is having the FDIC insurance on all the Authority's investments. It is a touchy subject – either best rate or diversifying. If a bank loses deposits because they were not competitive with the rates, maybe the next time they will be more competitive. If the Authority takes the best rate approach, banks will be competitive with their rates, and if the bank can't offer the rate, then the deposit moves. He feels good about that because it is best for the Authority.

Mr. Master queried why the best rate was not recommended. Mr. Repasch responded the Authority's had an on-going relationship with KNBT, and they go above and beyond what is normally expected from a customer service perspective. Just recently, they facilitated a wire transfer over the holidays. He felt it was appropriate to leave some money with them, given the small difference in the return.

Chairman Jobs said the Authority is giving up \$50 a month by keeping some of this money with KNBT. It is hard to justify or quantify the value-added service they provide. Personally, he is all for partners but another value must be justified. Is \$50 a month for 3 months worth it to the Authority for the past and present service they provide? Mr. Tallarico said a justifiable reason can always be found and Mr. Repasch said the other option is to go for the best rate at all times, whatever the Board decides.

Mr. Gower said a dollar amount should be determined where the Board is indifferent to the difference. It might be a small amount, perhaps close to \$50. If the difference is not \$50 or less, then the investment moves to the highest rate. Mr. Filipos mentioned that KNBT also does monthly wire transfers for the Pennvest loan with no fees involved.

Chairman Jobes feels \$50 is a reasonable amount. Mr. Broughal said the Board should adopt a written policy on this matter for their protection. The policy should incorporate the business of FDIC insurance, highest rate, etc. and then it can be acted on. Mr. Tallarico said we are KNBT's customer, and sometimes it comes down to what is simple is simple. Chairman Jobes added KNBT has lost a lot of the Authority's deposits since it began diversifying, but hopefully they'll continue to provide some of their services without charging. He would like motions to approve the investment recommendations.

Mr. Gower moved to invest \$109,549.57 with KNBT for 90 days at 1.35%. Mr. Master seconded. Chairman Jobes and Mr. Tallarico voted aye. Motion passed unanimously.

Mr. Gower moved to invest \$109,549.00 with a Fulton Financial (Lafayette Ambassador Bank) affiliate for 90 days at 1.92%. Mr. Master seconded. Mr. Tallarico voted aye. Chairman Jobes abstained. Motion passed unanimously.

Mr. Tallarico thanked Ms. Reppert for the breakdown of all the investments. The request was to show a ladder investment portfolio so the Board could have a better understanding of the liquidity of its investments.

**Resolution 299 – Approval of Professional and Administrative Expenses.** Mr. Jobes presented Resolution 299 to the Board for approval. The total amount is \$226,441.66 and consists of the following:

- ◆ Requisition 288 – water capital invoice from the City for January totaling \$163,738.57
- ◆ Professional and Administrative Expenses totaling \$62,703.09

Mr. Jobes noted the PUC territory expansion legal expenses on Resolution 299, which the Board authorized to fund up to \$50,000 last year. Saul Ewing presented the Authority with an invoice, and Mr. Brong and Mr. Repasch negotiated a lesser fee and the invoice was discounted ~\$7,000. The money was wired to Saul Ewing on December 31. It was also discussed to try to minimize expenses as much as possible, such as a junior partner doing research tasks.

Mr. Master moved to approve Resolution 299. Mr. Tallarico seconded. Motion passed unanimously.

### **REPORT OF THE SOLICITOR**

Nothing to report.

### **REPORT OF THE CONSULTING ENGINEER**

There was no report filed by Barry Isett & Associates. However, their contract for services for the year 2009 was presented to the Board. Chairman Jobes queried if there were any changes to the scope of work, charges and rates. Mr. Repasch indicated the insurance certification, water budget review and

certification, and the Annual Report on the Water System Operations are required by the Trust Indenture. The costs for 2009 are mostly remaining the same, except an increase of \$400 for the annual inspection fee. This contract fee was made part of the 2009 budget. He will sign the contract administratively.

Mr. Kern commented the 2008 inspection was interesting and enjoyable. He was able to inspect the two borings under the Blue Mountain and Wire Ridge. The 2008 Annual Report is 60% complete, and he will be getting together with Mr. Repasch in the next few weeks to work on completing it.

Chairman Jobes commented that Mr. Kern will be important in the process of evaluating future capital needs and expenditures and prioritizing those needs. Mr. Kern added that he did help with the cost estimating of capital projects. Some need to move forward, especially the valves that do not work anymore. There are now grant funds available from the State that could help in funding some of these projects. Barry Isett has a full time grants person on staff that will help file the grant applications pro bono. Preliminary plans would need to be submitted and any necessary engineering work would be charged modestly. There are two upcoming submission deadlines for filing – February 13 and 16. There is \$400 million and \$800 million in grant money available specifically for water and sewer projects. (This referendum was voted on in the recent election. Part of its goal is to get shovels in the ground and people working.)

#### **REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE**

Officer Meixell's report, as filed, was accepted without comment. He commented, for informational purposes only, about the Stand 62 timbering. There is a large pile of logs accumulating on the landing site, which is right next to Long Pond Road and which is highly visible. He is concerned that this might be an ideal firewood "for the taking" situation, as he has received inquiries and comments. The loggers are working late into the night, but he will also patrol this area on the weekends.

Mr. Oaks commented on this matter. He indicated the logs are somewhat vulnerable to someone who wants to illegally cut firewood. The logs cannot be moved back. The best thing to do is accelerate their removal. He has had some discussions with the logger. Getting a loader on site will increase productivity and move these (big) logs to market quicker. If the locals would take the small logs, that would be minor. But if they get to the more valuable logs, that would definitely have more of an impact.

#### **WATER REPORT**

There was no water report filed, as the weekly reports from the Wild Creek have not yet been received. Chairman Jobes queried if the readings are automated. Mr. Brong responded no, not all of them, but he will check into where the reports are.

## CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

Mr. Brong commented on the State and Federal funding available.

◆ For grants funding through the State for water systems, projects must not have started before January 1, 2007. They must be projects designed by engineers or construction projects already contracted. The Water Treatment Plant filter replacement project started before 2007 and does not qualify for funding. However, the backwash system, the upcoming oxidant delivery system and a few other smaller projects done in the past 12 months or being contemplated in the short term, do qualify. The applications are exhaustive. It appears that #1 regional systems and #2 regulated systems are getting priority. Fortunately, and unfortunately, for the water system we have no set decrees. However, for wastewater the City's expecting a consent order, which makes the Wastewater Treatment Plant expansion and upgrades first on the list. There are water projects the City would like to submit and they will need help doing it. The guidelines on the requirements only came out in the past 6 weeks. Currently, the Mayor, the City's Engineers and Malcolm Pirnie are in the process of looking at getting high priority funding from the State. There is also Federal funding available in order to hasten economic recovery. At this point in time, there has only been an initial guideline provided. He provided the Mayor a list of these efforts, along with other public works efforts. The Mayor will attend an upcoming forum in Washington DC with Malcolm Pirnie. There will be more to report at a later date.

Chairman Jobses queried if the State funding is grants. Mr. Brong responded yes mostly, but there is also Pennvest consideration. The City is looking for grants only, not Pennvest. The State determines eligibility and how it will be funded. Chairman Jobses queried if the funding can be all or nothing or pick and choose – e.g., if the City applies for \$500,000, receives \$300,000 in grants and the other \$200,000 from Pennvest, can the City take just the grant money. Mr. Brong responded that it is probably a matter of politics. The State's funding agency makes the call on the mixing of grants versus Pennvest loan. At that level, there is a limit of \$20 million and it must be matched.

Chairman Jobses queried what the water system's mission in applying for grants would be from a cost perspective at this point. Mr. Brong responded \$1.8 million for the backwash system upgrade, \$1.8 million for the oxidant delivery system, and other smaller projects like the transmission main repair and valves that need to be replaced – probably totaling in the \$5 million range. He pointed out the fact that all money and focus have been spent on water treatment issues, and because of that, the in-ground infrastructure has suffered. Chairman Jobses told Mr. Brong to let the Authority know if there's anything it can do to help or have Barry Isett & Associates help. Grant money is very appealing so the City needs to get the applications submitted.

◆ The backwash system upgrade project continues. There will be a concrete pour next week for the base of the tank. Electrical work will follow. Sometime during the latter part of the 2<sup>nd</sup> quarter, the project should be complete. This new system will enable solids will be removed from the filters more efficiently.

◆ There are still some 2008 transactions being processed. The Water Fund ended the year with a balance of ~ \$850,000 cash. This is somewhat above plan. Rate case expenses budgeted for 2009 were able to be paid in 2008. More information will be provided at the next meeting.

Chairman Jobs commented that the S&P rating report has a separate item just for the Water Fund. The City is under the spotlight from a financial perspective. He queried if there was any comment about the PUC territory expansion. Mr. Brong responded that will be submitted by the end of next week. The Chairman added the Board will enter into an Executive Session shortly to discuss the expansion and potential litigation, and what the commitment level will be from a financial perspective. The Authority committed to \$50,000 for the first phase and there will be continued costs to pursue this matter in 2009.

Dr. McGuire queried if the PUC territory expansion requires City Council action or if it has already been approved. Mr. Broughal stated this is not a Bethlehem Authority issue and Mr. Brong indicated it was part of the City's strategic plan and budget. There is no formal resolution to present to Council.

### **NEXT MEETING**

Chairman Jobs announced that the next meeting is scheduled for February 12 at 3:30 PM. Mr. Repasch asked the Board to review the schedule of meeting dates that was provided to see if there are any conflicts that would cause a meeting date to be changed and then advise accordingly. Having a meeting with only three (of the four current) Board members present makes things a bit shaky. No notice is required to cancel a meeting, but 24 hours notice is required to have a meeting. After some discussion, it appears the February meeting may have to be moved to the following week.

### **COURTESY OF THE FLOOR**

Dr. McGuire approached the Board with regard to a hunting matter. The Sierra Club has no official position on hunting or fishing – they are committed to providing the best habitat for hunting and fishing. The Sierra Club has recently been approached on a different form of hunting where public lands might be involved – specifically the sport of hunting with falcons and hawks and the prey tends to be small ground animals (squirrels, rabbits, and to some extent other birds). The Sierra Club has no experience in this matter. The type of land suitable for this is relatively small areas, and perhaps areas the Authority might lease out for farming. He's not sure of any experience The Nature Conservancy has had with this. Could the Authority construe this as public use for hunting the land, within the laws allowed, and in the same sense hunting the land with guns, bows, etc. In some way, he hopes the Authority will think about this.

Mr. Repasch indicated the Authority's lands are in the co-operative State Game Lands Program, so whatever the State laws and regulations are, the Authority piggybacks off those laws and regulations.

Dr. McGuire is fine with that and he requested to be provided with the Authority's contact person with the State. Mr. Repasch will provide him that information.

### **ADJOURNMENT**

Mr. Broughal suggested adjourning the meeting, unless there is reason for action to be taken after the Executive Session. Mr. Tallarico moved to adjourn the meeting. Mr. Master seconded. Motion passed unanimously and meeting adjourned at 5:00 PM.

---

Richard L. Master, Secretary