

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

FEBRUARY 19, 2009

The regular meeting of the Board of Directors of the Bethlehem Authority was held on February 19, 2009 in Conference Room B504, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:30 PM by Chairman Mark Jobes, with the following in attendance:

John Tallarico, Vice Chairman, Assistant Secretary / Treasurer
Richard Master, Secretary
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 January 8, 2009. Mr. Master moved to approve the minutes. Mr. Tallarico seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Chairman Jobes recognized:

- ◆ Mr. Jeff Andrews, City of Bethlehem
- ◆ Mr. Bud Cook, The Nature Conservancy
- ◆ Mr. Stephen Antalics, Bethlehem Resident
- ◆ Mr. Gene Auman, City of Bethlehem Deputy Controller

(It is noted that Mr. Vaughn Gower and Councilwoman Jean Belinski entered the meeting at 3:32 PM after it convened.)

REPORT OF THE CHAIRMAN

Lehman Brothers Swap Situation. Chairman Jobes reported this situation continues to be monitored and analyzed to have a better understanding of the options available to the Authority. Wachovia has some interest in replacing the swap and they provided the Authority's financial advisor, PRAG, with more information. PRAG submitted a memo to the Board with their recommendation, which is at this point to wait. There is still a lot of uncertainty in the financial markets and the cost to replace the swap is still in excess of \$300,000. Currently, interest rates are at an all-time low. With the recent grant application process and other things being considered, the Authority may be looking at system-wide refinancing sometime later this year. PRAG recommends that we pass on Wachovia's offer at this point in time, and through conversation, other Board members voiced support for this approach.

Water Service Territory Expansion. Chairman Jobs reported the water service territory expansion is moving forward. Mayor Callahan held a press conference last month announcing the City filed to expand its territory with the PUC. Unfortunately, Easton Suburban Water Authority (ESWA) and the press dubbed it as a hostile takeover. He (politically) disagrees with that. The Authority / City tried to negotiate and work out details that were in the best interest of both parties. As a result of this filing, there could be potential litigation.

Mr. Repasch added that it is the customers who want Bethlehem water. That is the goal – to give them what they desire, whether through ESWA or the City's (water) lines. Chairman Jobs said logistically these are areas that make a lot of sense for the City (development areas in East Allen Township and the future development in neighboring Bethlehem Township where Bethlehem water is the desired product).

REPORT OF THE EXECUTIVE DIRECTOR

Forestry Program. Mr. Repasch reported that the Stand 62 Timber Sale is in the latter stages of completion. There are a couple more days of tree cutting and another two to three weeks of removing trees and delivering them to market. The revenues will not be as plentiful because the timber markets are down considerably. Price sheets from a local saw mill indicated that the price for prime cherry went from \$1,300/1,000 board feet in August 2008, to \$1,100 in February 2009, to \$900 within the last week. That's a drop of approximately 40% since August. We are considering another option for the next stand to be timbered, given the market conditions. We are talking to loggers, as well as Glatfelter Pulp Wood Co., about removing pulpwood only (because the market is still fairly good for that) and leaving the sawtimber until market rebounds to where it was, perhaps in another year. We are meeting with interested parties next Monday to set the groundwork for the direction the Authority will take.

Mr. Repasch also discussed a program run by the State agriculture department and which he mentioned in the past – Fuels for Schools and Beyond, a program for schools and other institutional facilities to use woodchips from area forests in boilers to heat the buildings. Northampton Community College (NCC) is building a new campus in Monroe County and he has been discussing a potential partnership with them to use Bethlehem Authority timber resources for this project. He will attend an information seminar next week at NCC's Fowler South Side center and will provide more information to the Board.

Investment Policy. Mr. Repasch presented an investment policy to the Board for their approval and adoption. This was requested by the Board after last month's meeting, following considerable discussion about the various certificates of deposit and rates of return. Although there was a semblance of policy, there was never a written policy. An outline was drafted by the Authority staff, and reviewed by the Solicitor and Controller, and finally the Financial Advisor. Some highlights of the policy are:

- ◆ ***Investment Objectives.*** *The primary objectives in priority order shall be safety, liquidity and yield. The Authority will minimize credit risk by limiting investments to certificates of deposit that are permitted under PA law and the Trust Indenture.*
- ◆ ***Standards of Care.*** *Investments shall be made with the judgment and care, under circumstances then prevailing. Individuals who are involved in the investment process shall refrain from personal business activity that could conflict with the proper management of the portfolio.*
- ◆ ***Permitted Investments.*** *Investments shall be limited to the then-current FDIC insured maximum limit (\$250,000 as of 2/19/09) in any one institution; CDARS investment programs, and appropriate PLGIT investments.*

- ◆ **Bid Requirements.** *All investments in certificates of deposit greater than \$150,000 in value and longer than a term of three months shall be competitively bid. For investments less than \$150,000 and three months, at least two quotes should be solicited. The institution offering the highest yield shall be awarded the investment. However, if the difference in yield is \$50 or less per month, the Authority may choose the lower yield if there are other benefits, tangible or intangible, derived from the institution offering the lower bid.*
- ◆ **Delegation of Authority.** *All investments will be brought to the Board for ratification by a majority of Board members.*
- ◆ **Policy Review.** *The investment policy should be reviewed annually by the Board, as circumstances may change in the financial market.*

Chairman Jobs is pleased to have a policy in writing, which will be added to as necessary and reviewed annually. Mr. Master stated the investment policy as circulated and presented is an excellent policy and he moved to formally adopt the policy. Mr. Gower seconded. Motion passed unanimously.

Wind Energy Potential. Mr. Repasch updated the Board on the wind energy potential in the watershed. Delsea Energy provided him with an overview of their programs. They will build a computer model of the wind currents in the watershed to determine if the potential exists for large-scale energy producing wind turbines. There is no obligation to the Authority for them to build this model. The first phase should take approximately one to two months. If it is determined that there is some potential, the Authority would consider entering into some type of agreement at that time.

H2O PA Grant Applications. Recently, the City / Authority submitted three proposals for grant consideration to the State's H2O PA Grant Program, as follows:

- ◆ \$5.5 million project to extend water service lines into Bethlehem Township (Freemansburg Avenue corridor)
- ◆ \$2 million project to upgrade the backwash system at the Water Treatment Plant (underway)
- ◆ \$550,000 project to repair / replace valves throughout the system that are no longer useful (originally was \$600,000)

The grant program offers 50% funding for these projects. The remaining 50% would have to be funded by the Authority. Since the grant applications had to be submitted by February 13, the information was circulated to the Board via email, and they consented unanimously to support the submission of the grant applications. The action and resolutions need ratification. Mr. Repasch noted that the application for the valve repairs was originally stated as \$600,000 and it is now \$550,000, so the resolution amount has been changed to \$275,000.

Everything was submitted to the State on time. Barry Isett & Associates, the Authority's Consulting Engineer, worked on two of the applications. It worked out very well and Mr. Brong was pleased with their work in moving things along quickly. Another two applications (one wastewater) were submitted by an engineer the City hired.

Mr. Master moved to ratify the action taken by the Board to support the submission of the H2O PA grants for water system projects. Mr. Tallarico seconded. Motion passed unanimously. Mr. Broughal pointed out the resolutions state the Board authorizes the grant applications and authorizes Mr. Repasch to execute any and all documents regarding same.

First Quarter 2009 Income/Expense Projection and Budget Comparative. Mr. Repasch reported the following:

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

- ◆ Cash on Hand at February 1 - \$423,460 (\$97,890 in checking; \$325,570 in various CD's)
- ◆ Revenues Receivable and Projected Cash on Hand Before Expenses – \$101,335 overall for the 1st Quarter
- ◆ Total Projected Professional, Administrative and Police Expenses - \$117,085 overall for the 1st Quarter
- ◆ Total Projected Cash on Hand at the end of the 1st Quarter - \$407,710

Expense Budget Comparative for the month ended January 31:

- ◆ Professional Services – \$8,866, 6% of budget.
- ◆ Security and Property Expenses – \$882, 3% of budget.
- ◆ Administrative Expenses – \$18,864, 8% of budget.
- ◆ Overall – \$28,613, 7% of budget.

Chairman Jobes queried the legal fee expense projection and if it is part of the anticipated PUC legal fees. Mr. Repasch responded yes, but the Authority has not yet received any invoicing for services up to this point this year. Mr. Brong added that there is no end to the dispute process. It can go on for an indefinite period of time. It is expected that the PUC case will be split. The Allen Township portion should proceed without any issues and is expected to be finalized. The Bethlehem Township portion will be contested. All complaints have to be formally submitted by next Monday, February 24. The City will know who is taking issue with the expansion request.

REPORT OF THE CONTROLLER

Mr. Filipos report for the month ended January 31, as filed, was accepted without comment. He noted the capital expenditure of \$163,000 paid from the Bond Redemption and Improvement Fund.

Mr. Repasch commented that at this time last year, there was a Fourth Quarter Controller's report on the City's General Fund charges to the Water Fund; however, since the City is in the process of changing the way it reports its financial information, there is no final year end report. At this point, he recommends waiting until the Maximus study (a key component of the General Fund charges) is complete and then the committee can meet to discuss everything at one time. Mr. Filipos agrees that is a good idea.

Mr. Auman doesn't think there will be any difference between the Fourth Quarter report and the City's charges that were budgeted. Obviously, any differences will show up in the Maximus study.

Resolution 300 – Approval of Professional and Administrative Expenses. Chairman Jobes presented Resolution 300, as circulated and filed, to the Board for approval. Mr. Gower moved to approved Resolution 300. Mr. Tallarico seconded. Motion passed unanimously.

Chairman Jobes indicated that there was an oversight and the minutes from the reorganization meeting held January 8 need to be approved. Mr. Gower moved to approve the minutes from the reorganization meeting held January 8. Mr. Master seconded. Motion passed unanimously.

REPORT OF THE SOLICITOR

Mr. Broughal had nothing to report.

REPORT OF THE CONSULTING ENGINEER

Mr. Repasch reported the Consulting Engineer's Annual Report should be finalized by the March meeting for acceptance.

Chairman Jobes queried the fees associated with grant work. Mr. Repasch responded that Mr. Neal Kern and his staff did the engineering-type work for the grants at a cost not to exceed \$8,000 and the grant applications were done pro-bono.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report, as filed, was accepted. He mentioned that the PA Game Commission's land manager stopped by to check out the Authority's logging operation underway in Stand 62 and he was very impressed with the logger's work.

WATER REPORT

The Water Reports for December 2008 and January 2009 are filed and were accepted without comment.

REPORT OF CITY OF BETHLEHEM'S DIRECTOR OF WATER AND SEWER RESOURCES

Mr. Brong reported on the following:

- ◆ The City is in the process of changing its water revenue reporting, from quarterly and monthly billing to user class (residential, industrial, commercial, public, etc.). When revenue is evaluated, user classes can pinpoint who is behind or ahead of the revenue plan. He was hoping to discuss more about this today but there are accounts that are not mapped properly so the data is not completely accurate.
- ◆ The cash balance in the Water Fund is \$1.2 million and ~\$300,000 behind plan as of January 31. Invoicing is healthy (ahead of budget, \$1.6 million), receipts are lagging (\$933,000), and the difference is collections, but there is no cause for concern. Collection in the water business is simple but powerful (send a man with a valve wrench). Chairman Jobes queried the delinquency percentage. Mr. Brong responded the amount of delinquent bills sent out in January is ~\$250,000 more than what was sent out in 2008. It is definitely higher and a result of the economy. Customers are trying to pay their bills. The only time payment plans are entered into is when a customer's water has been shut off.
- ◆ The backwash system upgrade project is moving along quickly. Most of the (inside) plant work was done this winter and the (outside) tank site work will be done in the spring. This project should be complete and the system on line sometime in June.

- ◆ He and Mr. Repasch have been attending workshop meetings in East Allen Township, which is expected to change some of its land use policy. More land is under development consideration and they are struggling with their own municipal water authority. The City would like to help, and is hoping to have more of a stake in supplying water to the township going forward.

Chairman Jobes queried if the City applied for available Federal Stimulus Plan funding. Mr. Brong responded yes, one application has been submitted already. He also indicated that (U.S. Congressman) Charlie Dent told the City to submit all projects that would be "shovel ready" in nine months. He continues to be aggressive and is submitting everything to Dent's office for consideration. Chairman Jobes also queried if the Federal grants are duplication of the State submissions, and are infrastructure upgrades included. Mr. Brong responded yes, and the City is not being bashful when it comes to the in ground pipes. They are big numbers with minimal definition.

Chairman Jobes hopes Congressman Dent can help get these requests to the right place and the right people.

Mr. Repasch stated that regarding H2O PA Grants, he spoke to PA Representative Joe Brennan, who is coordinating letters of support for the City to send to the State from himself and Representative Steve Samuelson and PA Senator Lisa Boscola.

COURTESY OF THE FLOOR

Mr. Antalics commented that things are going very well with the Authority.

NEXT MEETING

Chairman Jobes announced that the next meeting is scheduled for March 12 at 3:30 PM. He also commented that there has been no word about a potential new Board member yet.

ADJOURNMENT

There being no further business, Mr. Gower moved to adjourn the meeting. Mr. Master seconded. Motion passed unanimously and the meeting adjourned at 4:10 PM.

Richard L. Master, Secretary