

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

APRIL 9, 2009

The regular meeting of the Board of Directors of the Bethlehem Authority was held on April 9, 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
Vaughn Gower, Treasurer
Wendy Nicolosi, Esq., sitting in for James Broughal, Solicitor
John Filipos, Controller
Stephen Repasch, Executive Director
Sandra Reppert, Administrative Assistant

APPROVAL OF MINUTES

Chairman Jobes presented the minutes from the regular meeting held March 12, 2009 as circulated. Mr. Gower moved to approve the minutes from the March 12 meeting. Mr. Tallarico seconded. Motion passed unanimously.

For the record, Richard Master is not in attendance due to a fire at his Mexico plant, and Daniel Meixell is not in attendance due to a family commitment.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Chairman Jobes recognized:

- ◆ Jeff Andrews, City of Bethlehem
- ◆ Don Oaks, Forestry Consultant for the Bethlehem Authority
- ◆ Bud Cook, The Nature Conservancy
- ◆ Gene Auman, City of Bethlehem Deputy Controller
- ◆ David Brong, City of Bethlehem

REPORT OF THE CHAIRMAN

Financial Planning. Chairman Jobes reported that the Authority continues to work on its financial plan to determine the best options to proceed with to address the capital expenses forthcoming in the next few years and the Bond Redemption and Improvement Fund (BRIF), which is nearing the minimum balance requirement. The Authority is working with its financial advisor PRAG, the City, and others, and there will be more information to report at future meetings.

REPORT OF THE EXECUTIVE DIRECTOR

Forestry Program. Mr. Repasch reported that the Stand 62 Keiper House Timber Sale will be retired as soon as the contractor seeds the disturbed areas. The revenues received from this sale totaled approximately \$25,000, which is significantly below what was estimated and there are various reasons for that. The Authority needs to evaluate its approach to forestry and ways to go about changing things for the better while continuing to do what is best for the forest. Currently, revenues have barely covered the cost of the work. At next months meeting, he will have a thorough analysis of the program to maximize the investment.

Mr. Tallarico queried if the market for all timber is down, or if it is just certain species. Mr. Oaks responded the market for sawlogs is down, and that makes it difficult for veneer buyers as well. The low grade pulp wood did well for the Stand 62 sale.

Mr. Repasch indicated he is meeting next Thursday with a company building a wood pellet plant in the Wind Gap/Pen Argyl area. The purpose is to discuss the possibility of developing a relationship with this company to purchase bio fuel from the Authority.

Consulting Engineer's Annual Report. Mr. Repasch reported that the Consulting Engineer's Annual Report was circulated to the Board via email for review and comment. Based on the comments that were received from the Board, he inserted the following pages to the hard copy passed out at today's meeting:

Page 3, Section 2.3, Authority Finances. Based on Mr. Gower's comment, the wording was changed from an aggressive investment approach to an expense control strategy. Also, the Authority's 2009 budget figure was corrected to read \$353,365.

Evaluation and Response to Engineer's Recommendations. This summary spreadsheet is the City's response to the report's recommended improvements and repairs, based on the City's capital budget and when the improvements will be made.

The two options are to accept this report today with the changes, or take more time to review the report and address any questions or concerns to Neal Kern at next month's meeting. There is no required time frame in accepting this report.

Mr. Gower feels this is a good start to getting organized and connecting the dots with the needs of the system and the financial plan. Chairman Jobs would like Neal Kern to comment on his report at the May meeting.

Wind Energy Project. Mr. Repasch updated the Board on the wind energy project. He has been talking with the project engineer from Delsea Energy. They have been very active in the last month collecting information, both geographic and atmospheric, looking at available wind data, available grants, and financial modeling as to what and what does not work. A report on the project is expected by the end of this month.

Chairman Jobs queried about solar energy potential. Mr. Repasch responded he hasn't explored that as much as he's been working on the wind energy and bio-fuel potentials. He feels there is more opportunity and ability to work in those areas.

Mr. Gower queried if this would be an arrangement where the Authority would be the lessor of the land and receive a commission from the revenue generated by the operator who erects and maintains the equipment. Mr. Repasch responded that an agreement could be structured in a number of ways. But basically yes, from a financial perspective, the Authority could take a percentage of the profits or take a reduction in electric costs based on profits. Mr. Gower also queried if the lease would include issues that could arise (e.g. natural gas) where the Authority would have to terminate the lease. Mr. Repasch responded yes, and that would be where Ms. Nicolosi becomes involved.

Legislative Issues. Mr. Repasch discussed the legislative report from PA Municipal Authorities Association (PMAA) that he emailed to the Board. He would like the Board to consider responding in support of the legislation to increase the minimum bid limit from \$10,000.00 to \$25,000.00. The \$10,000.00 bid limit has been in existence for many, many years, and is no longer practical. PMAA is pushing strongly to pass this legislation through the PA House and Senate, and there is more support for it this year than in the past.

Mr. Gower queried if this bid limit applies to all government. Mr. Repasch responded this applies only to authorities, not cities. Cities minimum bid limits are also \$10,000.00 but he thinks raising it is avoided because of union issues, services, prevailing wages, etc. Authorities have been pursuing it aggressively. He will compose a letter of support and email it to the Board for their review and input.

Chairman Jobs indicated the Board will support this effort.

2nd Quarter 2009 Expense Projection and Budget Comparative

Income and Expense Projection for the 2nd Quarter 2009:

- ◆ Cash on Hand at April 1 - \$468,390 (\$141,830 in checking; \$326,560 in various CD's)
- ◆ Revenues Receivable – \$98,080 for the 2nd Quarter
- ◆ Total Projected Professional, Administrative and Police Expenses - \$95,695 overall for the 2nd Quarter
- ◆ Total Projected Cash on Hand at the end of the 2nd Quarter - \$470,775

Expense Budget Comparative for the 3 months ended March 31:

- ◆ Professional Services – \$29,866, 20% of budget
- ◆ Security and Property Expenses – \$2,786, 8% of budget
- ◆ Administrative Expenses – \$53,979, 23% of budget
- ◆ Overall – \$86,631, 21% of budget, which is modestly below

REPORT OF THE CONTROLLER

Mr. Filipos' report for the month ended March 31, as circulated and filed, was accepted without comment. He reported that the Authority received its 1st Quarter operating funds of ~\$91,000.00 from the City, the BRIF decreased due to the requisition that was paid, and the Hirko fund increased because the City sent in the money for the interest payment due April 1.

Resolution 302 – Approval of Professional and Administrative Expenses. Chairman Jobses presented Resolution 302, as circulated and filed, to the Board for approval. He queried why the \$109,000.00+ charge on the water capital invoice was in bold. Mr. Andrews responded that the incorrect amount was invoiced to the Authority in March and the amount on the April invoice is the difference between what was actually paid by the Authority in March and what should have been invoiced. Ms. Reppert added the amount that should have been invoiced was \$432,000.00+ but the Authority was only invoiced \$323,000.00 in March. Chairman Jobses also queried the new portable police radio. Mr. Repasch responded that this was a budgeted expense for 2009 (\$5,000.00). The Authority knew the City's communication system was changing to digital and that Officer Meixell's old (analog) radio would no longer work. The new radio works very well.

Mr. Gower moved to approve Resolution 302. Mr. Tallarico seconded. Motion passed unanimously.

Ratification of CD Investment

Operating Funds Reserve CD. A CD with KNBT matured on March 30 in the amount of \$109,914.60. Rates were sought from four local banks, including KNBT, and the recommendation circulated to the Board was to reinvest \$109,914.60 with KNBT for 90 days at 1.30%. The recommendation was approved and needs ratification.

Mr. Jobses moved to approve the CD investment with KNBT as presented. Mr. Gower seconded. Motion passed unanimously.

Operating Funds Reserve CD. A CD with The Bank, a Fulton Financial affiliate, matured today (April 9) in the amount of \$110,070.58. Rates were sought from four local banks, including The Bank. The recommendation is to reinvest \$110,070.58 with The Bank for 60 days at 1.20%. Mr. Repasch indicated that knowing Chairman Jobses must abstain from voting on this investment, it can't be ratified today. Ms. Nicolosi indicated that as long as there is a comfort level for this investment by the Board members present today, proceed with the investment as recommended and ratify it at the May meeting.

Wire Authorizations. Mr. Repasch reported a wire agreement needs to be put in place with Harleysville National Bank as it pertains to the Authority's investments with them. There has been a change in the bank's policies and this agreement is now required by them. The bank needs authorization from one of us in office to initiate a wire, but Chairman Jobses had suggested that a Board member also be in the verification process as to the legitimacy of the wire.

Mr. Gower queried the purpose of the wires. Response was the funds are Authority investments held by the Trustee, Bank of New York (BONY) and involves wiring of these monies from one Authority account to another Authority account. The problem would be if a verifier isn't available, the funds will not be released.

Ms. Nicolosi queried the current procedures. Mr. Repasch responded the governmental relationship or bank officer the Authority deals with is instructed where to wire investments and this is handled by telephone by the office staff. There is also no current verification process.

Mr. Gower commented the wire agreement doesn't seem much different, other than having a PIN, but Chairman Jobes thought since the office staff are not authorized signers on Authority accounts that one of the authorized signers could verify the wire.

Mr. Gower is trying to understand the risk if it is Authority money moving from one interest-bearing account to another and not money being used to pay debt service or invoices. Ms. Nicolosi said if someone has the authority to wire money, that person has the authority to wire it anywhere. The concern is needing an additional verification process.

Mr. Tallarico said he knows there are secret codes involved, so perhaps the agreement could be set up with two codes. It's another layer of protection. Mr. Repasch indicated the issue is we don't always know which Board members are available to verify a wire and so the Board would need to be polled. In addition, each Board member would need to have a PIN and know all the details of the transaction.

Mr. Gower said the Authority can always choose to work with banks that are more customer friendly. There are also ways to do things efficiently, and it's about risk. If the Board needs to say that the Staff has the authority only to move funds among Authority investment accounts and not to make payments, then that's the nature of the transaction allowable. Chairman Jobes said the problem is the banks knowing that. They are really cracking down on wires and making them much more complicated.

Mr. Tallarico queried Mr. Gower if he thought there is risk the way it is now. Mr. Gower responded he's trying to understand it. How much of it is the bank being uncooperative and how much of it is the Authority operating in the dark ages. Ms. Nicolosi said as it is right now, if the Authority calls a bank it normally deals with and tells them to wire money to some off-shore random account, they wouldn't do it because that bank knows where the money should be going. This new procedure would be a wire using a PIN, and unfortunately the agreement can't be set up with restrictions.

Mr. Tallarico said even though it's a simple procedure, you never deal with the same person in the wire department every time. Mr. Repasch said he can verify for Ms. Reppert, and vice versa, but the Chairman would rather have a Board member doing the verification or a signer on the account, and more specifically any wires outside of BONY.

Ms. Reppert indicated there is a CDARS investment with Harleysville maturing at the end of this month, so whatever is decided must be in place by that time.

Mr. Gower again said if the money is being moved between Authority accounts and the two people in the office are confirming the wire that was placed, it is an appropriate system that is adequate. Chairman Jobes is okay with that. He added that if there are wires outside of investments, an authorized account signer is required to sign.

Mr. Repasch will draft a procedures document based on this conversation and make it a part of an internal guideline policy. In summary, for the Harleysville wire transfer agreement, or any other internal wire transfers from one Authority account to another Authority, Mr. Repasch and Ms. Reppert will have the authority to confirm or verify for each other (one initiates, one confirms).

REPORT OF THE SOLICITOR

Ms. Nicolosi had nothing to report.

REPORT OF THE CONSULTING ENGINEER

This has already been discussed under the Executive Director's report.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report was filed and circulated. Mr. Repasch commented about the arrest issue at the reservoir which involved a scuffle. *A car was spotted parked at one of the gates and Officer Meixell waited nearby. It was about 8 PM when a person came to the car dressed in camouflage and carrying a fishing pole. When confronted by Officer Meixell, the person tried to bolt and pushed Officer Meixell.* There is a hearing scheduled May 21, and Attorney Leo DeVito will be representing Officer Meixell at the hearing. The reason for that is a message was left on the office's answering machine that there will be a lawsuit. Ms. Nicolosi added that it's best to make sure nothing is said that can be misconstrued. Mr. Repasch pointed out that Officer Meixell is alone a lot when patrolling. As discussed in the past, part-time assistance is something that really needs to be looked at. Chairman Jobes queried if there is someone to call for back up. Mr. Repasch responded back up is pretty far away. Mr. Gower added that unless there are two officers patrolling, there will never be adequate back up.

Officer Meixell's report was approved as filed per Chairman Jobes.

WATER REPORT

The water report for the month of March 2009, as filed, indicates the reservoirs are at 93% capacity and up until now, it has been a fairly dry year. The report was accepted.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

Mr. Brong reported the following:

- ◆ Water Fund receipts are lagging considerably behind plan. For the 1st Quarter 2009, \$4.4 million was projected and only \$3.9 million was received. Collection process is expected to recover rapidly. Disbursements are ~\$850,000.00 negative to plan, which is not good; however \$600,000.00 in General Fund charges were taken from the Water Fund in the 1st Quarter that shows as an expense. The net effect is ~ \$270,000.00 negative to plan. Is this really a statement of the business or the economy? Business is healthy but the ability to collect invoicings is being impacted by the economy. However, when water service is shut off for non-payment, the importance for water elevates. The collection process is expected to recover rapidly. Invoicings are only slightly below plan, at ~\$150,000.00
- ◆ Analysis of user-class invoicings shows residential, which is the largest component, is ~4% ahead of plan. Unfortunately, industrial and commercial are lagging behind substantially. When looking at the largest of these customers, production in many areas has been reduced and therefore water consumption has been reduced. Any improvement in residential usage has been slightly offset by significantly lacking performance in industrial and commercial usage. This is being watched.
- ◆ Fire suppression revenue with respect to hydrant rentals and fire lines for larger buildings is up by ~5% over 2008. This is not a significant part of revenue, but it is up.

Chairman Jobs queried if the Sands Casino is expected to be a high user. Mr. Brong responded about \$60,000.00 is expected annually from the casino only, not the hotel.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

None.

NEXT MEETING DATE

Chairman Jobs indicated that the May meeting is being rescheduled to May 21 at 3:30 PM.

ADJOURNMENT

There being no further business, Mr. Gower motioned to adjourn the meeting. Mr. Tallarico seconded. Motion passed unanimously and the meeting adjourned at 4:13 PM.

Chairman Jobs announced that the Board will meet in Executive Session to discuss a real estate issue.

John J. Tallarico, Assistant Secretary