

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

JUNE 11, 2009

The regular meeting of the Board of Directors of the Bethlehem Authority was held on June 11, 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
James Broughal, Esq., Solicitor
John Filipos, Controller
Stephen Repasch, Executive Director
Sandra Reppert, Administrative Assistant
Daniel Meixell, Special Officer

APPROVAL OF MINUTES

Chairman Jobes presented the minutes from the regular meeting held May 21, 2009 as circulated. Mr. Tallarico moved to approve the minutes from the May 21 meeting. Mr. Gower seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Chairman Jobes recognized:

- Councilwoman Jean Belinski
- Meg Holland, City Controller
- Gene Auman, Deputy Controller
- Don Oaks, Authority Forester
- Terry Faul, King Spry
- Don Miles, Sierra Club

There were no comments at this time.

It is noted that Richard Master entered the meeting at 3:33 PM.

REPORT OF THE CHAIRMAN

Financial Planning – Update. Chairman Jobs reported that the financial plan will continue to be the top priority issue. To recap what has been going on, the Authority met in April with the City Administration, the Controller's office, financial and legal representatives to discuss & evaluate the future of the water system and its financial feasibility. The parties need to come up with a solution to solve the issues foreseen in the near future, mainly the low Bond Redemption and Improvement Fund balance and major capital expenses. PRAG, the Authority's financial advisor, and Concord, the City's financial advisor, evaluated options. Each came up with a different plan. In short, one has a long-term view in sustainability of the water system and the other plan has a short-term view. There is no agreement at this point and discussions will continue for another month with the City to reach a common ground, or agree to disagree, on the discussion points. At that point, the Board will need to decide which direction it will take.

Commentary:

Mr. Gower strongly favors a long-term plan. There are long-term assets with long-term debt. Short-term views on financing can only work out negatively long term. Chairman Jobs agrees. The Board is looking at the plan from a long-term perspective. In the past, things were looked at differently and the Board is trying to correct them by trying to make the water system sustainable to support itself and the ongoing capital needs. This wasn't done in the past and now we're paying the price for some of the deferred capital items and operational issues that have surfaced.

Mr. Master feels the situation is not all that grim. There certainly is large debt, but the Authority plan provides liquidity into 2014, and thereafter gives the water system cash flow to enable the maintenance that may have been deferred (for example, the aged piping in the infrastructure and that there should be a more aggressive plan to periodically repair or replace the most aged and highest-risk sections). Over the years, the City and Board were confronted with a massive dam and filtration plant replacement, and now recently the rehabilitation of the plant. The prospects for the system should be good. The water is high quality and the water pricing is competitive. He feels there is a good chance to make the system sustainable and healthy by focusing long term and doing the proper transactions in 2014 that will restore cash flow and the ability to raise additional capital.

Mr. Tallarico feels the Board has to work with the Administration to come up with a unified, seamless type of plan. It doesn't matter whose plan it is – everyone is striving for the same goal. Before anything is presented to Council, the Authority and City have to be in agreement. He thinks when Concord sees PRAG's plan, they'll be interested in doing the right thing. Chairman Jobs added there are uncertainties with both plans so action has been deferred until common ground is reached.

Ms. Holland commented that she thought PRAG's analysis was good, along with the pros and cons. However, this is the first she's heard about Concord's plan. She wants to look at both plans to compare the discrepancies, which appear to be the variation in interest rates and possible costs that weren't included in the analysis. She asked if Concord's study has been released. Chairman Jobs indicated Dennis Reichard has questions about PRAG's analysis too and we will get all the information circulated. Also, Concord's plan should be available. Mr. Repasch indicated Concord only provided an analysis and a verbal explanation, not an in-depth presentation or formal report. Chairman Jobs offered that Ms. Holland contact PRAG for whatever info she would like to have regarding this subject, including anything they might have from Concord.

In summary, Chairman Jobes said the Board will be discussing this in further detail prior to the July meeting. It is hoped at that point the plan will be presented with recommendations to move forward.

Renew Lehigh Valley. Chairman Jobes reported that the Governor attended Renew Lehigh Valley's presentation at Illicks Mill this past Tuesday. The study focused on the water and wastewater systems in the Lehigh Valley and the consolidation of the systems. The conclusion of the study is there are too many service providers (40) and there is need to figure out the most effective and efficient way to serve the region. The paper also reported that by consolidating services, there would be \$40 billion in cost savings through the efficiencies, which would be passed on to the customer. He feels the Board is in favor of this, as it tried this approach in the past. Mr. Repasch added the study is three years in the making. The Authority and City were involved in some of the initial meetings. The final report recommends forming a Regional Water Council made up of members from Lehigh and Northampton Counties. The council would then look at the issues in the Renew Lehigh Valley plan and decide how to implement them. The Governor is backing this plan, just like consolidation of school districts.

Mr. Auman queried if the Governor was looking to back this plan with State funding for infrastructure. Mr. Repasch responded the only money issues mentioned were the funds already out there – the \$1.2 billion and the \$220 million forthcoming. Also, if the Federal and State governments continue to dole out funds to water suppliers, they would want to see it spent wisely so there is no redundancy in spending and services.

Mr. Master queried the funding of the expansion of the Easton Suburban Water Authority plant. Chairman Jobes said that funding is through Pennvest, which is not controlled by Governor. He added that Roy White from Easton was at Renew Lehigh Valley's presentation to promote regionalization and commented that it's a great idea in some cases.

Following up on that comment, Mr. Repasch noted that the first preliminary hearing in the PUC territory expansion case is next week, June 18.

Wind Energy – Update. Chairman Jobes reported the article in the newspaper following last month's meeting about the wind energy project generated a good amount of interest and feedback. Some comments related to environmental concerns and specifically focused on migrating birds and other impact issues. We responded appropriately. The Authority has done a good job of being good stewards to the environment and will continue to do so in its decision making. Again, this wind energy project is in very preliminary stages and we are gathering information at this point. He asked that if any of the environmental groups that regularly attend our meetings have or receive any feedback – good, bad or indifferent – he would appreciate if they could provide it to the Board for evaluation.

Mr. Repasch said the Board's direction was to have Delsea Energy provide more details about their business plan. He met with them and they are in process of working on this.

Mr. Oaks said a colleague of his is involved in wind energy projects and is probably one of the best informed foresters in the area of ground impact. He talked to him about his willingness to present his program to the Authority, and he would be. The presentation is three hours but could be shortened. Chairman Jobes appreciates this and asked Mr. Oaks to provide preliminary information to Mr. Repasch for the Board to consider.

REPORT OF THE EXECUTIVE DIRECTOR

Maximus Full Cost Study. Mr. Repasch reported on the Maximus Study, which is done yearly for the City. The study allocates General Fund charges to each department. This is very important to the Water Fund and to the Authority. He and Mr. Filipos have reviewed the study, and this past week they met with the City Controller's office and Dave Brong to go over outstanding issues and questions. The Controller's office will help in getting answers. The final report and how it will affect the agreement between the Authority and the City will be presented in July.

Chairman Jobs indicated the charges are pretty close and the Authority owes the City a small amount of money. Mr. Filipos confirmed the result is within \$10,000.00 of breaking even, and with the help of the Controller's office, we should be able to thoroughly understand the issues in question. Ms. Holland said the major issue is the variation in an allocation factor (based on square footage) from prior years.

Arbitrage Report Contract. Mr. Repasch would like the Board's approval for him to execute a contract With DOBBS, RAM & Co. for the arbitrage report on the Series 2004 Bonds. It is a five year calculation. DOBBS, RAM has done reports for the Authority the last several years and has done a good job. The contract is for \$3,000.00 and the acceptance fee is waived. PRAG gathered information from other firms, who offered the same services for \$5,000.00 and more. PRAG recommends DOBBS, RAM as well.

Mr. Gower moved to approve the contract with DOBBS, RAM & Co. for the 2004 Bonds Arbitrage Report in the amount of \$3,000.00 and to have Mr. Repasch execute same. Mr. Master seconded. Motion passed unanimously.

2nd Quarter 2009 Expense Projection and Budget Comparative

Income and Expense Projection for the 2nd Quarter 2009:

- Cash on Hand at June 1 - \$425,065.00 (\$97,750.00 in checking; \$327,085.00 in various CD's)
- Revenues Receivable – \$98,230.00 for the 2nd Quarter
- Total Projected Cash on Hand Before Expenses - \$566,620.00 for the 2nd Quarter
- Total Projected Professional (\$49,830.00), Administrative (\$60,000.00) and Police Expenses (8,500.00) - \$118,330.00 overall for the 2nd Quarter
- Total Projected Cash on Hand at the end of the 2nd Quarter - \$448,290.00

Chairman Jobs queried the PUC legal fees, more specifically if there is any idea what the total amount will be. Mr. Repasch responded the Authority is being invoiced by the City for 50% of the legal costs. There is no way of knowing how the hearings will go and what direction this process takes, especially if the people contesting the case draw it out as far as they can.

Chairman Jobs queried if there has been a commitment for a certain amount. We have to keep an eye on these costs. If the case gets way out of hand, the Authority may have to tell the City it will have to limit its exposure to set amount of dollars. Mr. Repasch responded no, this was discussed at the last meeting and as of now the costs are being split 50/50.

Mr. Master queried if the PUC lawyers could provide some kind of assessment of the case, even though some of the petition is uncontested. Mr. Broughal responded a request to the City should be made, stating that before the Authority considers future legal fees, it would like to have a status report from the PUC lawyers, especially after preliminary hearing. Mr. Repasch will follow through with the request.

Expense Budget Comparative for the 5 months ended May 31:

- Professional Services – \$44,808.00, 30% of budget. 53% of these expenses are reflected in the Financial Advisor fees with all the work involved on the financial plan. PRAG's billings are current. The remaining expenses are well below budget.
- Security and Property Expenses – \$8,155.00, 24% of budget
- Administrative Expenses – \$85,875.00, 37% of budget
- Overall – \$138,838.00, 33% of budget and tracking well.

REPORT OF THE CONTROLLER

Mr. Filipos' report for the month ended May 31, as circulated and filed, was accepted without comment. He noted the following:

- 1998 Bonds debt service interest payment of ~\$270,000.00 was made
- 2004 Bonds debt service interest payment of \$1.2 million was made
- Received \$297,000.00 from the City for the Landfill Bond interest payment due June 1

Ratification of Investments

Operating Funds Reserve CD Redemption. A CD with Harleysville Bank matured on June 1 in the amount of \$53,797.19. Since short term CD rates were very low, savings and money market products that might yield higher rates were investigated at the local banks. Upon comparison, Embassy Bank offered the better product and interest rate. The recommendation was to open a business savings account with Embassy Bank, redeem the CD and deposit the monies into this new account, currently earning 1.50% interest. This action needs ratification.

Mr. Master moved to ratify the redemption of the Harleysville Bank CD and the deposit of these monies into the Embassy Bank business savings account. Mr. Gower seconded. Motion passed unanimously.

Operating Funds Reserve CD Redemption. A CD with The Bank matured on June 9 in the amount of \$110,294.61. Again, with short term CD rates being low, the recommendation was to redeem the CD and deposit the monies into the Embassy Bank savings account. This action needs ratification.

Mr. Master moved to ratify the redemption of The Bank CD and the deposit of these funds into the Embassy Bank business savings account. Mr. Gower seconded. Motion passed unanimously.

Resolution 304 – Approval of Professional and Administrative Expenses. Chairman Jobes presented Resolution 304, as circulated and filed, to the Board for approval. The total amount is \$190,677.65 and consists of the following:

- Requisition 293 - City's water capital invoice totaling \$143,181.43
- Professional and Administrative expenses totaling \$47,496.22

Chairman Jobes queried the status of the Backwash System upgrade. Mr. Andrews responded that both pumps and the tank are functioning and the programming has been done. There are just some minor tasks to finish up. Everything should be complete by the end of June.

Mr. Gower moved to approve Resolution 304 as presented. Mr. Master seconded. Motion passed unanimously.

REPORT OF THE SOLICITOR

Nothing to report.

REPORT OF THE CONSULTING ENGINEER

There is no report filed. Mr. Repasch indicated the inspections for the 2009 annual report will begin by the end of summer. Chairman Jobes queried the status of the grants. Mr. Repasch responded no word has been received on the City's applications. He had heard mid-July, but now it could be August, based on a comment made by the Governor.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report, as filed and circulated, was accepted.

WATER REPORT

The Water Report for the month of May 2009, as filed, indicates the reservoirs are at 97% capacity. The report was accepted.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

In Mr. Dave Brong's absence, Mr. Repasch reported the following:

- ◆ Through May 31, receipts are ~\$500,000.00 behind plan, based on projected receipts of ~\$7.3 million and actual receipts of ~\$6.9 million.

- ◆ Invoicing through May 31 is very close to \$7.3 million. Receipts are falling behind due to collections. Residential invoicing is ahead of plan; commercial and industrial are lagging behind plan due to the present economy.
- ◆ Expenses are down ~\$322,000.00 against plan
- ◆ Net income is down ~\$138,000.00 against plan

Chairman Jobes queried the time frame in turning off water service. Mr. Andrews responded after the due date there are two warnings. After the second warning, there is termination of service if no payment is received. The bill usually gets paid quickly at that point. In some cases, depending on the financial circumstances, a payment plan is agreed upon. The Chairman also queried the timing from lateness to warning. Mr. Andrews responded if it's a monthly billing, the first warning is given the following month, and the second warning the month after that. Mr. Repasch added most delinquencies are residential customers, residential is billed quarterly, and therefore it could be 90 days until the first warning.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

Ms. Holland announced that the City is going to start accepting debit and credit cards for the payment of certain services. Their use to pay water bills will happen in the near future, which may help in collections. Mr. Andrews explained that the City needs to file a PUC tariff supplement indicating that payments will be accepted by debit and credit cards. This is merely a formality.

Mr. Oaks commented on the forestry program. There is still some interest in the stands that need to be timbered, but nothing has materialized since the last meeting.

Chairman Jobes queried the Tunkhannock Township supervisors' concern about branches left lying on the forest floor by our logging area. Officer Meixell responded that question was brought up by Long Pond residents to the supervisors, and the Township's solicitor responded to that question. Mr. Oaks added it's actually a healthy thing for the forest.

Chairman Jobes queried the Tunkhannock supervisors voting down the tree cutting ordinance previously reported to the Authority Board. Officer Meixell said this was discussed about 9 months ago, and Mr. Repasch said it didn't impact the Authority, so he didn't spend time on it. However, Mr. Oaks did and he explained the ordinance was confusing the process by using terminology and definitions that didn't apply to forestry. Basically, the ordinance was meant to slow people down in cutting trees. He was glad to see it did not pass from the standpoint of the amount of confusion it raised.

NEXT MEETING DATE

Chairman Jobes indicated that the next meeting is July 9 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 4:20 PM.

Richard L. Master, Secretary