

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

**JULY 9, 2009**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on July 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  
Richard Master, Secretary  
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 June 11, 2009 as circulated. Mr. Gower moved to approve the minutes from the June 11 meeting. Mr. Tallarico seconded. Motion passed unanimously.

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

Chairman Jobes recognized:

- Mark Sivak, City of Bethlehem Budget Analyst. He indicated the Mayor would like him to attend the Authority's meetings.
- Stephen Antalics, Bethlehem resident.
- Don Oaks, Authority Forester
- Bud Cook, The Nature Conservancy
- Members of the Press
- Al Wirth, Sierra Club. He said the Sierra Club is very enthused about the wind energy potential but that siting is critical for wildlife protection. They will be happy to work with the Authority on those issues. Also, a Natural Resource Management Plan is a critical need for the Wild Creek area. They hope the Authority will investigate that and again, they will assist the Authority in any way. Chairman Jobes appreciates any feedback and all things will be considered as the Board investigates this potential project.

## **REPORT OF THE CHAIRMAN**

**Financial Planning Discussion – Update.** Chairman Jobs provided an update on the meeting last Thursday between the Authority (Gower, Jobs, Master, Repasch) and City (Mayor, Brong, Reichard, Sivak) and their respective financial advisors PRAG and Concord. It was a good meeting, goals were brainstormed, and both the City and the Authority are in agreement on the objective of a long-term sustainable water system. PRAG and Concord were asked to do a financial analysis on the different topics discussed and the different ways to structure the finances to free up annual cash flow to support capital requirements in the near future. There is flexibility in the future to recast some debt, specifically the debt related to the new dam (the term of that debt is shorter than its useful life), and still undetermined is the surety bond issue. Options will be identified in the next month, the parties will meet again, and hopefully there will be an agreement to move forward on a plan of action. This topic will be discussed on a monthly basis as it moves forward.

Another topic Chairman Jobs brought up to the Board was the recent article in The Morning Call on the Lehigh County Authority (LCA) water supply issues and how residents are not happy about the restrictions being placed on them. This is an important topic that relates to the Authority and one that should be brought to the public's attention. A few years ago, Niagara Water identified the LV area as a place to build a plant. Bethlehem courted the company, as well as other municipalities. A high-end user looking for five million gallons daily, Niagara ended up building in Upper Macungie and tapping into the LCA water system. Now LCA's issues aren't helping the cause. Bethlehem has an over-supply of water. This issue ties into regionalism and the Renew Lehigh Valley report. He would like to submit an editorial to The Morning Call, with the Board's approval, to outline these thoughts and encourage future regionalism and working together. He feels this is a good example to highlight, as most people are not aware that situations like this could be prevented.

Mr. Repasch said he will check on the five million gallons daily because he doesn't think it's entirely accurate. Even for the City, that is a lot of water. He added regional efforts are always talked about in detail, the studies are done, and resources are spent, but nothing ever comes of it. He hopes the latest study bears some fruit, though he has his doubts.

Mr. Master suggested including in the editorial the responsibility of the State, which finances regional water systems, to provide guidance to the regions so that water resources can be properly utilized. The element of regional planning is missing at the State and environmental administration level. If there was intelligent regional planning at the state level, we would not be in this predicament.

Mr. Repasch said the City/Authority commented on that very subject at a hearing in town hall last year, that the State needed to be more involved with requirements and regulations to minimize the duplication of services.

## **REPORT OF THE EXECUTIVE DIRECTOR**

**Water Tank Maintenance Contract.** Mr. Repasch presented a water tank maintenance contract with Utility Services Co. Inc. (USC). The City has been trying to negotiate this contract with USC for the long-term management and maintenance of the above-ground 5MG Northeast Tank on Hecktown Road. The contract is structured to do a majority of the maintenance up front and defer the costs over a long period of

time. The City's requirements prohibit them from entering into this type of contract. Since this is a capital expense that would be paid from the BRIF, they have asked the Authority to enter into the contract for this tank. The Authority solicitor reviewed and worked on contract changes with USC's legal department.

Mr. Repasch recommends the Board enter into the contract with USC for the maintenance and management of the tank.

Mr. Andrews said the need for improvements to this tank were recognized about three years ago. The agreement is for USC to bring the tank up to standards and like-new condition. The tank will be repainted, the hatch will be enlarged, a circulator will be installed inside the tank to prevent the water from stagnating, and a new roof vent will be installed. Another benefit is the installation of a rail system on top of the tank, where cell phone providers can attach antennas to the rail instead of welding supports onto the tank. The overall rehab is a very large capital cost with payment to be spread over a period of four years. After that period, an annual maintenance fee is paid to inspect and maintain the tank. In the tenth year, the tank is repainted again. The City feels this is the best way to keep the tank maintained so as not to be strapped with a large capital outlay. They strongly support the contract for this tank. If all goes well, there is another tank they'd like to get under contract next year with USC.

The source of funds to pay for the contract are already a budgeted capital expense since the City started negotiating this contract last year. Because the cost is spread out over four years, the right to cancel the contract can't happen until after the fourth year, and there is a termination provision. USC is a dominant company on the east coast, and has contracts with LCA, Catasauqua, and several other area water utilities. The painting season is ideally spring or fall, when there is less demand for water. It is hoped DEP permits can be obtained to have the work commence after Labor Day. It should take approximately two months to complete the work.

Mr. Master moved to approve and authorize the execution of the contract with USC. Mr. Gower seconded. Motion passed unanimously.

**Grant Application Resolution.** Mr. Repasch presented a resolution for an H2O PA Grant in the amount of \$1,520,000.00 which the City is applying for toward the design and construction of security improvements to the high priority components of the City's water system. The Authority is the owner of the facilities and is the resolving body. A Vulnerability Assessment study, required by Homeland Security following 9-1-1, was completed several years ago and identified areas of the water supply system that could be adversely impacted by terrorists. The improvements have to be made and the necessary steps must be taken to secure the system and facilities as much as possible. This grant is for two-thirds of the cost and is one way to try to get the work done more quickly.

Chairman Jobes queried if any word has been received on the other grant applications. Mr. Repasch responded no, announcement supposedly been delayed until July 14, which is next week.

Mr. Master moved to adopt the resolution for an H2O PA Grant application for the security improvements to the water system. Mr. Gower seconded. Motion passed unanimously.

Mr. Repasch added he's been working on a Growing Greener Grant application for improvements in the watershed specifically for deer fencing and timber road improvements. There are no resolution requirements for that grant, only administrative work.

**Maximus Full Cost Study.** Mr. Repasch reported on the Maximus Study, the report that allocates General Fund charges to City departments. The Authority's agreement with the City is to reconcile the charges on an annual basis. The study was received in late May and has been scrutinized in detail. He, Dave Brong and John Filipos have met with the City Controller on a few occasions. Preliminarily, the Water Fund owes the General Fund ~\$7,000.00. In the previous year's reconciliation, the General Fund owed the Water Fund ~\$300,000.00+. It was decided to net these amounts together when the payment is due in June, 2010 (per the agreement). There are still some outstanding questions on how the costs were allocated. If there are any adjustments, they won't result in a large difference in the charges. They will be meeting with the City Controller's office in the next two weeks and there will be full reconciliation report next month.

Mr. Filipos explained that the City re-allocated the square footage based on the area that the Water Department uses. The allocation increased compared to the one used before. The City's contention is the area was under-allocated in previous studies. We are amenable to this but need to understand the process used to determine the allocation.

Chairman Jobes said the good news is the issue has been addressed and the charges are now in line. There should no longer be large, excessive charges that cannot be accounted for or rationalized. Mr. Master added that City Council will carefully scrutinize this work done by the Authority as they have been very sensitive to this issue.

**Wind Energy Project – Update.** Mr. Repasch received the requested business plan information from Delsea Energy (Delsea). Also, at the Board's direction, he found a consultant willing to evaluate the favorability to the Authority/City for a wind energy project. He would like the Board's direction on whether to pursue this consultant before any further steps are taken. This project would be very significant for the Authority, region and environment, so we must make sure there are no missteps along the way.

#### Discussion.

Chairman Jobes suggested having a conference call with Delsea so they can explain how the numbers were arrived at before assumptions are verified by a third party. But Mr. Gower doesn't understand why we are dealing with Delsea, even though they approached the Authority. It puts the Authority in a weaker negotiating position. This was a random act by a supplier whose interests are not that of the Authority, and it requires us to have expertise. We should have a consultant who is familiar with the wind energy industry and the participants in it. The right approach is to RFP wind energy providers and have a consultant review and select the best supplier/operator. We need to gain more knowledge to help influence the pursuit of the idea.

Mr. Broughal's concern is that the Authority starts spending money on a project that, in the end, is determined not to pursue and most likely because of financial reasons. The Authority owns the land, but it's leased to the City. The City has the right to say yes or no to the project, and it may come back as no. That aspect needs to be explored first before the Authority starts spending money on a consultant for a project that might not happen to begin with. Mr. Gower said even if the answer is no, we still may have the opinion that there is not enough information and we'll need to spend a modest amount of money to have more information. We need someone working for us to help us. There is more than philosophy involved – there is energy and cash.

Mr. Master said there are positives and negatives. The Authority has no way of evaluating or knowing what the market is or will be, a good deal versus a bad deal, a good supplier versus not so good supplier, and so on. If we are interested in exploring this potential, then we need expertise and he agrees with Mr. Gower. This is an intriguing opportunity and it would be a responsible expenditure to hire a consultant to evaluate the potential.

Mr. Repasch said the Authority can go to Council, and send out RFP's for both consultants and wind energy providers. The proper steps must be taken. Again, through his research since the last meeting, he was able to find one firm who has experience in this field and he'll ask them to develop a scope of work. There is not much of a market in this area for this type of energy, unlike the mid-west or New England areas. He did solicit Councilwoman Dolan for her input, but she hasn't responded. Chairman Jobes suggests talking with the Mayor for his initial thoughts and Council President Donchez as well. This was in the press so they should have heard about it.

Mr. Tallarico said the risk is in spending the money to answer questions. It could be discovered that there is absolutely no wind to generate power. Another thing to consider is where to draw the line if a consultant is hired. Somewhere, someone has to pay.

Don Oaks informed the Board he can bring in a colleague who has agreed to make a presentation at no cost to the Authority. This person is a forester who has a wealth of experience doing on-the-ground work for other water companies; however, he is not interested in taking on another client at this time. He can give the Board more confidence in answers to questions and perhaps what direction to go. There is a lot of ground work involved for this type of project, and a team of experts is necessary, including a hydrologist. For instance, when the pads are constructed there is a lot of compaction that could affect some of the hydrology and water flow.

The Board concluded it would like to have the proper information and expertise to evaluate this wind energy potential before going further with Delsea. They are also interested in a presentation by Mr. Oaks' colleague to help provide more detail and information. Mr. Repasch will continue to work on seeking out additional consultants, and will follow up with the Mayor and Council on this discussion.

### **3<sup>rd</sup> Quarter 2009 Expense Projection and Budget Comparative**

Income and Expense Projection for the 3<sup>rd</sup> Quarter 2009:

- Cash on Hand at July 1 - \$460,710.00 (\$132,665.00 in checking; \$328,045.00 in savings)
- Revenues Receivable – \$97,410.00 for the 3<sup>rd</sup> Quarter
- Total Projected Cash on Hand Before Expenses - \$558,120.00 for the 3<sup>rd</sup> Quarter
- Total Projected Professional, Administrative and Police Expenses - \$124,315.00 overall for the 3<sup>rd</sup> Quarter
- Total Projected Cash on Hand at the end of the 3<sup>rd</sup> Quarter - \$433,805.00

Expense Budget Comparative for the 6 months ended June 30:

- Professional Services – \$82,177.00, 55% of budget. 94% of these expenses are reflected in the Financial Advisor fees. There has been a lot of work involved on the long-term financial plan, which was not anticipated last year when developing the budget. Reserves will be the last means to pay for this obvious budget over-run. We are not current with PRAG's billing either. The last invoice received and still outstanding amounts to ~\$15,000.00. Also, when an agreement is reached on which financial plan will be implemented, financial advisory fees specific to the plan will be paid from that financing and not from the budget.
- Security and Property Expenses – \$8,989.00, 26% of budget.
- Administrative Expenses – \$102,780.00, 44% of budget.
- Overall – \$193,946.00, 46% of budget

Chairman Jobes queried the negative fuel expense. Ms. Reppert responded that was the amount of the federal and state fuel tax refunds received for the prior year. The claims are filed on a yearly basis.

### **REPORT OF THE CONTROLLER**

Mr. Filipos' report for the month ended June 30, as circulated and filed, was accepted without comment. He noted the Landfill Bond debt service interest payment of \$297,000.00 was made on June 1.

**Funds Transfer Agreement with Embassy Bank.** With regard to the recent business savings account opened with Embassy Bank, there is a Funds Transfer Agreement the Authority can enter into to facilitate the transfer of money from the Embassy account to another type of Authority investment account. The agreement authorizes Mr. Repasch and Ms. Reppert to initiate these wires.

Mr. Tallarico moved to approve and authorize the execution of the Embassy Bank Funds Transfer Agreement, which authorizes the staff to wire funds between investment accounts as authorized or directed by the Board. Mr. Gower seconded. Motion passed unanimously.

### **Ratification of Investments**

**Operating Funds Reserve CD.** A CD with National Penn Bank matured on June 30 in the amount of \$110,274.76. Short term CD rates at various local banks were compared to the renewal rates provided by National Penn. This information was circulated to the Board with the recommendation to redeem the CD and invest the funds with Lafayette Ambassador Bank for 60 days at an interest rate of 1.11%. This action needs ratification.

Mr. Gower moved to ratify the CD investment with Lafayette Ambassador Bank in the amount of \$110,274.76 for 60 days at 1.11%. Mr. Master seconded. Mr. Tallarico voted aye. Chairman Jobes abstained.

**BRIF CD Reinvestment.** Three CD's within the Fulton Financial Inter-Affiliate CD Program matured on July 3 in the amount of \$651,195.56. Bids were solicited from CDARS banks and Fulton Financial's Inter-Affiliate CD Program. The results were circulated to the Board with the recommendation to reinvest the

funds in the Fulton Financial Inter-Affiliate CD program for 3 months at an interest rate of 1.11%. This action needs ratification.

Mr. Gower moved to ratify the reinvestment of \$651,195.56 in the Fulton Financial Inter-Affiliate CD Program for 3 months at 1.11%. Mr. Master seconded. Mr. Tallarico voted aye. Chairman Jobs abstained.

**Resolution 305 – Approval of Professional and Administrative Expenses.** Ms. Reppert presented Resolution 305, as circulated and filed, to the Board for approval. The total amount is \$340,456.01 and consists of the following:

- Requisition 294 - City's water capital invoice totaling \$311,570.77
- Professional and Administrative expenses totaling \$28,885.24

Chairman Jobs queried the charge of \$110,000.00 to Kovatch for water maintenance equipment. It was for the purchase of a Navistar truck with body and plow.

Mr. Tallarico queried the status of the backwash system. Mr. Andrews responded it's functioning and operating quite well.

Mr. Tallarico moved to approve Resolution 305. Mr. Gower seconded. Motion passed unanimously.

### **REPORT OF THE SOLICITOR**

Mr. Broughal had nothing to report.

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

There is no report filed. Mr. Repasch indicated the inspections will commence next month for the 2009 annual report.

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

Officer Meixell's report, as filed and circulated, was accepted. He added that it has been a quiet summer in the watershed. He and the Game Commission did several joint ATV patrols and it was uneventful. Also, the decreased ATV activity has caused some of the Authority's roads to grow shut.

### **WATER REPORT**

The Water Report for the month of June 2009, as filed, indicates the reservoirs are at 100.18% 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 as of June 30:

- Receipts total \$8.8 million against a revenue plan of \$9.0 million, or \$200,000.00 behind plan. Expenses are below plan by \$300,000.00. The net effect is the Water Fund is \$100,000.00 ahead of plan.
- Cash balance in the Water Fund is ~\$2.9 million. While sales are behind, the fund is performing well.
- Invoicings are the same as receipts, at \$8.8 million. It is a rare occurrence when invoicings and receipts are matched this well.

**PUC Territory Expansion.** The City has lost the support of Omega Homes in Allen Township. Chairman Jobs queried the circumstances. Mr. Repasch responded Omega needed sewage capacity as well as water supply and in this regard had to deal with Northampton Borough Municipal Authority for both issues, even though their preference, in writing, was to have Bethlehem water. The case continues in Bethlehem Township and hearings will begin later this summer. He, Dave Brong and the City's PUC attorney had a conference call last week to discuss strategy going forward. Key people, including a Board member or members, need to be involved in additional talks this month because key decisions need to be made before the hearings arise. He will keep the board informed. The hearings are scheduled for the third week of September.

**Backwash System.** Mr. Repasch reiterated Mr. Andrews' comments from earlier in the meeting citing the success of the project.

**A.W.O.P. Award.** The City received notification it had won the Area-Wide Optimization Program Award for its work at the Water Treatment Plant (WTP). This is testimony to the substantial progress made at the WTP over the last several years and it is the crowning achievement of the Authority/City. City officials have been invited to a ceremony at State College to receive the award.

## **OTHER BUSINESS**

Mr. Repasch received a letter from Bud Cook of The Nature Conservancy (TNC) regarding the wind energy project. TNC is supportive of this type of project and will keep alert for issues concerning wildlife, erosion, sediment, siting specific to forest vegetation and others. He very much appreciated the input.

Chairman Jobs added that any help from TNC and the Sierra Club is appreciated, including names of consultants and references.

## **COURTESY OF THE FLOOR**

Stephen Antalics commented on the wind energy project. He said any decision needs to be supported with data - hard numbers - and that can only be achieved by erecting test towers, which is one part of problem. The other part is seasonal air patterns. In some areas of the country, wind patterns are consistently in the same direction all the time, but in this area, they are not and they need to be studied over a minimum of four seasons to see if there would be any payback. If the Authority pays a consultant,

wouldn't that consultant want the Authority to allow the wind testing in order to say "yes or no?" Mr. Gower responded that the consultant would: 1) assure the Authority that whoever is chosen as a preferred partner has evaluated all factors both appropriate and necessary – wind, environment, wildlife; and 2) provide the Authority with the business issues that are essential to make a decision. Any potential partner will offer and propose things, and consultant will advise which are fair and equitable. Mr. Antalics said this would be a very major project and questions if the Authority is looking for the best company or if the project is even feasible. Chairman Jobs responded the Board is just starting to look at the topic and is trying to understand, explore and learn about it. There are a lot of issues and no decisions will be made next month or even six months from now.

### **NEXT MEETING DATE**

Chairman Jobs indicated that the next meeting is scheduled for August 13; however, he is not able to attend. After a brief discussion it was decided to move the meeting to August 20 at 3:30 PM.

### **ADJOURNMENT**

There being no further business, Mr. Gower moved to adjourn the meeting. Mr. Master seconded. Motion passed unanimously and the meeting adjourned at 5:00 PM.

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Richard L. Master, Secretary