

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

**JANUARY 14, 2010**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on January 14, 2010 in Conference Room B504, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:40 PM by Chairman Mark Jobes, with the following in attendance:

John Tallarico, Vice Chairman  
Richard Master, Secretary – Participating by telephone  
Vaughn Gower, Treasurer  
James Broughal, Esq., Solicitor  
John Filipos, CPA, 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 December 10, 2009 as circulated. Mr. Tallarico moved to approve those minutes. Mr. Gower seconded. Motion passed unanimously.

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

Chairman Jobes recognized the following visitors:

- Ms. Nicole Radzievich, The Morning Call
- Mr. Dylan Jenkins, Director of Forest Conservation, The Nature Conservancy
- Mr. Todd Sampsell, Director of Conservation Operations, The Nature Conservancy
- Mr. Bud Cook, The Nature Conservancy
- Mr. David McGuire, Lehigh Valley Sierra Club
- Mr. Stephen Antalics, Bethlehem resident
- Mr. Donald P. Oaks, Forestry Consultant
- Mr. Terry Faul, Esq., representing Delsea Energy
- Mr. Dave Brong, City of Bethlehem
- Mr. Matt Levin, Janney Montgomery Scott
- Mr. Jeff Fahry, Janney Montgomery Scott
- Mr. Peter Carlucci, Esq., Eckert, Seamans, Cherin, & Mellot
- Mr. Nate Jastremski, The Bethlehem Press

## **REPORT OF THE CHAIRMAN**

**Financial Plan – 1998 Bond Refinancing.** Chairman Jobes said the recommended financial plan was a Line of Credit (LOC) and refinancing the 1998 bonds as interest rates are favorable. City Council approved the LOC in December, but the first reading of the bond refinancing ordinance at Council's January 4 meeting did not pass. There were some questions raised by a few council members, which were sent to the Authority and City administration. Those questions were addressed and responded to. There is now a better understanding of the parameters and what is necessary for the bond refinancing to happen. The second reading of the ordinance is next week.

Mr. Peter Carlucci, the Authority's bond counsel, informed the Board of some last minute information he received prior to the start of this meeting. He spoke with Mr. Chris Spadoni, Council solicitor, who said that under Roberts Rules of Order, there will need to be two new readings of the ordinance. Mr. Spadoni's view is the first reading failed under the old Council, which then adjourned and the new Council began. The first new reading of the ordinance will occur on January 19 and the second reading on February 2. This delay should not adversely affect the financing schedules or savings, but the Authority needs to re-advertise. There are two notices required – pre-enactment and post-enactment. A pre-enactment notice was already published on December 30 and the ordinance must pass within 30 days of that notice. The February 2 meeting falls outside of those 30 days. For the record, the advertising expense with The Morning Call for the first notice was \$1,000.

Mr. Carlucci has two resolutions that the Authority needs to act on today. The first resolution appoints Janney Montgomery Scott (Janney) as the underwriter with respect to the proposed bond issue. PRAG, the Authority's financial advisor, sent out requests for proposals. The results were circulated to the Board, and PRAG's recommendation was to use Janney, whose proposal was the lowest cost.

Mr. Gower moved to approve the resolution to hire Janney Montgomery Scott as the underwriter for the proposed bond refinancing issue, based upon the recommendation of the Authority's financial advisor. Chairman Jobes seconded. Mr. Master and Mr. Tallarico voted aye. Motion passed.

Mr. Carlucci presented the second resolution for the Board to consider, which authorizes:

- achieving net present value savings of 3% (currently \$313,200), and under no event less than 3% of the 1998 bonds to be redeemed.
- The Bank of New York Mellon as trustee, which is a continuation of the current relationship.
- the financial advisor and other consultants to the Authority to take whatever action necessary to consummate the transaction, assuming the target savings are achieved.
- the appropriate officers to execute documents and delegates the Chairman and Treasurer the ability to sign a definitive bond purchase agreement till such time as that occurs.

The resolution also requires a certificate from the consulting engineer, and he has provided Mr. Neal Kern with a proposed form of certification. Mr. Kern added the certificate for the bond issue is specific for that purpose, separate from the certificate issued for the annual report. Chairman Jobes queried if the annual report is part of the refinancing, and Mr. Kern responded no. He won't have the financial information for the annual report from the City until mid February. Chairman Jobes concluded one of the most important hurdles is the 3% savings as was discussed with City Administration and Council.

Mr. Gower moved to approve the resolution authorizing the Board and the Authority consultants to act accordingly with regard to the bond issue as presented and discussed, as long as the minimum 3% net present value savings is achieved. Mr. Tallarico seconded. Chairman Jobes and Mr. Master voted aye. Motion passed.

Mr. Matt Levin thanked the Board for hiring Janney as the underwriters for the bond issue. Most importantly, the resolution passed today provides for a savings target rate. He handed out an update of the projected refunding results. One scenario is an insured scenario, where the Authority would purchase an insurance policy from a monoline bond insurer (fairly decimated over the last few years), which does make sense and helps to achieve savings in excess of the parameters of the resolution. As of today, by using insurance, the present value savings is \$467,230, or 4.475% of the refinanced principal. Without insurance and using A- rating in the market, savings are \$286,000, or 2.735% of the refinanced principal. Things could change as Janney approaches pricing. They will procure the insurance policy and determine whether to use it on the day of pricing. The municipal market is in a much better place than one year ago, and is robustly open.

**Operating Authority.** Chairman Jobes said operating authority issue is one of the Board's next objectives, once the financial restructuring is complete. Mr. Gower and Mr. Master will explore this further to determine its feasibility.

Mr. Gower said mostly all of their time has been spent on the financial planning issues, but he appreciates this being on the agenda. Mr. Master added that the Mayor has stated publicly in his meeting with Council's finance committee that he wants the Authority to proceed with the investigation of an operating authority and would like to see and review the information.

## **REPORT OF THE EXECUTIVE DIRECTOR**

**2010 Bond Underwriter.** This item has already been discussed. Mr. Repasch welcomed Janney and looks forward to establishing a good relationship with them.

**Wild Creek Softwood Plantation Contract.** Mr. Repasch presented a contract with Glatfelter Pulp Wood Co. (Glatfelter) for the Board's execution for the timbering of a Wild Creek softwood plantation. This particular contract with Glatfelter was discussed at the October, 2009 meeting. At that time, the Board was agreeable to the contract conditioned upon Mr. Broughal's review. Also, Glatfelter wanted to wait until 2010 to sign the contract. Once signed, timbering will commence some time in February. In reviewing the contract, Chairman Jobes questioned the current market for saw timber. The timber market is still relatively flat, so the following was added to the Terms of Sale, which provides for flexibility if the market improves:

"If the log market at the time of harvesting increases above the \$26/ton threshold, the price to the seller will be renegotiated at that time at a price agreeable to both the seller and the buyer."

As Mr. Gower recalls, this particular area is grossly overgrown and needs to be thinned. It is not about the money from a timber sale, it's about dealing with a problem. Although done out of turn, the Authority would like to have a complete management plan. Mr. Repasch said the City has a forest management plan for the Wild Creek Watershed dated from the 1980's, and at that time this very stand was recommended for thinning.

Mr. McGuire queried how many acres are planned to be timbered, and Mr. Repasch responded 50 acres.

Mr. Gower moved to approve the contract with Glatfelter Pulp Wood Co. for the timbering of 50 acres of a softwood plantation in the Wild Creek Watershed, which has been reviewed and finalized by the Authority solicitor for execution. Mr. Tallarico seconded. Chairman Jobs and Mr. Master voted aye. Motion passed.

**TNC Working Woodlands Program Letter of Intent.** Mr. Repasch presented a Letter of Intent (LOI) from The Nature Conservancy (TNC). In recent weeks, he, Mr. Gower and Mr. Broughal have discussed the program and have met several times with representatives from TNC. It is believed the Authority is in the position to recommend the LOI. Highlights of the LOI are as follows:

- Goal is to protect and sustainably manage the Watersheds in Carbon and Monroe Counties – 23,000 acres in total.
- Negotiate terms with TNC and Blue Source.
- TNC will provide Forest Stewardship Council (FSC) Certification, which improves marketability and value of timber.
- New source of revenue through the sale of carbon credits by Blue Source.
- No out-of-pocket expense to the Authority.
- LOI will provide access to state grant of \$20,000.
- TNC to provide all FSC management and certification services.
- LOI allows parties to negotiate agreements.
- Two agreements necessary to accomplish the above:
  1. 10 year Carbon Marketing and Development Agreement with Blue Source.
  2. Working Forest Management Agreement with TNC for an additional 50 years that allows for premium carbon credits.

Mr. Broughal said the LOI is a general guideline to where the Authority, TNC and Blue Source would like to have an agreement in the future. It is non-binding, so at any time, any party can discontinue negotiations and walk away. The LOI does indicate the two additional agreements previously mentioned will have to be consummated by June 15, 2010, except to the extent the Authority agrees to utilize the \$20,000 grant, payable to TNC to formulate a forest management plan (FMP). The type of FMP depends on if the Authority proceeds or not with the two additional agreements. He believes the grant was done in cooperation with TNC and the money always intended to go to them.

### Board Discussion

Chairman Jobs said a FMP is something the Authority wants to have in place. It is also the first step to receiving carbon credits. He queried if the \$20,000 is the full payment for the FMP. Mr. Broughal responded there is language in the LOI to that regard, and Mr. Repasch added the grant was awarded to the Authority. Once TNC has completed the FMP, the Authority will process the paperwork with the State to receive the grant money to pay TNC.

Mr. Broughal said the primary focus is the FMP, which the Authority never had. There will be a tree inventory of all the trees in both watersheds. The sale of carbon credits depends on the FMP and inventory. The cost of a FMP is probably more than \$200,000 and the Authority does not have the resources for that. However, TNC will fund that study, with the understanding that the Authority will share a percentage of whatever carbon credits are able to be sold in the future.

Mr. Gower said the standards under which the FMP is created will establish a level of forest management that will permit our timber, when sold, to be FSC (Forest Stewardship Council) certified. If achieved, the forest is being managed at the highest and world-renowned levels, and the timber will be more valuable when sales are appropriate. By using revenues from carbon credits, there will be no out-of-pocket costs and perhaps monies left over to the Authority.

Chairman Jobs queried TNC on how long it takes to get through the process to realize any revenues from carbon credits. Mr. Dylan Jenkins responded the Authority's property is large. The inventory process is weather dependent, and is usually done in late spring and summer because seedlings are part of the inventory. Following is the management planning phase and assessing the data and inventory. TNC then provides the data to Blue Source, who calculates the carbon revenue stream. Because of Blue Source's network with Goldman Sachs, carbon can be pre-marketed and the revenue maximized. In total, the process takes approximately 8 to 12 months.

Chairman Jobs said there is an on-going process trying to develop other revenue sources outside of the bonds. This is a much quicker process than the wind energy potential and the Board will prioritize and focus on those revenue sources that have a quicker time frame.

Mr. Master queried the magnitude of the annual revenue for carbon credits and if it will be shared with TNC. Mr. Gower responded based on the information from Blue Source, the gross assumptions at today's market price, in advance of actual inventory and assessment, range from \$55,000 to \$125,000 annually, and that is net to the Authority based on the not-yet-negotiated proposal. The balance of the revenues would be going to TNC and Blue Source for their services, part of which is the FMP.

Mr. Master said he understands this is the start of the process, but if TNC and Blue Source are going to be making an investment in this situation based on the LOI, what are their expectations, what kind of return will they receive, what kind of return will the Authority receive, what is the share, how is this being shared? Mr. Broughal responded all those issues will be addressed and negotiated. The LOI doesn't do anything, and the \$20,000 grant for the FMP will happen. No one is volunteering to make a substantial investment based on credits that might be the Authority's under this LOI. The Authority is agreeing to continue negotiations and make sure its interests are protected. Mr. Gower added there could have been a very generic agreement to proceed to investigate, but instead there have been preliminary discussions that have helped the Authority to shape what might be finally negotiated in the future. This has been time invested to help the program be successful. It remains to be seen if there will be agreements.

Mr. Repasch said he contacted Broadlands Financial on Mr. Gower's suggestion. They may have people on their staff familiar with carbon markets who can advise the Authority if this is a good venture, so there might be additional expenses having an analysis done by a third party.

Mr. Master endorses the objective of FSC for the Authority's forest. Not only does it make the timber more valuable, but it shows we're being responsible and promoting world-wide sustainability. He just wants to make sure that no one is making an investment on behalf of the Authority without us really understanding the economics.

Mr. Broughal again said this LOI is a roadmap which will get the Authority to a Carbon Marketing Development Agreement and a Working Forest Management Agreement. Those are the agreements that will commit the Authority to other things. They are the agreements for sharing carbon credit revenues for 10 years. However, for 50 years thereafter, there will be significant restrictions on the property, similar to those that would be typical in a conservation easement (can't develop the land, but

timbering and such other activities under the FMP are allowed). The reason for the restrictions is carbon credits are being sold, therefore the trees need to be there for period of time – in this case 50 years. Mr. Bud Cook added there are no restrictions on the development of water generating facilities, which is included in the LOI.

Mr. Master queried if there is a substantial investment in the FMP outlined in the LOI. Mr. Broughal responded only to the extent of the \$20,000 grant. But that FMP will not come close to the plan required for a carbon revenue operation, which could exceed \$200,000. TNC will not invest that amount of money until the other agreements and plans are in place with the Authority. Mr. Tallarico added the monies spent by TNC for doing the studies and developing the entire management plan would be recouped from their share of the carbon credits. According to Mr. Todd Sampsell, the landowner receives the bulk of the monies generated by carbon credits. TNC provides the FSC and the costs to perform the FSC management plan services.

Mr. Master said his company has experience in FSC. He understands this is a major undertaking. He hasn't been very involved in this issue, but he is concerned how all these revenue sources will be shared and if there are any particular interests apart from TNC interests that need to be recognized. Our land is the major asset.

Mr. Gower said the concerns and questions are all the same. This appears to be a great opportunity, but that's all that can be said presently. This non-binding LOI is the start of negotiations to get the Authority to the point of discussions.

Mr. McGuire queried if he heard correctly that the work product will be a FMP and certification, and if the draft plan will be presented publicly for comment. Mr. Dylan Jenkins responded that a big part of FSC is the public stakeholder process, which makes it stand out above some of the other forest certification standards. He does not know where public input comes into play in the process. TNC will reach out as appropriate to all stakeholders who use and/or are impacted by the property. First and foremost, the Authority is the landowner and its goals and objectives need to be addressed. Another thing to note, while the tangible products are the FMP and carbon revenue generation, this is a relationship to make sure the forest is managed sustainably for as long a time as possible to produce very high quality economic, ecological, and social values. TNC really wants to provide a long-term working relationship, interfacing with the Authority's forester and other representatives, to make sure all values to be gained are maximized.

Mr. McGuire said it has taken a long time for the Authority to get to this point. There has been such a change in this entity. He commends the Board and staff for the work they have done and the very positive steps they have taken, and he is satisfied seeing it happen. He requested Mr. Repasch to send him the LOI in electronic form.

Chairman Jobs thanked Mr. McGuire for his comments. He also appreciates TNC for their help in working with us on this issue, as well as the on-going great working relationship.

Mr. Gower moved to approve the execution of The Nature Conservancy Working Woodlands Program Letter of Intent. Chairman Jobs seconded. Mr. Master and Mr. Tallarico voted aye. Motion passed.

**Forestry Consulting Contract.** The Authority currently has a forestry consulting contract with Mr. Don Oaks, however the contract is specific only to a portion of the Tunkhannock Watershed. Since there is now the LOI to work with the TNC on a forest management plan, Mr. Repasch feels a forester is needed on a more comprehensive basis. Since this is a provided service, he would like the Board to approve his sending requests for proposals to a minimum of six consulting foresters for forestry consulting services.

Mr. Gower moved to approve the Executive Director to send out requests for proposals for forestry consulting services. Chairman Jobes seconded. Mr. Master and Mr. Tallarico voted aye. Motion passed.

**Wind Energy Developer Evaluation – Non-Disclosure Agreement.** Mr. Repasch informed the Board that in order for Broadlands to complete their evaluation of Delsea Energy (Delsea), action is required today for the Authority to enter into a Non-Disclosure Agreement with Broadlands and Delsea (Broadlands' evaluation of the other wind energy provider is complete). Mr. Broughal reviewed the agreement and he has no issues with it. Mr. Terry Faul, Esq., who represents Delsea, said Delsea and Broadlands have both signed the agreement.

Mr. Broughal said Delsea wanted Broadlands to sign a confidentiality agreement. Broadlands had some reluctance until an exception was made as part of their contract with the Authority. The agreement is a standard business procedure to protect proprietary information. Under the Right-To-Know law, this type of information can be withheld.

Mr. Gower moved to approve and execute the Non-Disclosure Agreement with Delsea Energy and Broadlands Financial. Mr. Tallarico seconded. Chairman Jobes and Mr. Master voted aye. Motion passed.

**T-Mobile Lease Amendment.** Mr. Repasch said T-Mobile alerted the Authority a few months ago that they had overpaid on their cell tower lease (Hecktown Road water tank) due to a flaw on their part in the lease language. As discussed at the December meeting, the Board agreed that beginning in January 2010, the T-Mobile lease would be amended to include a 3% annual increase, instead of the 10% they were paying. The 3% increase is believed to be fair.

Mr. Broughal said T-Mobile contended the 10% increase was only to happen at the end of the initial term, which was 5 years, and at the end of every renewal term thereafter. He recently received the lease amendment, which does include an annual increase of 3%. He just needs to verify that the amendment is retroactive to January 1, 2010.

Mr. Gower moved to approve the T-Mobile lease amendment contingent upon the solicitor verifying the amendment is retroactive to January 1, 2010. Chairman Jobes seconded. Mr. Master and Mr. Tallarico voted aye. Motion passed.

**Agricultural Easement.** Mr. Repasch brought up for discussion the Monroe County (the County) agriculture easement. The County recently contacted him to find out if the Authority is still interested in pursuing the easement. They are submitting their request to the State for funds for 2010 and will include the amounts to cover the Authority's properties. He noted the following:

- The three parcels in Tunkhannock Township were appraised in 2005. The 702 acres were valued at \$1.9 million.
- The total acreage in the Tunkhannock Watershed is 8,500.
- Currently, 305 acres are leased for agricultural purposes.
- There is a \$500 application fee.

Mr. Repasch said at the December meeting, Mr. Master supported going forward with this and Mr. Broughal would be willing to move forward if the City indicated there is no current need or likelihood of future need for water facilities, in perpetuity. That has been the issue. Also, the consulting engineer would be asked to look at the facilities currently in the Tunkhannock Watershed in support of the City's opinion. If this agricultural easement would be signed and formalized and we would need facilities on any of the properties covered under the easement, the land could be condemned. However, at least four different agencies would also have to approve the condemnation. He is asking only to move forward with telling the County to include the Authority's properties in their request to the State.

### Board Discussion

Mr. Broughal wants to make sure everyone understands this agricultural easement is forever and extremely restrictive.

Mr. Master said it is restrictive in that the lands have to be used for agricultural purposes. Unless the long range plans of the City are to build a dam and the lands will be under water, we can't proceed. The easement value is high. He thinks it makes a lot of sense economically and is responsible to do.

Mr. Gower said we should indicate to the County to include our property values in their submission to the State. There is enough history and discussion that it would be good for them to have the funds if we move to pursue the easement in the future. Step 1 is to get the County ready, and Step 2 is to get the City and the consulting engineer to work on how the land will be used in the future. Mr. Master agrees, but we've been through this before. Step 1 should be the City and consulting engineer saying the lands will not be used as a dam.

Mr. Tallarico said this easement goes beyond a dam and \$2 million. We lose control of the land forever and never have it again. We control the land now. We shouldn't have to go through condemnation to regain control.

Mr. Master said it's never been intended to sell the land. The land is part of/adjacent to water generation operations. It's in the public's interest that we maintain the land, so why not dedicate these fields for agricultural use, which is also in public's interest, and at the same time receive substantial revenues needed right now.

Mr. Tallarico said he understands the revenue part, but forever is a long time. What good is having the land if we are selling the rights? We might as well sell the land. There might be some use in the future that arises that we're not aware of now.

Mr. Gower pointed out another issue not on the agenda yet -- the sustainable native grasses for fuel. There is more investigating and understanding that needs to be done on that issue. We may be able to be paid for our land by preserving it for agricultural purposes, grow sustainable grasses, produce revenue, and still have use of the land. He's interested in making the connection because it is important to this easement discussion

Chairman Jobes agrees with Mr. Tallarico. He is very concerned about perpetuity. There will always be issues coming up in the future that aren't thought of now. For example, who would have thought about wind turbines and carbon credits 10 years ago? Another example is the drilling of natural gas and other things that are happening now. He does not want future generations having their hands tied forever. He believes there will always be the potential for something other than agricultural use of these lands.

Mr. Repasch clarified the easement allows for underground facilities, such as a pipeline. It does not allow for above-ground facilities.

Mr. Gower said thinking about what we have to do today is preparation for discussions in the future. From the Authority's standpoint, we'd be foolish not to tell the County we'll pursue the easement, even if we don't.

Mr. Master agrees on the substance of the discussion, but since the Board is split on whether or not to pursue, it's not a good thing to ask the County to reserve the funds. We're not ready. It's a huge opportunity and ultimately makes sense, but there is no consensus. Mr. Repasch said the County needs to know by January 20. Mr. Broughal said he has no issues with the Board discussing this amongst themselves up until that date. Any action taken would have to be ratified at the next meeting.

Mr. Tallarico said we've been down this road twice before. He'd rather be upfront with the County if the Authority is interested or not. The City just borrowed \$10 million. If the money is needed that badly, that's one thing, but not to the extent of selling the rights to our land. The land will always be there.

Mr. Master said there is not enough positive feeling about this and it is not desperation. The Mayor had expressed an interest in pursuing the easement

Mr. Gower said in the spirit of the operating authority, we need more information. There is no urgency. To help us be more informed, we should maintain a relationship with the County and devote more time to understanding the issue.

Mr. Terry Faul commented that he represents some farmers who are seeking money under this program. His understanding is the State is not funding the program this year. They simply do not have the monies available right now. Mr. Broughal suggested that Mr. Repasch contact the State about the funding issue.

Chairman Jobes said the agricultural easement falls lower on the list of the issues this Board is presently investigating. It will always be there to pursue.

## **1st Quarter 2010 Income/Expense Projection and Expense Budget Comparative.**

### **Income and Expense Projection for the 1st Quarter 2010:**

- Cash on Hand at January 1 - \$405,210 in various accounts
- Revenues Receivable – \$97,023 for the 1<sup>st</sup> Quarter.
- Total Projected Professional, Administrative and Police Expenses – \$89,815 overall for the 1<sup>st</sup> Quarter.
- Total Projected Cash on Hand at the end of the 1<sup>st</sup> Quarter – \$412,418.

### **Expense Budget Comparative for the 12 months ended December 31:**

- Professional Services – \$215,065, 144% of budget.
- Security and Property Expenses – \$20,776, 61% of budget.
- Administrative Expenses – \$219,310, 93% of budget.
- Overall – \$455,150, 109% of budget.

There was discussion concerning the professional services. The financial advisory fees were most significant due to the Lehman Brothers bankruptcy, and then the line of credit and bond refinancing issues. There were a lot of discussions back and forth with the City, and although not preferable they were necessary discussions under the circumstances. If the process would have been more efficient, there would not have been so much time spent on everybody's part. In the future, we need to have the City's input, plan and direction without the Authority's financial advisor trying to guide them. It was a good learning experience. The PUC legal fees of \$42,000 also were not budgeted. Chairman Jobes commended the staff for a good job controlling and reducing expenses as best as possible in other areas.

With regard to the January 19 Council meeting, Mr. Repasch mentioned that PRAG and Mr. Gower and Mr. Tallarico can attend. Mr. Master said due to one councilman's confusion of the refinancing issue at the prior Council meeting, it might be a good idea to talk to them prior to this upcoming meeting. This is a complicated issue. Chairman Jobes felt the questions and answers have already been addressed.

## **REPORT OF THE CONTROLLER**

Mr. Filipos' report for the month ended December 31, as circulated and filed, was accepted without comment. He pointed out that the City sent in the 5% lease coverage payment due from November and the payment due under the (2005) Memo of Understanding. The debt service payment of \$582,000 was made on the landfill bond.

**BRIF Balance vs. City's Line of Credit.** Mr. Filipos said with regard to the City's Line of Credit (LOC), he, Mr. Repasch and Mr. Brong need to have a plan on how to spend down the BRIF money. As of today, a rough calculation indicates a balance of ~\$3.761 million in the BRIF, and a minimum of \$2 million must be kept in that fund. He said the money is needed to pay interest payments in the future when the LOC is utilized. It may not be a good idea to spend all the reserves.

Chairman Jobes queried the yield on the BRIF. Mr. Filipos responded ~\$2.5 million is in PLGIT earning .26% interest, and the remaining ~\$1.2 million is in CD's now earning .95% interest.

Mr. Gower said the principle to establish should be to draw down the BRIF to the \$2 million minimum to provide for the cash flows that are needed, using the monies earning lower interest first to pay for capital expenses before going to the slightly higher cost of borrowing on the LOC. If something were to happen, then the City has to adjust its water capital plan.

Mr. Brong said to keep in mind there are revenue sources in the BRIF, such as the lease coverage which is ~\$350,000 per year and interest earnings on the investments.

Mr. Repasch will provide more calculations and information next month to be formally approved.

**Ratification of CD Investment.** Ms. Reppert reported that a CD in the BRIF matured on January 7 in the amount of \$1.22 million. Bids were sent to local CDARS banks and to the Fulton Financial Inter-Affiliate CD program. The results of the bid were emailed to the Board with the recommendation to invest \$1.22 million with Fulton Financial for three months at an interest rate of .95%. The earnings on the CD will be ~\$2,900. The investment transacted on January 12 and needs to be ratified.

Mr. Gower moved to ratify the CD investment with Fulton Financial as presented. Mr. Tallarico seconded. Mr. Master voted aye. Chairman Jobes abstained. Motion passed.

**Resolution 311 – Approval of Professional and Administrative Expenses.** Chairman Jobes presented Resolution 311 to the Board for approval. The resolution was amended to include the City's water capital invoice since being circulated yesterday. The total amount is \$69,652.09 and consists of the following:

- Requisition 300 - City's water capital invoice totaling \$11,627.67.
- Professional and Administrative expenses totaling \$58,024.42.

Mr. Gower moved to approve Resolution 311 as presented. Chairman Jobes seconded. Mr. Master and Mr. Tallarico voted aye. Motion passed.

## **REPORT OF THE SOLICITOR**

Mr. Broughal has nothing further to report.

## **REPORT OF THE CONSULTING ENGINEER**

The Consulting Engineer's report for January was circulated and filed. Mr. Kern said he met with City staff yesterday and they have made significant progress on the valve replacement project. As discussed earlier, the other issues that arose are the financial certification for the bond refinancing and looking at the facilities in Tunkhannock if the agricultural easement issue moves forward.

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

Officer Meixell's report was filed.

## **WATER REPORT**

The Water Report for the month of December 2009, as circulated and filed, indicates the reservoirs are at 99.53% capacity.

## **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

In recapping 2009, Mr. Brong said although it wasn't a good year financially, there was a lot accomplished, especially the water treatment process upgrades. He reported the following on the Water Fund as of December 31:

- \$17.7 million revenue, \$1.2 million behind plan, due to a bad economy and cool, wet summer.
- \$18 million expenses, +\$1 million behind plan.
- ~\$180,000 net income, off plan
- Delinquencies are ~\$400,000, ~2% of annual revenue, which is substantial. Most are residential.
- Residential consumption is down ~5%; industrial down ~30% and economy driven
- Cash on hand at year end is ~\$300,000. It was intended to be somewhat higher
- In 2010, the Water Fund is expecting some one-time revenues from the bond refinancing and General Fund repayment. Also, the City is doing preliminary work for a PUC rate increase.

## **OTHER BUSINESS**

None.

## **COURTESY OF THE FLOOR**

Mr. Gower said Mr. Repasch deserves a lot of credit for all the issues he's had to deal with in 2009.

Chairman Jobses felt this was a good meeting with a lot of discussion on a lot of exciting topics. He appreciates all of the efforts of the Board, the Authority staff, and the City as well.

## **NEXT MEETING DATE**

The next meeting is scheduled for February 11, 2010 at 3:30 PM. Please advise of any conflicts.

## **ADJOURNMENT**

There being no further business, Mr. Gower moved to adjourn the meeting. Mr. Tallarico seconded. Chairman Jobses and Mr. Master voted aye and the meeting adjourned at 5:25 PM.

*John J Tallarico, Jr., Assistant Secretary*