

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

FEBRUARY 11, 2010

The regular meeting of the Board of Directors of the Bethlehem Authority was held on February 11, 2010 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
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 January 14, 2010 as circulated. Mr. Gower moved to approve those minutes. Mr. Tallarico seconded. Motion passed unanimously.

Chairman Jobes presented the minutes from the reorganization meeting held January 14, 2010 as circulated. Mr. Master moved to approve those minutes. Mr. Tallarico seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Ms. Meg Holland, City of Bethlehem Controller
Mr. Gene Auman, City of Bethlehem Deputy Controller
Mr. Jeff Andrews, City of Bethlehem Superintendent of Water Supply and Treatment
Mr. Terry Faul, Esq., representing Delsea Energy
Mr. Bud Cook, The Nature Conservancy
Mr. Jeff Williams, Citizen

REPORT OF THE CHAIRMAN

1998 Bond Refinancing – Pricing and Bond Sale. Chairman Jobes reported that the 1998 bonds were refinanced this morning. This concludes the last piece of the financial plan. Janney Montgomery Scott (Janney) marketed and underwrote the bonds. The bond market has been receptive, rates have been getting better, and the yields and timing were in the Authority's favor.

Through some negotiations, the net present value savings was a little better than \$800,000, and at 7.7% significantly higher than the 3% threshold established by Board resolution last month. The demand for tax exempt bonds in the market is good; the supply is not as good. Most of the bonds were pre-sold by Janney, and they will continue to market those that weren't. He felt this was a very successful venture. He thanked everyone for their hard work, especially Mr. Repasch, Mr. Gower and Mr. Broughal.

Mr. Gower said one fact to point out is the City's Water Fund budget for 2010 reflected a \$250,000 savings, and there is now a \$450,000 savings. He felt a good job was done by all as well.

Mr. Repasch said the settlement date is scheduled for March 16, and all the details will be worked out by that time.

Chairman Jobes reiterated his appreciation for Mr. Repasch's hard work in these past weeks. There is always a lot of activity in bond financing and refinancing, especially as the time gets closer. There was another conference call an hour ago authorizing the bond sale and agreeing to the final numbers. He felt Janney stepped in to guarantee the sale of the remaining bonds, since the recent winter storms may have curtailed the activity of retail brokers.

(It is noted that City Councilman Eric Evans and Donald Oaks entered the meeting at 3:35).

REPORT OF THE EXECUTIVE DIRECTOR

Working Woodlands Program Update. Mr. Repasch reported last month, the Board approved and signed a Letter of Intent with The Nature Conservancy (TNC) to negotiate the terms of several agreements for the Working Woodlands Program (a certified forest management plan and carbon marketing agreement for the next 50 years to keep the land free of development). We had asked TNC to give us an estimate of the cost to maintain our watershed in a sustainable manner in compliance with FSC certification. Last week, he and Officer Meixell escorted two representatives from TNC on a tour of the watershed for a first-hand look at the watershed now, in terms of additional work they would expect might be needed for FSC certification. He anticipates having a letter report from TNC in another two weeks and suggested the subcommittee review the information internally.

Mr. Repasch also reported that a cursory review by Dylan Jenkins from TNC outlined four areas that will need to be addressed as part of and in order to maintain forest certification. Some of the items are things that the Authority should be doing anyway:

1. Boundary lines. The boundaries are not marked appropriately. This has to be done in order to maintain certification, and doesn't need to be done all at one time. As long as there is a plan to have it done, that will suffice. There have been issues in the past with the boundaries, such as encroachments, thefts, etc.
2. Invasive species. There are several invasive species, and although they are not significant, a program is needed to monitor and control them. The species are a certain type of plant growth – barberry bushes and a certain type of weed currently in small isolated areas.

3. Tree cutting in the forest, other than timber contracts and silviculture projects. From time to time, this had been done by City staff or people other than City staff for firewood. We would need a plan to control and monitor this type of activity, as long as it's done in accordance with the forest certification standards.
4. Stakeholder input. The Authority should conduct public outreach sessions to some of the stakeholders in the watershed, although it is not certain to what degree at this point.

Mr. Master queried if Mr. Jenkins was a consultant from FSC. Mr. Repasch responded no, he is the forester for TNC. Mr. Master said TNC is a stakeholder, and he feels TNC has certain interests they'll promote. Although the Authority's interests are mostly consistent with TNC's, certain other areas are different. He has experience with FSC and they are very concerned with chain of custody (timbering to sawmill to manufacturer to retailer), record-keeping, employment practices. They are not as concerned with species. Regeneration and sustainability are important and public outreach is a major issue, but there may be another list that needs to be looked at. He would like an FSC consultant to be contacted.

Mr. Repasch will follow through on that request. Concerning the carbon credit market, he made contact with the Dayhill Group about evaluating this project (similar to Broadlands and the wind energy) to make sure the Authority is getting the best deal.

Chairman Jobes queried who makes up the subcommittee. Mr. Repasch responded he, Mr. Broughal and Mr. Gower. Mr. Master said he has experience with FSC and will also work with the group.

Stand 50 (Starky Swamp) Timber Sale Proposal. Mr. Repasch reported that timber sale proposals were sent out to several potential bidders. Only one offer was received from Glatfelter Pulp Wood Co. He suggests that the offer be tabled and another RFP issued to a broader group of timber harvesters. Stand 50 is mostly hardwoods.

Mr. Gower moved to reject Glatfelter Pulp Wood Co.'s offer for the Stand 50 Timber Sale and to authorize the Executive Director to send out a new Request for Proposal to a broader scale of timber harvesters. Chairman Jobes seconded. Motion passed unanimously.

Wind Energy Developer Evaluation. Mr. Repasch reported that the final report on Delsea Energy was just received from Broadlands this past Monday. Since the subcommittee and Board as a whole have not had enough time to review it, he believes it is best to have detailed discussions on both the Delsea and Iberdrola evaluations at the next meeting. The reports are very extensive.

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

Income and Expense Projection for the 1st Quarter 2010:

- Cash on Hand at February 1 - \$381,275 in various accounts
- Revenues Receivable – \$97,388 for the 1st Quarter.
- Total Projected Professional, Administrative and Police Expenses – \$92,815 overall for the 1st Quarter.
- Total Projected Cash on Hand at the end of the 1st Quarter – \$409,783.

Before discussing the expense comparative, Mr. Repasch noted that the (total) professional fees regarding the bond refinancing are well within the estimated \$140,000, and they will be discussed prior to settlement in March.

Expense Budget Comparative for the month ended January 31:

- Professional Services – \$4,410, 2% of budget.
- Security and Property Expenses – \$1,123, 4% of budget.
- Administrative Expenses – \$21,562, 9% of budget.
- Overall – \$27,095, 6% of budget.

REPORT OF THE CONTROLLER

Mr. Filipos' report for the month ended January 31, as circulated and filed, was accepted without comment. He reported there were no transactions out of the ordinary for the month, only the usual transfers among the accounts.

Resolution 312 – Approval of Professional and Administrative Expenses. Chairman Jobes presented Resolution 312 to the Board for approval. The resolution totals \$75,597.14 and consists of the following:

- Requisition 301 - City's water capital invoice totaling \$48,385.81.
- Professional and Administrative expenses totaling \$27,211.33.

Chairman Jobes queried the power line pole replacement expenses and if this was a planned project. Mr. Andrews responded the project was completed last year. The poles and power lines from Wild Creek to the intake were the originals from the 1950's and 1960's. The poles were rotting, tree branches were falling on the wires, and there was not much insulation on the wires. City crews cut back trees where necessary and the new poles and wires were installed.

Mr. Repasch said that some of the timber from this project was sold, so there was a small return. The money from timber sales goes into the City's Water Fund, per an agreement with the City.

Mr. Tallarico moved to approve Resolution 312 as presented. Mr. Master seconded. Motion passed unanimously.

BRIF Balance vs. City's Line of Credit. Mr. Filipos reported that he and Mr. Repasch worked on a spreadsheet, which is based on what the City projects it will need from the Authority for capital expenses. Conservatively, they determined the BRIF can pay for ~\$500,000 of expenses before the City begins using the Line of Credit.

Mr. Repasch said the minimum needed in the BRIF is \$2 million, and based on the City's projections, it appears that the BRIF will be at ~\$2.6 million at the end of July. And by leaving a cushion, the BRIF could pay expenses through August, even knowing it will increase marginally from interest income and the flow of funds in May. The Board will be provided the spreadsheet on a monthly basis as it is updated.

REPORT OF THE SOLICITOR

Mr. Broughal had nothing to report.

REPORT OF THE CONSULTING ENGINEER

The Consulting Engineer's report for February was circulated and filed.

Mr. Master queried if the \$800,000 savings on the bond refinancing will go into the Water Fund to subsidize operations and improvements. Mr. Broughal responded it's a misnomer to say there is money coming out of the refinancing. It is less money that the City has to pay on debt service. Mr. Gower added it translates into less debt service expense in years 2010 and 2011. The City budgeted savings of \$250,000 for 2010 (based on 3% savings needed) and is actually saving \$450,000. It also translates into more money available for the City to spend on projects and less of a drain on the BRIF. Chairman Jobes said the Authority needs to make sure that is the City's intent and plan.

Mr. Master said we should expect a certain amount of discipline on the City's part. The Authority should send a letter summarizing the transaction. We should also see a new set of cash flow numbers for the coming years. Chairman Jobes said that is a fair request, but he thinks the excess should go toward the capital expenses so that less is borrowed on the Line of Credit. Mr. Tallarico said the savings from the bond refinancing is like refinancing a mortgage. Where the Water Fund spends that extra cash is up to Dave Brong.

Mr. Master said the Authority has the right to scrutinize the numbers. Over a period of years until the point is reached for restructuring the bulk of the bonds, we're expecting the Line of Credit to subsidize the capital requirements and long-term maintenance of the water system.

Chairman Jobes queried the status of the valve replacement program and timing on the Pennsylvania Avenue project. Mr. Andrews responded Neal Kern has been working on the final plans for Pennsylvania Avenue, and they have just received an estimate for the five valve projects.

Mr. Repasch added it is likely that most of the work will be done this year in late spring or early summer.

The Consulting Engineer's report was accepted.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report was circulated and filed. Officer Meixell said he attended a Penn DOT hearing along with Mr. Andrews. Penn DOT is planning on replacing two bridges between the reservoirs in 2011, and they plan on using Hell Hollow Road as the detour. This is a single lane, gravel road that crosses five streams feeding the Penn Forest reservoir. They questioned Penn DOT about this and their response was it will be re-evaluated. There could be a lot of truck traffic using this detour, and the only other viable detour is 20 miles out of the way. The time frame on

the replacement for one bridge is three to four months, and the main bridge over Wild Creek between the two dams is four to six months because it is the entire sub-structure in addition to the decking.

Mr. Andrews said he told Penn DOT some of the work is not acceptable because of possible stream contamination from some of the materials. He also asked Penn DOT for copies of the project specifications. Penn DOT will need the appropriate NPDES and soil and erosion permits, and have to deal with the Fish and Game Commission. If anything goes wrong, especially with dirtying a trout stream, the Fish and Game Commission will shut down the project.

Mr. Broughal said Penn DOT will do what they want, and sometimes unfortunately the only way to deal with them is politically.

Chairman Jobes concluded that the Board be needs to be apprised of the project as it progresses.

Mr. Master queried about the trapping of coyotes on Authority property and said he would like to revisit the cooperative agreement due to the situation where a hunter's dog got caught in a trap. Officer Meixell responded the agreement the Authority entered into with the Game Commission allows hunting, fishing, trapping, and so on, and there is trapping in both watersheds. The dog was not hurt by the snare-cable trap, which is legal. Coyotes can be hunted all year because they are considered a nuisance and the fish and game clubs have coyote contests. There are those who hunt coyotes with dogs and those who trap coyotes.

Mr. Repasch said the agreement should be looked into to see if there is a clause to prohibit as trapping. Last year the agreement was just extended for another five-year term, but there are clauses that may give us some rights.

Bud Cook from TNC said the types of hunting and trapping can be specified in the cooperative agreement, but Officer Meixell said from an enforcement standpoint, that would be difficult to do on 23,000 acres. There are also beaver trappers in Long Pond, but otherwise it is just hunting.

Mr. Broughal agreed it's one thing to permit trapping, but it's another thing to not permit it and be able to enforce it.

Mr. Master would like research on what animals are truly nuisances. It is known that deer are with regard to the regeneration of the forest. He would also like to consult with TNC for any recommendations concerning the Authority's agreement with the Game Commission.

Mr. Gower asked Mr. Master if he was against trapping. Mr. Master responded he is against the unnecessary killing of animals if they are not a nuisance, and he is against trapping. He thinks it's a painful way to do something to an animal. While he recognized hunting is a sport, he was very surprised that coyotes are trapped.

This issue will be discussed at next month's meeting.

WATER REPORT

The Water Report for the month of January 2010 was circulated and filed, and indicates the reservoirs are at 100% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

There is no report.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

Wind Energy

Mr. Jeff Williams had written a letter to the Authority (which Mr. Repasch provided to the Board) about wind energy development on Authority property. He strongly encourages the Board to consider carbon credits, land trust monies, or other available resources versus wind energy. Wind energy has a lot of drawbacks. The Authority has the most pristine and environmentally sensitive property in Pennsylvania. TNC considers it one of the most important places in North America. He's in favor of wind energy but only in areas conducive to it. Long Pond is probably the worst place to put wind turbines.

Mr. Repasch said there are two watersheds, and the Board is reviewing proposals for potential development in both watersheds. No decisions have been made yet.

Chairman Jobes said this topic is in the exploratory stage, it is continually being discussed, it is a long, drawn-out process, and there are extensive environmental assessments that have to be done beforehand.

Mr. Williams said he doesn't have much faith because he feels it's a political environment. The assessments can be weak and are done before development. There is very little research after development, almost none. The statistics aren't there.

Mr. Tallarico said he and Mr. Gower visited Iberdrola's Locust Ridge wind farm in Schuylkill County. There is a scientific consulting firm there that studies the area every day. Every bird that hits the ground is marked and plotted. They are beginning a bat study and trying a new deterrent system.

Mr. Gower said in addition to that, there are barriers for erosion near some of the towers, and attention was focused on the amount of run-off from some towers on slopes. It's right to be concerned, and they were impressed that Iberdrola has those concerns in mind when conducting its daily business.

Mr. Williams said he didn't know there were independent firms. DEP required operators to submit reports once every two years, and the operators did their own research. But he did query where the results go. DEP's workforce has been cut by 40%. Mr. Don Oaks responded the results go to the Game Commission.

If the Authority proceeds, Mr. Gower said there are a multitude of factors to consider—the developer's capability, integrity, corporate mantra, and so on.

Chairman Jobs thanked Mr. Williams and said his concerns are valid. The only thing the Authority has done up to this point is evaluate the initial feasibility. If anything does happen, it is years away, if ever.

Watershed Boundaries

Mr. Tallarico brought up the issue about the boundary lines in the watershed. It has been talked about a lot over the years but not much was done as far as surveying. There are certain areas where it would be helpful. There are a lot of records, but not definitive boundary lines or markers. We should considering looking into surveying a certain amount of property every year.

Mr. Gower said those comments are parallel to the sale of carbon credits and whether or not the proceeds netted would be sufficient enough to cover costs to operate at FSC standards. Boundary marking is one of those standards. Revenues could be devoted to the activities needed for FSC certification. He supports fixing the boundary lines of problematic neighbors first, versus general activity.

Mr. Tallarico said the issue could arise where someone would say the trees are on their property, not the Authority's, and they'll want the carbon credits.

Mr. Broughal said there are no clear monuments or markers, especially in areas such as Long Pond. Some of the deeds go back to the 1930's and 1940's. It is not an inexpensive proposition, although the market now for surveying may be to the Authority's advantage.

Mr. Andrews said up until approximately 10 years ago, surveying work was done every year by Ralph Clay. The work was very difficult and costly because the deeds did not agree or match up and Mr. Clay spent a lot of time doing research.

Mr. Gower queried Bud Cook if TNC has all its boundaries posted. Mr. Cook responded every property owned by TNC is surveyed and the boundaries are marked. They use different surveyors and will share whatever corners and markers they have with the Authority.

Mr. Repasch said in his conversations with Dylan Jenkins on the FSC certification, TNC will develop a plan for us to get to the point in the future where all the boundaries are marked.

NEXT MEETING DATE

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

ADJOURNMENT

There being no further business, Mr. Master moved to adjourn the meeting. Mr. Tallarico seconded. Chairman Jobes and Mr. Master voted aye and the meeting adjourned at 4:30 PM.

Richard L. Master, Secretary