

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

JANUARY 13, 2011

The regular meeting of the Board of Directors of the Bethlehem Authority was held on January 13, 2011 in Conference Room B504, 10 E. Church Street, Bethlehem, PA, immediately following the reorganization meeting. The meeting was called to order at 3:45 PM by Chairman John Tallarico, with the following also in attendance:

Vaughn Gower, Vice Chairman
Richard Master, Secretary – participating by telephone
Mark Jobes, Treasurer
James Broughal, Solicitor
John Filipos, Controller
Stephen Repasch, Executive Director
Sandra Reppert, Administrative Assistant
Daniel Meixell, Special Police Officer

APPROVAL OF MINUTES

Chairman Tallarico presented the minutes from the regular meeting held December 9, 2010. Mr. Jobes moved to approve the minutes. Mr. Gower seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Chairman Tallarico welcomed the following visitors:

- Mr. Stephen Antalics, Bethlehem resident
- Mr. William Kissner, City of Bethlehem Police Officer
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Bud Cook, The Nature Conservancy
- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Jeff Andrews, City of Bethlehem Superintendent of Water Supply and Treatment
- Members of the Press

The Chairman said there will be no changes in the format of the Board meetings or Courtesy of the Floor. The Board respects everyone's comments and input.

Mr. Repasch introduced Mr. William Kissner to the Board. In December 2010, the Board approved hiring Mr. Kissner, a City of Bethlehem police officer, as a part-time special police officer for the Authority. Mr. Kissner said he has been a City of Bethlehem Police Officer for twenty years, was born and raised in Palmerton, lives within a mile of Bethlehem Authority property and knows the area well. For him this position is a good fit. He thanked the Board and looks forward to working with Officer Meixell and the Authority.

REPORT OF THE CHAIRMAN

Wind Energy Developer Negotiation. Chairman Tallarico said before getting heavily involved in negotiations with Call Mountain Wind, the Authority will be meeting with Penn Forest Township supervisors. This is the first big initiative to move forward with the wind energy development as the township needs to be aware of the studies, the plans, etc. Mr. Repasch added that there is a meeting tentatively scheduled for next Tuesday at 1:00 PM at the Penn Forest Township municipal building.

Working Woodlands Program. Chairman Tallarico said that after a lot of time and hard work on everyone's part, the Working Woodlands Program agreement has been provided to The Nature Conservancy (TNC). The process to get to this point has been long, and both parties believe the Working Woodlands Program will be a unique and beneficial program. Bud Cook said they reviewed the Authority's marked-up copy this morning and provided it to their solicitor for review. The Chairman thanked Mr. Cook for all his help through this process.

Mayor Callahan entered the meeting at 3:55 PM.

City Lease Back Transaction. Chairman Tallarico said the Authority very recently learned that the City, as part of its 2011 budget, would like the Authority's help through a lease-back transaction similar to the Hirko transaction. The City will be responsible for the cash flow required to pay the interest and principal of the Bonds. Preliminary documents were received in December. For the Authority's protection, it will need the opinions of its bond counsel, financial advisor, solicitor, and possibly the consulting engineer if any certifications are needed. These costs to the Authority should be relatively small because the City's bond counsel and financial advisor will do most of the work and will be paid as a cost of issuance. A formal opinion from the Authority's bond counsel on behalf of the water revenue bondholders is necessary because the new bonds would be tax exempt. The Authority's financial advisor will review the documents generated by the City's financial advisor

Mayor Callahan said there is a City Council Finance Committee meeting on January 31 and all the details should be worked out by that time. This transaction is identical to the Hirko transaction. The assets have to match up to the borrowing, the collateral for the bonds is the full faith and credit of the City's guarantee, and there is no risk to Authority. It is an accepted practice. The Mayor also said the City would help bear the Authority's costs as cost of issuance.

Mayor Callahan took the opportunity to publicly recognize Mark Jobes for his leadership as Chairman of the Bethlehem Authority for the past two years. The Authority has come a long way over the last decade. A lot has happened during Mr. Jobes' tenure as Chairman, most notably the Working Woodlands Program and working toward wind energy development in the watershed. The Mayor recognized the Authority Board as the most professional Board within the City and relied upon for their expertise. He thanked them for their time and hard work. He thanked the Executive Director for all his hard work for the Authority as well. He presented Mr. Jobes with a certificate of appreciation "In recognition of outstanding work as Chairman of the Bethlehem Authority. Thanks on behalf of the residents of the City of Bethlehem." Mr. Jobes thanked Mayor Callahan and said the Authority's work is certainly a Board and staff effort, and they will continue to make good strides.

REPORT OF THE EXECUTIVE DIRECTOR

PA DOT Right-Of-Way – Penn Forest Road. Last month the Board approved a proposal from PA DOT in the amount of \$6,700 for the right-of-way for additional property for a bridge reconstruction project. There are additional documents that PA DOT provided for approval and/or execution. The Authority needs to approve a resolution that has been developed by the Authority Solicitor which authorizes the sale and conveyance of the areas designated for certain right-of-way and temporary construction easements to PA DOT and the execution of the deed and settlement documents.

Mr. Gower moved to approve the resolution as presented. Mr. Jobes seconded. Motion passed unanimously.

Broadlands Contract. The Authority will continue to need assistance from Broadlands Financial Group during its negotiations with Call Mountain Wind on the wind energy development. An agreement to move forward with Broadlands for consulting services was developed, but the Board does not have to act on it today. The options are for the Authority to be billed at the hourly rate of \$150 on a monthly basis for work performed plus expenses, or pay \$3,200 per month over a 30-month period for a total of ~\$96,000. Mr. Repasch also suggested the possibility to use Broadlands hourly only up until the time a license agreement is reached with Call Mountain Wind and the City and City Council agree as well. When a license agreement is reached, all of the Authority's costs will be reimbursed. After further discussion, the Board said it was in favor of paying Broadlands on an hourly basis since the outcome of this wind energy development is unknown. They would like a termination clause to be negotiated as part of the contract. Mr. Repasch will inform Broadlands of the Board's decision and present a revised contract next month for approval.

Forestry Program. In May, 2010 a contract was entered into with Wes Walters of Keith Walters and Sons Logging and Chipping Co. to timber Stand 50 at a price of \$42,300. The original contract expires May 15, 2011, and due to some difficulties, it appears the job cannot be completed by that time. Also, some of the markets for pulpwood have dried up, and there is no market for it in the region. Mr. Walters has asked for a contract extension through October 15 so he can timber the stand this summer. He has offered to pay \$8,000 up-front to extend the contract, which includes the original \$1,000 bid deposit, \$3,000 additional performance deposit, and \$4,000 as an additional installment on the first cutting. The \$8,000 would then be deducted from the total original contract price of \$42,300. The Authority's forester supports the contract extension.

Mr. Jobes moved to extend the forest products sales contract with Keith Walters and Sons Logging and Chipping Co. through October 15, 2011 as discussed. Mr. Gower seconded. Motion passed unanimously.

With regard to the report from the Authority's forester that was circulated to the Board, Mr. Repasch mentioned the USDA's Biomass Crop Assistance Program. This is a program where the Federal government will pay additional money if timber is cut and used as an alternative fuel. Essentially, the timber prices and revenue stream increase dramatically. Our forester will try to enroll the Authority in the program in the next few months.

Mr. Repasch has a meeting next Wednesday at 11:00 AM with the Authority forester and Mike Eckley, the forester from TNC. Mr. Eckley is replacing Dylan Jenkins who resigned from TNC. They will be reviewing the steps that will be taken during the inventory phase for the Forest Management Plan portion of the Working Woodlands Program.

IRS Questionnaire. Last month, the Authority received a questionnaire from the IRS regarding the 2004 bonds. The document was passed onto the Authority's bond counsel and financial advisor for their input, they were given Power of Attorney to communicate as necessary with the IRS, and the deadline to respond was extended to January 21. The responses were received early this afternoon from bond counsel, who believes the questionnaire was a random survey and will not bring any issues. The Authority is in compliance with the IRS.

Proposed Gas Pipeline. Mr. Chuck Leonard of the Pocono Mountains Economic Development Corp. (PMEDC) has asked to meet with the Authority and the Game Commission tomorrow morning. Based on the outcome of some studies, there are proposed changes to the proposed route of the pipeline. Mr. Repasch said that based on a meeting he and Officer Meixell had last week with the Game Commission, the Authority has some adjustments to the proposed route as well. The Game Commission shared with him the standard fees it charges for pipelines and rights-of-way, which will be helpful to the Authority in determining the value of any right-of-way granted. Mr. Leonard indicated that while PMEDC has the funding to complete the design and engineering for the pipeline, as yet the funding is not in place for construction. However, they will proceed as though the funding will become available.

Final 2010 Expense Budget Comparative

- Professional Services – \$115,296, 55% of budget. It was anticipated to spend a large sum of money studying the operating authority transition in 2010, but none was spent. This will gain momentum again in 2011.
- Security and Property -- \$25,459, 84% of budget.
- Administrative Expenses -- \$234,798, 97% of budget.
- Overall -- \$375,553, 78% of budget.

First Quarter 2011 Income and Expense Projection

- Cash on Hand at January 1, 2011 -- \$452,400
- Projected Revenues Receivable -- \$98,413
- Total Projected Professional, Administrative and Police Expenses -- \$99,055 overall for the 4th Quarter
- Total Projected Cash on Hand at the end of the 4th Quarter -- \$451,758

Mr. Repasch asked the Board if it would like to continue to see this report on a monthly basis. The consensus was yes, the look ahead and cash flow are the value of the report.

REPORT OF THE CONTROLLER

Mr. Filipos' report for the month ended December 31, 2010 was circulated and filed. He pointed out that the Landfill bond principal and interest payments were made and the City sent in the 5% lease coverage payment to the Trustee. The remaining activity was normal cash flows in and out of the funds.

Resolution 323 – Professional and Administrative Expenses. Chairman Tallarico presented Resolution 323 to the Board for approval. The resolution was circulated, filed and totals \$55,520.06. It consists of the following:

- Requisition 310 – City's water capital invoice totaling \$21,419.97
- Professional and Administrative expenses totaling \$34,100.09

Mr. Jobes moved to approved Resolution 323. Mr. Gower seconded. Motion passed unanimously.

BRIF Investments. Mr. Repasch circulated information to the Board regarding a bid sent out to invest \$513,919.35 in jumbo CDs, CDARS and/or the Fulton Financial Inter-Affiliate CD program. (This amount consists of a CD that matured today in the amount of \$250,896.04 and the lease coverage payments from the City in the amount of \$263,023.31.) His recommendation was to invest \$250,000 in a jumbo CD with Lafayette Ambassador Bank for three months at .45% and the remaining \$263,919.35 in the Fulton Financial Inter-Affiliate CD program for three months at .30%.

As was requested by Mr. Jobes last month, we called around for information and interest rates on products that might yield a higher interest rate than the monies in PLGIT. Currently, there is ~\$1.5 million that could be deposited into a municipal money market account. First Niagara has a product that earns .45% on balances of \$1+ million. There are wire fees involved, but given the interest rate over a three-month, the earnings would still be ~\$700 greater than PLGIT. Also, at this rate, all the BRIF money could be in the money market rather than some CD's. The investment policy states *"Investments in instruments other than certificates of deposit may include appropriate investments at PLGIT or any other similar cash management funds managed by the Treasurer of the Commonwealth or investment advisors who manage significant amounts of assets of other water authorities or cities within the Commonwealth of Pennsylvania."* After further discussion, the Board said it did spend a lot of time on establishing the practice of limiting exposure and managing the amount of investments to be within the FDIC limits. It is still comfortable with the policy, which had been revisited and re-affirmed in the past year. It results in the sharing of deposits in various institutions.

Mr. Gower moved to approve the BRIF investment in the amount of \$513,919.35 as presented. Chairman Tallarico seconded. Mr. Master voted aye. Mr. Jobes abstained.

REPORT OF THE SOLICITOR

Nothing to report.

REPORT OF THE CONSULTING ENGINEER

The Consulting Engineer's report for the month of December 2010 was circulated and filed. Mr. Neal Kern thanked the Board for the reappointment of Barry Isett and Associates as Consulting Engineer. He summarized the past year's activities, which were many. Currently, he is waiting on the financial information from the City to be able to complete the 2010 Annual Report. Also, he just learned today that the announcement of last year's PA H2O grant applications will be delayed and made in March.

Mr. Gower asked if the replacement capital that had been identified relative to the early 2010 bond issue is unchanged. Mr. Brong responded there were some unforeseen issues after the capital plan was developed. Capital spending is behind schedule because some projects were delayed, and no money was used from the line of credit. He agrees it would be good to take a fresh look at and restate the remainder of the five-year capital plan.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report for the month of December, 2010 was circulated and filed. The carcass of an immature bald eagle was found inside the fence at the reservoir and turned over to the Game Commission. Its death was reported to be of natural causes.

WATER REPORT

The Water Report for the month of December, 2010 was circulated and filed.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

Mr. Brong said that 2010 was a reasonably successful year considering the pressures experienced due to the economy. He reported:

- Invoicings totaled \$18.2+ million for the year, which were the highest invoicings over the last ten years.
- All bills have been paid, including the lease coverage;
- There is ~\$100,000 in the Water Fund at year-end;
- Every bureau in the Water Department was at least \$20,000 under expense budget, and some much more than that. Chemical cost reduction was very favorable.

Mr. Brong briefly discussed the recent health study on fluoride that said the benefit of fluoride addition actually becomes a detriment beyond a certain level in the water supply. According to the study, anything over 0.7 ppm of fluoride can cause more harm than good. The City's water supply contains 1 ppm of fluoride. The study is intended to generate new regulations establishing a maximum fluoride concentration, which will take time. The City is voluntarily reducing its fluoride concentration to 0.7 ppm. Jeff Andrews added this is not only a reduction in the cost of fluoride, but also caustic soda, which is added as a neutralizing agent.

Chairman Tallarico commended Mr. Brong and his staff for the great job in guiding the Water Department through some hard times and managing to keep the expenses down.

COURTESY OF THE FLOOR

Mr. Antalics queried if the City could add 0.65 ppm of fluoride instead of the 0.7 ppm limit according to the government to remove the danger of error on the higher side. Mr. Brong responded that there are City ordinances that state fluoride will be provided in the drinking water. He would be satisfied to maintain the fluoride levels at 0.7 ppm because it is a recommended optimum level.

Mr. Gower moved to convene an Executive Session. Mr. Jobes seconded. Motion passed unanimously.

Mr. Gower moved to adjourn the Executive Session. Chairman Tallarico seconded. Motion passed unanimously.

During the Executive Session, the Board discussed negotiations between the Bethlehem Authority, City of Bethlehem, East Allen Township and East Allen Township Municipal Authority on the acquisition of the East Allen Township water system.

Mr. Gower moved to accept the language of the term sheet, and to move forward with the terms stated therein to successfully conclude an agreement for the acquisition of the East Allen Township water system. Mr. Jobes seconded. Motion passed unanimously.

NEXT MEETING

Chairman Tallarico announced that the next regular Board meeting is February 10, 2010 at 3:30 PM.

ADJOURNMENT

There being no further business, Mr. Gower moved to adjourn the meeting. Mr. Jobes seconded. Motion passed unanimously and the meeting adjourned at 5:35 PM.

Vaughn C. Gower, Assistant Secretary