

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

JUNE 9, 2016

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, June 9, 2016 in room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Ms. Laurie Hackett, Vice-Chairwoman, Assistant Secretary/Treasurer
- Mr. Vaughn Gower, Secretary
- Mr. Dennis Domchek, Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

APPROVAL OF MINUTES

L. Hackett moved and V. Gower seconded to approve the minutes from the May 12, 2016 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. David Hall, 287 Smith Road, Kunkletown, PA to listen to the current situation regarding the wind energy project
- Ms. Linda Christman, 6495 Pohopoco Drive, Lehighon, PA concerning the PennEast pipeline
- Mr. Stephen Antalics, Bethlehem citizen
- Mr. Craig Poff, Iberdrola Renewables
- Mr. Ron Madison, Maser Consulting
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Nate Jastremski, Bethlehem Press

COURTESY OF THE FLOOR

Ms. Christman addressed the Board concerning PennEast's plan to increase the Kidder Pressure Station from 32,745 HP to 47,700 HP. She opined that the possible reasons why an increase in the pipe diameter from 36" to 42" are the installation of a loop and the possibility of a second pipeline within the easement. Even if PennEast decides not to expand its pipeline, there are other pipeline companies waiting to present an application to FERC she says. Once a pipeline has been installed, subsequent pipelines tend to use the same right of way, as is happening now in other PA counties. Her point is if the Authority allows the PennEast pipeline to cross the watershed, it makes it easier for subsequent pipelines to use the same right of way and makes it much harder for the Authority to

prevent subsequent pipelines to cross the watershed. The land will already be clear-cut and disturbed. There will be no credible environmental argument about damage to the watershed she says. The Authority's position as the protector of water quality and water supply to 115,000 residents is a powerful legal and moral argument against allowing this pipeline to cross the watershed. The Authority has the ability to stop this pipeline and should act prior to the completion of the EIS – announced for December, 2016 she says.

Mr. Antalics opined that in California, wind and solar energy are abundant and storage is expensive because customers cannot be found, causing some projects to be shut down. He questioned if the Authority has any money invested in the wind energy project. J. Tallarico responded the Authority has no money invested in the project. If the project would be built and later shut down, there will be a bond in place to remove all equipment associated with the project at no cost whatsoever to the Authority.

CHAIRMAN

PennEast Pipeline. Maser Consulting has finished the draft report on the recent geotechnical work completed earlier this year at Beltzville Lake and on Blue Mountain, along with a summary of their Impact Study on the proposed pipeline route and it is currently under review. There will be an Executive Session at the end of the meeting today to discuss real estate negotiations with PennEast.

EXECUTIVE DIRECTOR

Watershed Management

Gypsy Moth Spraying. S. Repasch reported that the gypsy moth spraying took place on May 24. He and the Authority Forester toured the sprayed areas. Preliminarily the spraying appears to have been successful. We should know the full effects for certain by early to mid-July.

Timbering. S. Repasch reported that Elite Timber will re-start the Wild Creek timbering project in July. Proposals for a regeneration cut in the Starkey Swamp area of Long Pond were sent out last week and are due back by June 16.

Investment Opportunities. S. Repasch reported there were some difficulties again in reconciling the May reports between Saxon and BNY Mellon for the DSR Fund investments. There is a lot of activity because of the many short-term CDs and it is the BNY Mellon report that should be accurate. He reached out to Saxon, who indicated they will streamline the reports. He is confident the processes involved will be much smoother going forward.

After further discussion, the Board agreed to invest an additional \$4 million in a ladder portfolio of short, medium and long term CDs, to be determined, in the Saxon CD program.

Board Member Mr. Jack Abel entered the meeting at 3:55 PM.

Consulting Engineer. S. Repasch reported that RFQs were sent out to engineering firms for a new Consulting Engineer. A sub-committee is currently reviewing the RFQs that were submitted. The goal is to appoint a new firm at the July meeting.

S. Repasch recommended that the Authority terminate its relationship with Barry Isett & Associates (BIA) as of today, since BIA is also Penn Forest Township's consultant.

D. Domchek moved and L. Hackett seconded to terminate the Authority's relationship with Barry Isett & Associates. Motion passed unanimously.

Wind Energy Project. S. Repasch reported that there will be a continuation of the Penn Forest Township Zoning Hearing Board meeting on June 23. He also requested the Board approve a letter allowing Atlantic Wind to submit a waiver in its application for a special exception on the hub height of the turbines. Mr. Poff further explained that the waiver is an acknowledgement from the Authority that it has no objection to its internal lot lines not being required to have set backs since there is no distinction between properties owned by the same entity in the township's zoning ordinance.

V. Gower moved and L. Hackett seconded to authorize the letter to Atlantic Wind for the waiver request as discussed. Motion passed unanimously.

2016 Income/Expense Projections. S. Repasch reviewed the 2016 Income/Expense Projections as circulated and filed. He signed the deed issuance for the carbon credits today and those funds are anticipated in early to mid-July. The second installment for the property appraisal in the amount of \$6,000 was paid from the pipeline escrow fund.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative for the 5 months ended May 31, 2016 as circulated and filed. Timbering revenues are anticipated in August. The pipeline expenses have exceeded the amount of escrow funds received from PennEast by approximately \$2,000. This could be recouped if or when there is any access agreement with PennEast.

CONTROLLER

J. Filipos's report for the month of May, 2016 was circulated and filed. He noted the following:

- The 2014 Revenue Bonds interest payment in the amount of \$1.339 million was made
- As of today, the updated amount of the PennEast escrow fund deficit is \$2,195.
- The 5% lease coverage was paid by the City and transferred to the BRIF.

Resolution 392 – Approval of Expenses. J. Tallarico presented Resolution 392 to the Board for approval. The resolution totals \$377,256.08 for the payment of water capital expenses from the Construction Fund; administrative, professional and security/property expenses from the General Account and PennEast Pipeline Escrow Fund disbursements.

D. Domchek moved and V. Gower seconded to approve Resolution 392 as presented. Motion passed unanimously.

The Solicitor had no report.

SPECIAL POLICE

D. Meixell's report for the month of June, 2016 was circulated and filed. He noted that the 300-meter met tower will be erected next week. There were 20 rattlesnakes captured and tagged during the annual roundup.

D. Domchek questioned what is being, or what has been, done to rectify the security concerns that are mentioned every month in the Police Report. D. Meixell responded that while City Management is constantly alerted to the issues, the requests for support go unheeded. S. Repasch indicated he keeps E. Boscola informed about the issues. According to the Authority Solicitor, the City needs to understand that if some event was to happen (now), it would not be favorable for the City given that it has been notified of security lapses.

L. Hackett would like to know more information about the recent rattlesnake survey. D. Meixell explained that the PA Fish Commission conducts its surveys every May to monitor the health of the rattlesnake (a protected species) population. The snakes are pulled from the den, weighed, measured and chipped and then returned to the den. Rarely is the same snake found from the previous year.

WATER REPORT

There was no Water Report filed since the information was not yet received; however, the Penn Forest reservoir level is slightly down as it is not flowing over the spillway.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and major initiatives for the month of May, 2016 was circulated and filed.

- The Water Fund is performing well.
- There are no updates on the PUC application for the FedEx development.
- The City is preparing to submit the DSIC application to the PUC in July, which includes the LTIP. The LTIP follows very specific PUC guidance on an outline for a capital improvement plan in order to justify the DSIC surcharge to the water bills. A copy of the LTIP will be provided to the Board.
- Upper Saucon Township is in agreement with the final drafted agreement with the City on territory and billing issues. The next step is to make a presentation to the PUC before the agreement is presented to the parties' respective councils for approval.
- There was an internal meeting to discuss capital financing needs over the next few years. The City will try to get through 2017 without seeking new money for the baseline capital projects. There are some major projects beyond 2017 where additional funding (Pennvest, bonds, etc.) will be needed, such as the Route 512 extension.
- The water main replacement on Russell Avenue (Fountain Hill) is complete.

There was no Other Business.

COURTESY OF THE FLOOR

Ms. Christman opined she has been coming to these meetings for some time and is very impressed that the Authority carefully protects the watershed from everything from caterpillars to mountain bikers. Its work in preserving the watershed has been recognized by environmental groups and the Governor. This is its legacy for the City of Bethlehem and the other residents served with high-quality water. She asked that when the Board thinks about PennEast, to please think in terms of decades and centuries, not just right now. Thank you.

NEXT MEETING

J. Tallarico announced the next meeting is July 14, 2016 at 3:30 PM.

ADJOURNMENT

L. Hackett moved and J. Abel seconded for adjournment of the regular meeting at 4:20 PM and to convene an Executive Session to discuss real estate negotiations. Motion passed unanimously.

Vaughn C. Gower, Secretary