

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

February 14, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on February 14, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 by Chairman Vaughn Gower. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Richard Master, Secretary
- Ms. Laura Burtner, Assistant Secretary/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 OF JANUARY 10, 2013

V. Gower presented the minutes of the reorganization and regular meetings held January 10, 2013. L. Burtner moved for their approval. J. Tallarico seconded. Motion passed unanimously.

RECOGNITION OF VISITORS

V. Gower recognized and welcomed the following visitors:

- Mr. Stephen Antalics, Citizen
- Mr. Pete Sussenbach, PA Game Commission
- Mr. Pat McElhenny, The Nature Conservancy
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Peter Carlucci, Esq., Bond Counsel to the Bethlehem Authority

(It is noted that M. Jobs called into the meeting at 3:34 PM)

COURTESY OF THE FLOOR

None.

CHAIRMAN

Wind Energy Project. V. Gower reported the Authority's proposed agreement with Atlantic Wind (Iberdrola) for the wind energy project was presented to the Public Works Committee of City Council (Council) on January 31. Overall, the discussions were positive. The biggest concern voiced from the community was the visual pollution that would result from the turbines. However, several members of Council made some interesting points about visual pollution from oil- and coal-fired power that were more negative than the turbines. The committee recommended that Council approve the proposed agreement between the Authority and Iberdrola at the February 19 Council meeting. He, S. Repasch and Mr. Craig Poff from Iberdrola will be at that meeting.

Operating Authority. The Board and several of its advisors held another workshop meeting this afternoon and the discussions were very productive. There are some refinements to be made and another workshop will be necessary to review the material again. We are doing the best we can to clearly articulate the material to provide to Council so they can understand the information. In addition, the Board needs to act on the Phase III proposal from ARCADIS for the next steps necessary to continue the evaluation, which are development of the term sheet and updating the financial model. The proposal totals \$14,900.

J. Tallarico moved to approve the proposal prepared by ARCADIS as presented. L. Burtner seconded. Motion passed unanimously.

EXECUTIVE DIRECTOR

PA Game Commission/The Nature Conservancy Controlled Burning. S. Repasch introduced Mr. Pete Sussenbach from the PA Game Commission (PGC) and Mr. Pat McElhenny from The Nature Conservancy (TNC), who have been conducting the prescribed burns in the scrub oak barrens in the watershed. The Authority had an agreement for the areas completed to date, but needs to act on another agreement to proceed with the next areas to mow and burn.

P. Sussenbach provided an update on what has been done and the positive outcome from their work so far. They have worked hand-in-hand with the Authority's Forester, Robin Wildermuth, to determine what areas to target moving forward. Some areas were modified to accommodate additional carbon stocking and another area fits in with a program to eliminate wildfires near developments. Additional acres added to the plan require a new agreement to be in place. Positive research is being done in the area to document the impact of the burn program on our habitat. Researchers are tracking

snowshoe hare, rattlesnakes and the golden wing warbler, which has become scarce to the area during the recent decade. The research validates the positive impact of the burn program.

R. Master moved to authorize execution of the agreement with the PA Game Commission and The Nature Conservancy as discussed, conditioned on the final version being approved by S. Repasch and J. Broughal. J. Tallarico seconded. Motion passed unanimously.

Maher-Duessel Audit Contract. S. Repasch presented the contract from Maher-Duessel CPA's, for their audit services in the amount of \$3,125. This amount is less than the \$3,500 budgeted for this year. J. Filipos indicated he has no issues with the contract.

R. Master moved to approve the contract with Maher-Duessel CPA's for audit services in the amount of \$3,125. L. Burtner seconded. Motion passed unanimously.

City of Bethlehem Refinancing Resolution. The Authority's Bond Counsel, Mr. Pete Carlucci, presented a draft resolution to the Board for consideration and action. The Authority issued taxable bonds to assist the City in satisfying an obligation that related to the decommissioning and sale of the City's landfill. These bonds are callable, and in the current market there are substantial savings to achieve. The City has proposed to refinance the bonds and issue their own general obligation bonds rather than structuring a sale and leaseback through the Authority. The City will issue the new bonds, prepay the Authority its lease rental payment, and the Authority will retire the 2001 bonds with that money. The resolution exercises the Authority's option to call the bonds for redemption, take the necessary steps to terminate the lease agreement between the Authority and the City, re-convey the assets to the City, and defease the lien of the Trust Indenture.

M. Jobes queried what the estimated savings are and whether the Authority is entitled to know the amount. P. Carlucci responded the City has not shared any numbers with him. The outstanding balance on the bonds is \$7,910,000. In issuing its own bonds, the City is helping clear from the Authority a financial obligation which does not relate to either the water or the sewer system, which is positive as the Authority moves forward with its strategy to establish an operating authority. Other than approving the resolution, there is no further action required. The documents will be delivered and signed at the appropriate time. The City is hoping to move forward with this sale at the end of April or May.

R. Master moved to approve the resolution for the Authority to redeem the 2001 Bonds as presented and discussed. J. Tallarico seconded. Motion passed unanimously.

Wachovia Settlement. S. Repasch reported that last year the Authority received notice of the attorneys general class action suit with Wachovia that dealt with the illegal handling of some bond deals. The options were reviewed at that time to either participate in this suit or wait to see what the outcome would be in another class action suit, and the Board opted to participate in the attorneys general suit. The settlement check was recently received in the amount of \$122,300+. Last year when this matter was discussed, the intention was to deposit the money into the BRIF, although no formal action was taken. V. Gower advised that the matter will be discussed during the East Allen Township agenda presentation.

Carbon Credits Update. S. Repasch reported that Blue Source and the carbon verifiers have been communicating more frequently. There are no major issues, just some refinements. The carbon is on target to be registered in early to mid April. The buyer and the prices remain unchanged.

Forest Management Update. S. Repasch reported that R. Wildermuth would attend next month's meeting to summarize this winter's activities for the Board. We recently sold over \$5,000 of veneer quality cherry. Overall, we have done a good job in selling our timber. V. Gower added that our Forester has been very involved in the activities with the PGC, TNC, timbering, the conservation easement and carbon credits. He is invaluable and doing a wonderful job.

East Allen Township. J. Broughal reported on the agreement between the Authority, the City, East Allen Township (EAT) and East Allen Township Municipal Authority (EATMA), where the Authority is purchasing the assets of EATMA and the City is assuming the liabilities. Closing was to happen within 30 days of the PUC's December 28, 2012 approval of the City's expansion into EAT. Closing has not taken place as yet because EATMA has loans with Pennvest (~\$170,000) and PNC (~\$70,000) to be assumed by the City and EAT did not contact Pennvest or PNC about the options to pay off the loans (both loans are self-liquidating). Mr. Broughal advised a conference call took place last week with the Pennvest counsel, who indicated that the City would have to go through the Unit Debt Act process, which is an expensive process. The City was working on the PNC loan and he does not know where that stands. Until these two issues are resolved, closing cannot take place.

D. Brong said the acquisition has been delayed by the Bath Authority. Part of the transaction is the City's assumption of a water service agreement between EAT and Bath Borough Authority. That has not been negotiated yet but is being worked on by the City's PUC attorney.

The following options were discussed on how to pay off the Pennvest and PNC loans:

- a) City approaches the Authority for financial assistance from the Authority's BRIF.

b) City uses its line of credit to pay off the loans, which preserves the cash in the BRIF.

c) City re-evaluates water capital budget and defers some items equal to the payoffs on the loans, which preserves the cash in the BRIF.

d) The Authority contributes \$120,000 from the Wachovia settlement money, City adds \$50,000 budgeted debt service for 2013 on the loans, and City reduces its water capital expense in the future in prepaying the loans by \$70,000.

R. Master moved for the Authority to use the \$122,000 from the Wachovia settlement to assist the City in satisfying the Pennvest and PNC loans associated with the acquisition of the East Allen Township Municipal Authority water system. J. Tallarico seconded. Motion passed unanimously.

1st Quarter 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$170,000
- Projected Receivables – \$81,885
- Projected Expenses – \$93,665
- Total Projected Cash on Hand, End of Period – \$158,210

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$336,800
- Projected Receivables – \$150 (revenues are anticipated if and when the agreement is in place with the wind developer)
- Projected Expenses – \$14,200
- Total Projected Cash on Hand, End of Period – \$322,700

Expense Budget Comparative. S. Repasch reported that for the month ended January 31, 2013, 8% of the budget has been spent overall.

CONTROLLER

J. Filipos' report for the month ended January 31, 2013 was circulated and filed.

Resolution 348 – Approval of Expenses. S. Reppert presented Resolution 348 to the Board in the total amount of \$417,309.96 for payment of the following:

- Water capital expenses (Requisition 335) in the amount of \$312,340.86 from the BRIF
- Professional and administrative expenses in the amount of \$27,181.60 from the general checking account

- Professional expense of \$787.50 and transfer to savings in the amount of \$77,000 from the reserve checking account. (Short-term CD rates and other savings rates were sought, but none beat the current savings rate of .25% with Team Capital Bank.)

For clarification purposes, V. Gower said we have separated operating and capital expenditures. J. Tallarico queried if the water treatment plant expenditure is for the roof replacement, and D. Brong responded yes.

R. Master moved to approve Resolution 348 as presented. L. Burtner seconded. Motion passed unanimously.

SOLICITOR

None.

CONSULTING ENGINEER

S. Repasch reported that he met with Neal Kern this past Tuesday to review the edits to the annual report. He is waiting for information and comments from the City to finalize the report in March.

SPECIAL POLICE

Officer Meixell's report for the month of February 2013 was circulated and filed. Since last week's snowstorm, there has been a lot of snowmobile and ATV activity throughout the watershed. He is working to address the situation.

WATER REPORT

The Water Report for the month of January 2013 was circulated and filed. It indicated the reservoirs are at 100% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported on the following:

Water Fund. There was ~\$1.7 million in invoicings and ~\$950,000 cash on hand at the end of January 2013. This is a good recovery from the payment made at the end of 2012.

Capital Budget. There are two infrastructure projects scheduled for this year. The one mile of 12" water main replacement on Delaware Avenue is being done in conjunction with a road reconstruction project. The main is very old and deteriorated.

They are presently advertising for bids for continued work in Birchwood Estates in Bethlehem Township, which is known for water main failures, using the Penn Bid website for better visibility and more competitive proposals.

Design work has been completed for upgrades to the three pump stations on South Mountain. There were some hydraulic issues with the system that weren't understood and there is still one on the southwest side of Bethlehem to resolve, which is the discharge side of the pumping station by the hospital. The pressures are about 20 p.s.i. higher in the field than the model. That is too much pressure and a potential problem.

Since the retirement of the City's long-time water engineer, the City has contracted with a hydraulic engineer on a part-time basis to fill the void, rather than add another person to the staff. He has done a lot to resolve the hydraulic issues. It is hoped that in the next month or two, engineering will be finalized and the project ready for bid. S. Repasch added the team meets weekly on the hydraulic issues and that he has learned more on the subject since the beginning of the year than in all the years he's been meeting with the team.

V. Gower queried if the H2OPA grant projects haven't advanced because of the design work issues. S. Repasch replied all but \$45,000 of the grant for the pump station upgrades has been used. The other grant project (reservoir cover and liner) is complete.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

Stephen Antalics queried if the Board had any idea what the amount of the settlement would have been if the Board had opted to participate in the other Wachovia class action suit. S. Repasch said no. The consensus at the time was to go with the certain amount based on our financial advisor's recommendation. The other suit was uncertain in amount and uncertain in time.

NEXT MEETING

V. Gower announced the next meeting is March 14, 2013.

ADJOURNMENT

J. Tallarico moved and R. Master seconded to adjourn the meeting at 4:40 PM. Motion passed unanimously.

Richard L. Master, Secretary