

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

July 11, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on July 11, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Chairman Vaughn Gower. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Richard Master, Secretary
- Mr. Mark Jobes, 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 JUNE 13, 2013

V. Gower presented the minutes of the regular meeting held June 13, 2013 and J. Tallarico moved for their approval. R. Master seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

V. Gower recognized and welcomed the following visitors:

- Mr. Mark Sivak, City of Bethlehem Budget Analyst
- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Stephen Antalics, Bethlehem citizen

CHAIRMAN

Operating Authority. V. Gower had no report on the operating authority evaluation since there was not much progress this past month.

EXECUTIVE DIRECTOR

Rentricity Energy Project. S. Repasch reported on Rentricity's Phase I proposal to evaluate and study three sites identified for the installation of electricity generators in the water system. The City's utility engineer reviewed the proposal and recommended the study to D. Brong. The study will provide a better estimate of how much electricity could be produced, how much revenue could be received, the equipment Rentricity would need to do the project and define the costs of the project. This is the first time a project is being considered that involves water system operations.

D. Brong said the study is critical to determine the significance of the project and its impact on the water system operations and customers. An area of concern is the Howertown control station (pressure valve). Howertown sends 98% of the water into the system and the pressure is very intensely controlled. We need assurance an electricity generator will not detract from, or increase risk in, our ability to control the pressure in the system.

S. Repasch informed the Board he contacted three references provided by Rentricity and without fail, they all spoke very highly of the company and the people. The biggest issues to overcome were programming. He found no other companies that do everything from engineering to design to installation to connection to the grid. He is recommending that the Board approve the Phase I proposal with Rentricity.

The five-year study period and binding agreement referenced in the proposal were discussed. Rentricity needs five years to evaluate and design the project effectively. The binding agreement would be negotiated prior to construction of the project and define the revenue split and other particulars. The Board would like to see the operational agreements Rentricity has in place with the water utilities they have projects with or their standard agreement.

R. Master moved to approve the Rentricity Phase I proposal conditioned upon additional review by the Executive Director and Solicitor that the agreements Rentricity has negotiated with other water utilities include safeguards to the water system in the event the installation of the generators is faulty. J. Tallarico seconded. Motion passed unanimously.

Wind Energy Project. S. Repasch reported that the Penn Forest Township Planning Commission and Supervisors approved the permits submitted by Atlantic Wind to install the met towers. The towers are 198 feet tall and should be erected by the end of July. The FAA does not require lights on the towers. The monitoring of the wind is expected to take 12 to 18 months. The contractor completed clearing the sites today. There were not many trees removed and they have been placed outside of the cleared area as there is no value to the trees for pulpwood or firewood. The sites are in some of the most remote areas of the watershed.

Carbon Credits. S. Reported formally announced the receipt of \$65,300+ from Blue Source for the carbon credits. Next year, revenue is expected to be ~\$200,000.

Forest Management Activity. S. Repasch reported on the timber stand currently being harvested in Wild Creek. Part of this sale resulted from trees blown down during Hurricane Sandy. The trees are mostly pine and spruce. The revenue expected from this sale is \$10,000 to \$12,000. Elite Timbering Co. is the contractor and is doing a very good job. They are using a forwarder to remove the trees to reduce any damage to the standing trees.

He reported the Game Commission just finished burning 200 acres in Long Pond area. There are 700 additional acres to burn yet this season.

Upper Lehigh Watershed Study. S. Repasch reported he attended the initial meeting for the Upper Lehigh Watershed Study. The group – The Wildlands Conservancy, The Nature Conservancy, Pocono Land Trust and others – is looking to create contacts with owners of unpreserved land in the Lehigh Watershed north of the Kittatiny Ridge, mostly Carbon, Monroe and Schuylkill Counties. Almost half of that area is games lands, is preserved in easements, or is owned by the Wildlands or other conservancies. The group would like to fill the voids and preserve as much land as possible. It will receive \$1.4 million a year for three years from the William Penn Foundation for this effort. The Leighton and Jim Thorpe Water Authorities have land adjacent to the Authority and they are on the contact list. Higher on the list is the Palmerton Hunting and Fishing Club. Now might be the time to try and reach out to them again for them to consider this preservation effort or even the Working Woodlands Program. Any involvement from the Authority in this effort will be limited.

Wild Creek Property. S. Repasch reported that the work completed to date on the building being rehabilitated to use as a security office totals ~\$25,000, which is the amount budgeted from capital reserves for property improvements. Additional work to complete this year includes refinishing the hardwood floors, painting, finishing the kitchen and bathroom with flooring and reconnecting the plumbing system which totals ~\$10,500. There is \$12,500 budgeted from capital reserves for security improvements to the property, but those can be held off until next year. One of them was to install a section of fencing and gate in a critical area of the Wild Creek reservoir where access is currently easy. There is some deer fencing to be removed in the area next year and having the contractor do both jobs at the same time will reduce the cost. Also, after some discussions with the Watershed Supervisor and City crew, it is proposed to install a barrier along the front of the property by using old utility poles and cable to impede vehicle traffic.

S. Repasch proposed to the Board that he would like to use \$10,500 originally allocated for security improvements to finish the property improvements as reported.

J. Tallarico said that after this additional work is complete, the building will be usable. Having signage that it is a police station is a security measure. D. Meixell added having a regular part-time officer has increased our presence much more now and has had a big impact. The Game Commission has interest in utilizing the building as well.

J. Tallarico moved to transfer \$10,500 from the 2013 capital budget line item Physical Security Improvements to the line item Watershed Office Improvements. R. Master seconded. Motion passed unanimously.

Arbitrage. S. Repasch presented the engagement letter from BNYMellon for arbitrage calculations that need to be completed by August, as follows:

- Series 1998 Bonds, August 19, 2008 to 2013 \$5,500
- Series 2004 Bonds, August 18, 2008 to 2013 \$4,000
- Series 2004 Bonds, August 18, 2013 to 2014 \$1,500

The recommendation to use BNYMellon was made by the Authority's Financial Advisor, PRAG. This work could have been bid, but BNYMellon was used in the past (different bonds and periods) and the cost for PRAG to do an RFP would have essentially nullified a lesser quote from another firm. This division of BNYMellon has access to the Authority's information since BNYMellon is Trustee.

R. Master moved to accept the proposal from BNYMellon to do the arbitrage calculations as presented. J. Tallarico seconded. Motion passed unanimously.

Grant Audit Ratification. S. Repasch reported that the Authority received an H2O PA Grant for the 12MG South Side Reservoir liner and cover project, which was finalized in 2012. The State requires an audit of the process by a third party. Two proposals were received and circulated to the Board via email: Al France of France, Anderson, Basile & Co. from Emmaus, PA for \$2,800 and Maher Duessel, CPA's, the City's and Authority's current auditor for \$2,500. The Board approved Maher Duessel's proposal via email and the action needs ratification.

R. Master moved to ratify the Board's approval of the proposal from Maher Duessel, CPA's in the amount of \$2,500 to audit the H2O PA Grant project as presented. J. Tallarico seconded. Motion passed unanimously.

3rd Quarter 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$123,915
- Projected Receivables – \$130,045, which includes the carbon credits revenue recently received.

- Projected Expenses – \$88,965
- Total Projected Cash on Hand, End of Period – \$164,995

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$286,720
- Projected Receivables – \$650
- Projected Expenses – \$27,000
- Total Projected Cash on Hand, End of Period – \$260,370

- Total Cash on Hand, All Funds – \$425,365

For 2013, \$55,060 was budgeted to move from the operating budget to the capital budget. That transaction will take place this month and be reflected in next month's report.

Expense Budget Comparative. S. Repasch reported the following for the six months ended June 30, 2013:

- Professional Services – 39%
- Security and Property Expenses – 44%. There will be a significant vehicle expense forthcoming. The police truck broke down. It has been determined to be a major engine problem. The truck is five years old and has ~87,000 miles, but still has value and is worth repairing.
- Administrative Expenses – 38%
- Overall – 39%
- Capital Reserve Expenses – 52%

CONTROLLER

J. Filipos's report for the month ended June 30, 2013 was circulated and filed. He noted the Leaseback Bond interest of \$526,000 was paid. He filed the 2012 DCED report with the State. They require the report with the audit, but since that won't be complete until the fall he included a letter stating the audit would be provided when received. He will send the Board a draft copy of his yearly financial report next week.

Resolution 353 – Approval of Expenses. V. Gower presented Resolution 353 to the Board totaling \$39,058.86 from the general and reserve checking accounts for payment of professional and administrative expenses. He noted the City used its line of credit this month to pay for water capital expenses.

J. Tallarico moved to approve Resolution 353 as presented. M. Jobses seconded. Motion passed unanimously.

SOLICITOR

J. Broughal had no report.

CONSULTING ENGINEER

S. Repasch reported that the Consulting Engineer's Annual Report on the Operation of the Water System was finalized. The Board was satisfied with the language added to the financial section of the report by the Authority's Financial Advisor and Bond Counsel. That format will be used going forward and will change as conditions change. He will provide the Board with an electronic copy of the report.

SPECIAL POLICE

D. Meixell's report for the month of July, 2013 was circulated and filed. He said that just today, on a remote secondary road, he was passed by an oncoming tractor truck hauling a tanker, completely unmarked with no plates. It was heading toward the Long Pond area. Unfortunately after turning around, he lost sight of the truck. He checked the waterways and there was nothing suspicious to note. However, he referred to comments made in the past by Mr. Antalics about fracking fluids, the illegal methods used to dispose of them and our need to remain diligent.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported the following as of June 30, 2013:

- \$9.4 million has been invoiced and just about at projection for water sales. Water invoicing and mailing begins next week with the sub-contractor. This function will no longer be handled in-house.
- \$1.7 million cash in the bank in the Water Fund.
- Revenue performance is ~6% ahead of 2012.
- Notification was just received that the City has won its fifth consecutive AWOP award.
- The Delaware Avenue water line replacement has begun. The water line replacement project planned for Birchwood Farms in Bethlehem Township is scheduled to begin the week of July 15.
- The 5th and William Street pump station project is expected to be bid by the end of the month. The delays were due to the snowstorm on October 31, 2011 and then Hurricane Sandy on October 30, 2012. These events greatly impacted changing the scope of the project to accommodate automating the pumps electronically in the event of a power outage.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

Mr. Antalics commented to D. Meixell to follow any unmarked tanker trucks he sees, again because of the illegal dumping of fracking fluid.

NEXT MEETING

The next meeting is scheduled for August 8, 2013.

ADJOURNMENT

V. Gower adjourned the regular meeting at 4:40 PM to hold an Executive Session concerning a personnel matter.

R. Master moved and J. Tallarico seconded to adjourn the Executive Session at 5:15 PM. Motion passed unanimously.

Richard L. Master, Secretary