

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

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on May 8, 2014 at the Authority's Security Office located at 7125 Pohopoco Drive, Kunkletown, PA and called to order at 4:00 by Mr. Vaughn Gower, Chairman. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Mark Jobes, Treasurer
- Mr. John Abel, 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**

J. Abel moved and J. Tallarico seconded to approve the minutes from the regular meeting held April 10, 2014. Motion passed unanimously.

**RECOGNITION OF VISITORS**

- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Neal Kern, Barry Isett & Associates and Authority Consulting Engineer
- Mr. Josh Parrish, The Nature Conservancy

**COURTESY OF THE FLOOR**

None.

**CHAIRMAN**

**Financial and Refinancing Issues.** V. Gower reported he, S. Repasch, E. Boscola and D. Brong met with the Authority's Financial Advisor. Refinancing the 2004 bonds, paying off the City's line of credit and new money for water capital expenses in the future were examined. An assumption of water department expense increases, the timing of water capital expense budget spending and the incremental cash flow of all new water revenues and expenses over the next five years are needed from the City. Currently, the economic justification to refinance the 2004 bonds is very favorable. The net

present value savings rate is 6% and the total debt service reduction would be ~\$2.2 million. This would help generate new cash flow by reducing debt service in the earlier years. August is the soonest to refinance and the process should begin now. This will allow the City's financial advisor and City Council time to review and approve.

## **EXECUTIVE DIRECTOR**

**Consulting Engineer's Annual Report.** S. Repasch presented the final draft of the Consulting Engineer's Annual Report to the Board. N. Kern reviewed the process involved in producing the report. The City's application to the PUC for a rate increase in 2014 is noted and the financial opinion is unchanged from the prior year. Recommendations in the report are those that are essential and those that are good practices, such as an annual replacement program for pipes, valves, etc.

E. Boscola said all the recommendations are valid. Addressing them is based on the finances of the utility. If the infrastructure surcharge is approved by the PUC, that will help. The valve exercise program specifically mentioned in the report has already been addressed since the City purchased a valve exercise machine.

J. Tallarico moved and J. Abel seconded to accept the Consulting Engineer's Annual Report (on the Operation of the Authority's Water System by the City of Bethlehem for 2013 Operations and 2014 Budget) as presented and discussed. Motion passed unanimously.

**Forest Management.** S. Repasch provided the following forest management activities update:

- The Hyspie Gap timber sale is currently active;
- The prescribed burn project on Hell Hollow Road is tentatively scheduled for next Tuesday;
- The bid opening for the Stony Hollow timber sale is next Thursday at 3:30 and the estimated value is ~\$20,000;
- The bid opening for the Keiper Stand on Long Pond Road is on June 5 and the estimated value is \$140,000 to \$150,000.

**Carbon Credits.** J. Parrish addressed the Board about the methodology used by VCS (Voluntary Carbon Standard) to calculate the amount of carbon available to sell. VCS changed from a temporary to a permanent plotting system which amounted to 1/3 less tons of carbon. The 2013 carbon credits were sold based on the temporary plots. The new tonnage from the permanent plots now has to be reapplied to 2013. Therefore, there was an overpayment for 2013 carbon credits which will be deducted from the now-reduced 2014 carbon credits amount. The Nature Conservancy and Blue Source share in this loss as well. The incremental growth of carbon is what is being sold in the market, not the volume of carbon from all of the trees. Over time, the permanent plots

will be measured again and adjustments will be made. Both methods are valid, but VCS required the permanent plot protocol be followed. The revenue difference this year will be made up over time. He announced that Walt Disney Corp. will be buying the carbon credits for the years 2016 to 2019 and at a higher price than the current buyer.

**Rentricity.** S. Repasch updated the Board about the Rentricity projects. The PUC does not consider in-pipe hydropower renewable energy because it is not on the PA Alternative Energy Portfolio Standard list. Projects can still be built but there are more requirements and more expense. It also relates to net metering, or selling the electricity not being used by the site. This will not affect the project near the Water Treatment Plant, so the immediate focus will be on that project. The North Wales Water Authority, which has already built a project with Rentricity, is appealing the PUC's ruling. They have asked for the City's and Authority's support by sending a letter to the PUC, and the Board agreed to support the effort.

### **SOLICITOR**

J. Broughal reported the settlement check for \$1,600.02 was received from Travelers regarding the EATMA claim.

He also reported that the Northampton County District Attorney sent a letter to the Authority and requested a copy of the 1992 and 1965 leases between the Authority and the City. Those documents will be provided.

**2<sup>nd</sup> Quarter Income and Expense Projections.** The 2<sup>nd</sup> Quarter Income and Expense Projections report was circulated and filed. The \$32,000 reduction in carbon credits revenue was discussed as it was not reflected on this report.

**Expense Budget Comparative.** The Expense Budget Comparative for the four months ended April 30, 2014 was circulated and filed.

### **CONTROLLER**

J. Filipos's report for the month of April, 2014 was circulated and filed. An additional page will be added to future reports to show the outstanding balance on all bond and loan issues.

**Resolution 365.** S. Reppert presented Resolution 365 to the Board in the total amount of \$27,692.32 for the payment of administrative and professional expenses. Extraordinary items are the tax bills to the townships and the county for the EATMA properties. This month's water capital expenses are being paid from the City's line of credit and the Board would like an estimated outstanding balance on the line of credit by the end of August.

M. Jobes moved and J. Tallarico seconded to approve Resolution 365 as presented. Motion passed unanimously.

**Ratification of CD Investment.** S. Reppert presented the following CD investment, approved via email, for ratification:

- \$250,000 with Fulton Financial Inter-Affiliate CD Program, .30% for 12 months

J. Tallarico moved and J. Abel seconded to ratify the approval of the CD investment with Fulton Financial as presented. V. Gower voted aye. M. Jobes abstained. Motion passed.

### **SPECIAL POLICE**

Officer D. Meixell's report for the month of May, 2014 was circulated and filed. He had attended the Tunkhannock Township EAC meeting. They would like the Authority to participate in a township-wide litter clean up program on Authority property along Long Pond and Kuhenbeaker Roads, similar to an Adopt-A-Highway program. The Board agreed that the property should be cleaned up. They would like the City to devise a plan for the workers who patrol the area to clean up the litter.

S. Repasch said he and the Authority's Forester and Special Police Officer will be attending the Tunkhannock Township Supervisor's meeting next week to discuss timbering projects and other activities.

### **WATER REPORT**

The Water Report was circulated and filed. The reservoirs are at 100% capacity.

### **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

E. Boscola's report on the Water Fund and Water Capital projects was circulated and filed. He brought a visual aid of the entire water system to help point out current projects as well as areas of strategic relevance over the next few years. He also informed the Board that the tentative rate increase settlement with the PUC is about one-third of the percentage requested.

### **OTHER BUSINESS**

None.

### **NEXT MEETING**

The next Board meeting is scheduled for June 12, 2014.

**ADJOURNMENT**

J. Abel moved and J. Tallarico seconded to adjourn the meeting. Motion passed unanimously and the meeting adjourned at 5:40 PM.

*John H. Abel, Assistant Secretary*