

## **BETHLEHEM AUTHORITY**

### **Minutes of the Regular Meeting Of the Board of Directors June 14, 2018**

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, June 14, 2018 in Room B504 of the City Administration Building, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:30 by Ms. Sharon Zondag, Chairperson. Also in attendance were:

- Mr. Thomas Donchez, Vice Chairperson
- Mr. Vaughn Gower, Secretary
- Mr. John Tallarico, Assistant Secretary/Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Steven Mertz, Ranger

Mr. Dennis Domchek, Treasurer, participated via teleconference. Mr. John Filipos, Controller, could not attend.

The Authority Solicitor announced that the Board held an Executive Session that commenced at 3:00 PM to discuss contract and litigation matters pursuant to Section 708 (a) of the PA Sunshine Act.

#### **APPROVAL OF MINUTES**

V. Gower moved and J. Tallarico seconded to approve the minutes of the May 10, 2018 regular meeting. Motion passed unanimously 5-0.

#### **RECOGNITION OF VISITORS**

- Mr. Nate Jastremski, Bethlehem Press
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

*There were no comments during Courtesy of the Floor.*

#### **CHAIRPERSON**

**Compensation Review Project.** S. Zondag reported that Phase I of the Compensation Review Project by HR Consultant Michelle Sciortino is complete and comprised of evaluations, job descriptions and compensation statements. S. Zondag presented a proposal for Phase II of the project which includes 1) a comprehensive review of health benefits for a more cost-effective program that shifts more responsibility to the employees while minimizing the financial impact on the employees and the Authority; and 2) development of an employee benefits plan that outlines eligibility of benefits to full and part-time employees. Differences that exist between City and Authority practices will be reviewed. The cost of Phase II is \$1,500 and is anticipated to be complete by August 10, 2018. The development of an employee handbook may follow Phase II. V. Gower moved and J. Tallarico seconded to approve Phase II of the Compensation Review Project in the amount of \$1,500 and for the Executive Director to move forward on the project with the Authority's consultant Michelle Sciortino. Motion passed unanimously 5-0.

*(Mr. Ron Madison, Authority Consulting Engineer, entered the meeting at 3:35 PM.)*

## **EXECUTIVE DIRECTOR**

**Wind Energy Project.** S. Repasch reported that both Atlantic Wind and the Authority are agreeable to the third amendment to the existing license agreement with Atlantic Wind. D. Domchek moved and V. Gower seconded to approve the amendment to the Atlantic Wind License Agreement and to authorize the Chairperson and Secretary to sign the amendment *after* Atlantic Wind's execution of the amendment. Motion passed unanimously 5-0.

S. Repasch reported there was a zoning hearing in Penn Forest Township last Tuesday that consisted mostly of cross examination of a hydrogeologist testifying on behalf of the objectors and that he had circulated a newspaper article about it to the Board. He will also be attending the deemed approval hearing in Carbon County tomorrow morning.

**Forestry Management.** S. Repasch reported that the Authority Forester has completed all tree markings for the upcoming timber projects that should commence in July through to the end of the year. Concerning the (Blue Source/Disney) carbon credits agreement, there is a preliminary count on the amount of carbon captured in 2017. The initial estimates of carbon and expected revenue look very favorable to the amounts budgeted. More information is anticipated in another two months. There was a fair amount of blow down damage from a storm in May in specific areas of the watershed, one being a permanent plot used to measure the carbon. Mostly pine trees were either uprooted or sheared off in two forested stands. The Authority Forester is investigating if there is enough salvageable wood. If so we could use a contractor who uses horses to drag out the timber since it is too costly to move equipment into the affected areas.

**McMichaels Hunting Club Request.** S. Repasch reported McMichaels Hunting Club sent another request to lease an additional 371 acres of Authority property and to use the Authority's road to access this area. This second request has not changed from last year's request. At that time, the Authority proposed terms to the club that were rejected. Our position has not changed; we still require the same lease terms. S. Zondag said that on the surface it seems like a good lease, but the area is two miles in from the main road. The advantages would be road improvement and more eyes and boots on the ground; however, the Executive Director and officers do not want vehicular traffic accessing this area. Also, the area is contiguous with State property. This is a complex issue of giving one club special access to Authority land and other prime opportunities. J Tallarico added the access road is in need of repair, but it is up to the Authority to limit vehicle access. We can propose the same terms, and if the club does not like them, there is no deal. Another thing is the Authority needs a way to spread its goodwill. We have no social media and there have been controversial projects over the past few years. We allow passive recreation and hunting on the property which is widely enjoyed by the public. There would be resistance from people who use this proposed area that is currently unrestricted and accessible to all. V. Gower proposed that the Authority not offer any terms to the club. The area is not exclusively available at this time and should remain so. The Board concurred.

**Security Transition.** S. Repasch reported that the three new officers have completed comprehensive training and orientation and are therefore patrolling solo with little mentoring from the veteran officers. We are at least 75% through the transition. S. Mertz said he has full faith in the abilities of the officers. They still need to learn a bit more about the property and how to get around and also how to use the UAV equipment. Uniforms are due next week and badges should arrive in another month.

**William Street Cell Tower Lease.** S. Repasch reported that a clean copy of the William Street Cell Tower Lease was received from Crown Castle. The lease has been executed based upon the Board's action at the March 8, 2018 meeting.

**PFHA Boundary Review Project.** S. Repasch requested ratification of the email approval for the surveying firm of Art Swallow Associates to research the PFHA boundary issues outlined in task 1A of the firm's proposal totaling \$10,000. 75% of the task is complete and a final report is anticipated in approximately two weeks. V. Gower moved and T. Donchez seconded to ratify the email approval for research work by Art Swallow Associates as discussed. Motion passed unanimously 5-0.

**Emergency Water Supply Study.** S. Repasch reported that AECOM is working on a matrix to determine the rating criteria for various options for an emergency water supply. AECOM has some new and valuable information specifically related to an interconnection to one of the Allentown/LCA reservoirs. A draft report is anticipated by the end of June for Board review. It will define the projects investigated and include estimated costs. It should help the City and Authority with how to proceed in the future.

**Arbitrage Calculations.** S. Repasch reported that a four year arbitrage calculation and report for the 2014 Water Revenue Bonds indicate there is no positive arbitrage that would be due now, and it looks favorable that there will be no positive arbitrage due in 2019. He is waiting on the final opinion from the Authority Bond Counsel. He requested that the Board approve the interim report subject to positive opinion of Bond Counsel so that Arbitrage Rebate Counselors can be paid \$2,000 for this first phase. V. Gower moved and T. Donchez seconded to accept the four year arbitrage calculation and report and, subject to the positive opinion of Bond Counsel, authorize the Executive Director to remit payment for \$2,000. Motion passed unanimously 5-0.

**2018 Income and Expense Projections.** S. Repasch reviewed the 2018 Income and Expense Projections as circulated and filed. With regard to consulting fees, there are projects currently underway that were not budgeted, e.g. surveying work, compensation review, and arbitrage calculations. With regard to the Route 512 water main extension project, money has been spent on legal fees for work on the easements and appraisals for those properties impacted by the stream and railroad crossings. All these unbudgeted expenses show up in the budget comparative, and overall we are still within budget.

**Expense Budget Comparative.** S. Repasch reviewed the Expense Budget Comparative for the five months ended May 31, 2018 as circulated and filed. Overall, expenses are 27% and revenues are 18%. The City's operating funds are expected in June and carbon credits are anticipated in August.

V. Gower questioned about updates on the PennEast Pipeline. S. Repasch and S. Mertz responded that there has been a fair amount of surveying activity in the past week and somewhat aggressive in several different areas, including the north side of Beltzville. Otherwise, there has been no communication. V. Gower would like the Authority to have notice before PennEast begins upcoming work. S. Repasch will follow through with this request.

## **TREASURER**

**Investment Summary.** D. Domchek reported that there is an investment maturing in August for \$802,000+ with Peoples Security. Since 12.5% of Authority investments is with Peoples, he would like this money spread out to reduce Peoples' position. This will be investigated in the next month.

**Controller.** J. Filipos's report for the month of May, 2018 was circulated and filed. There were no comments.

**Resolution 420 – Approval of Expenses.** S. Zondag presented Resolution 420 to the Board for the payment of expenses and transfers from the General and Reserve accounts totaling \$94,656.83. V. Gower moved and J. Tallarico seconded to approve Resolution 420 as presented. Motion passed unanimously 5-0.

### **SOLICITOR**

**Illick's Mill Sub-Lease.** J. Broughal reported that within the last week he received correspondence from the City that it would like to enter into a sub-lease agreement with the LV Sierra Club for an office area 10 feet by 10 feet at Illick's Mill and as part of the sub-lease with the Appalachian Mountain Club. Since the Authority owns the mill, it must consent to all sub-leases. He has reviewed the new sub-lease and recommends its approval. J. Tallarico moved and T. Donchez seconded to approve the sub-lease between the City and the LV Sierra Club at Illick's Mill as discussed. Motion passed unanimously 5-0.

### **CONSULTING ENGINEER**

**Annual Engineer's Report.** R. Madison reported that different areas of the water system are investigated each year. This year, the SCADA control room, reservoirs and water filtration plant wear-and-tear items are being addressed. Overall, the basic recommendations in the Annual Report are more investment in the vertical and linear assets. Similar to last year, it is recommended that the City continue its long range plans and consider an asset management plan to develop where money should be best spent for capital investment. Long term, the Authority and City need to find ways to provide more capital for these projects.

There was a considerable amount of discussion concerning the 22 projects identified in the Annual Report, the City's 10 year capital plan, the long term infrastructure improvement plan and the City's capital budget, what the plan is for the Board to use to guide its decisions for capital and financial planning, and how an asset management plan could tie everything together. An asset management plan would list all the assets and projects and rank them on either probability of failure or criticality of failure. The City tries to adhere to the 10 year capital plan, the foundation document that the Annual Report's recommendations are consistent with, and which is being updated to give it more certainty and predictability.

A broad brush approach may be in refreshing the 10 year capital plan with spending targets presented by priority and need with nothing left out, and against the balance sheet, rate structure and funding needed. The Authority currently does not get to the funding conversation and should be involved. We need to find a way to bring PFM (the City's financial advisor), the City's finance and water department leadership and the Authority together. In 15 years the water system debt will decline to zero, providing opportunity to utilize debt to fund near and far term future capital investment. E. Boscola said his immediate goal will be to create one spreadsheet listing the projects considered in the Annual Report, the City's reports and the current emergency water supply study to drive discussions for funding with the City, PFM and the Authority.

D. Domchek said the 2017 Consulting Engineer's Annual Report is an excellent report and he moved to accept it. V. Gower seconded and motion passed unanimously 5-0.

### **SPECIAL POLICE**

The Authority's Police Report for the month of June, 2018 was circulated and filed. S. Mertz commented on some of the items in the report:

- The results of the goshawk study are not yet available.
- An Amateur archeologist exploring an old outhouse site at 3 O'clock Springs left quite a mess. The area has been filled and there is a possible lead on the responsible party.
- There was a theft of tools left on site belonging to the loggers timbering state game lands off Hysie Gap Road. An authority camera placed near that area captured an image of the suspect vehicle; the vehicle and operator have been identified and turned over to the Game Commission.
- The dumping of two pickup truck loads of styrofoam occurred inside the gate being used by Game Commission loggers. City water personnel cleaned up the area. This is being investigated.

S. Mertz reported he attended a homemade bomb school offered through the FBI and Homeland Security. He learned how improvised explosive devices are made with common household and agricultural chemicals, such as pesticides, fertilizers, peroxides, diesel fuel. Concerns were expressed in the past about the storage of chemicals used in the operations at Wild Creek. It is up to the City if they want to take the initiative for the security of the maintenance building and chemical storage lockers. The new SCADA system added door alarms for security but not cameras. E. Boscola said it is a matter of what the Board wants to protect in the water system. The City does not have cameras at Wild Creek, and it is a question of cost versus value. From time to time, the security of the water system has been reviewed. Following 911, there was a vulnerability assessment and last year the Department of Homeland Security toured the watershed. He will provide the Board with a copy of that report. S. Mertz concluded he will get up to date on the previous security work and evaluate it for priority and recommendations.

### **WATER REPORT**

The Water Report for the month of May, 2018 was circulated and filed. The reservoirs are currently at 101.08% combined capacity.

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

E. Boscola reviewed his report on the Water Fund and Major Initiatives as of May, 2018 as circulated and filed. The Water Fund is in good shape, and revenues are slightly behind projections. Remittances for water bills now go to a PO Box in Philadelphia. The City entered into a contract with TD Bank to process all payments. This helps with labor, incoming checks get processed more quickly and cash flow is improved. Drop box payments at City Hall are processed in-house.

### **Major Initiatives and Projects:**

- The Disinfection Alternative Study kicks off next week. Also, the DEP issued a new disinfection rule for chlorine. The chlorine residual that must be maintained in the distribution system is increasing to .2 ppm from .02 ppm. The City has a year to abide by this new rule.
- The 5 MG Southwest tank inspection is on July 9
- The boiler and flocculators replacements at the Water Filtration Plant are complete.
- The Willowbrook road by-pass work commenced this week. A public notice was supplied to the media and approximately 100 customers that could be affected. This is a very large job and is being funded by Rockefeller Group, the FedEx developer.
- The Southside pump station overhaul project is nearly complete.
- PA DEP completed an inspection of the entire water system last week, including Wild Creek and the Water Filtration Plant. There are no violations, and there are some recommendations.

T. Donchez questioned E. Boscola what portion of the \$21.5 million budget is associated with major initiatives, is it intended that budgeted revenues and expenses zero balance, and does the budget tell us anything about the debt capacity and ability to do large scale projects consistently over a long period of time. E. Boscola responded that most of the budget is debt, payroll and fixed costs to run the water system. Studies are a small fraction of major initiatives, and some studies can transition into capital projects. A \$1 million contribution from the operating fund to the water capital fund is budgeted. There is no separate breakdown of the water capital budget, even though some capital projects are listed on the monthly report. A summary of capital projects and prioritized projects will be provided.

**OTHER BUSINESS**

S. Repasch indicated that a watershed tour is being planned for Board members. E. Boscola will also inform City Council in case members are interested, especially the Authority's Council liaison Paige Van Wirt.

*There were no comments during the second Courtesy of the Floor.*

**NEXT MEETING**

The next regular meeting is scheduled for July 12, 2018 at 3:30 PM.

**ADJOURNMENT**

V. Gower moved and D. Domchek seconded to adjourn the regular meeting at 5:10 PM.

*Vaughn C. Gower*  
Board Secretary