

BETHLEHEM AUTHORITY

Minutes of the Regular Meeting Of the Board of Directors October 11, 2018

The regular meeting of the Board of Directors of the Bethlehem Authority (“Authority”) was held on October 11, 2018 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:30 PM by Ms. Sharon Zondag, Authority Chair. Also in attendance were:

Mr. Thomas Donchez, Vice Chair
Mr. Vaughn Gower, Secretary
Mr. Dennis Domchek, Treasurer
Mr. John Tallarico, Assistant Secretary/Treasurer
Mr. James Broughal, Esq., Solicitor
Mr. John Filipos, CPA, Controller
Mr. Stephen Repasch, Executive Director
Ms. Sandra Reppert, Administrative Assistant
Mr. Steven Mertz, Officer/Ranger

S. Zondag announced that the Board held an Executive Session on September 26, 2018 for information gathering and to discuss potential litigation and personnel issues. There were no decisions made or votes taken.

APPROVAL OF MINUTES

J. Tallarico moved and T. Donchez seconded to approve the minutes of the September 13, 2018 regular meeting. Motion passed unanimously 5-0.

RECOGNITION OF VISITORS

Mr. Stephen Antalics, private citizen
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
Mr. Ron Donchez, former Authority Board member
Mr. Ron Madison, Maser Consulting and Authority Consulting Engineer

There were no comments during Courtesy of the Floor.

CHAIR

Benefits Review/Personnel Study. S. Zondag reported that the personnel policies and practices will be presented for action and D. Domchek reviewed the highlights for approval:

The cost share of the health care premiums will be 90% Authority/10% Employee
100% of Medicare premiums will be shifted to the Employee
The Authority will work with the Delaware Valley Health Trust to establish an HSA equal to one third of the estimated employee deductible - \$1,000 single; \$2,000 married.
The Authority will cease paying deductibles
There will be a one-time salary adjustment to offset the impact of employees' costs .
The Authority will continue to pay life insurance
The Authority will provide long term disability for employees.

These changes are similar to what is offered by the City of Bethlehem and other plans. The changes result in a small increase in total compensation of approximately 2% for current employees. V. Gower moved and J. Tallarico seconded to approve the recommendations outlined in the benefits study. Motion passed unanimously.

EXECUTIVE DIRECTOR

Wind Energy Project. S. Repasch reported on the PFT Zoning Board meeting held October 8. He did not attend but Atty, Preston indicated that three hours of testimony was given by a sound expert brought in by Atlantic Wind. The objectors attorney vigorously questioned the witness at length. The meeting concluded and another hearing is scheduled for October 30 where it is likely he will be called to testify. As soon as these hearings are over, there will be appeals. J. Broughal indicated that when this is appealed, the tragedy is the judge will probably call for more hearings.

Forestry Management. S. Repasch reported that the timbering project near Wild Creek commenced last week. Today he, Officer Meixell and Robin Wildermuth met with two officials from the USDA and an official from the PA DA to discuss the spotted lantern fly (SLF) finding on BA property. They have taken a keen interest in the species in and around the watershed since it is the farthest north that they've been sighted to date. They are looking for the Ailanthus tree, or tree- of- heaven. There are several on our property and adjacent properties. The USDA is proposing an insecticide and herbicide approach to be conducted next spring or early summer. They provided an agreement that identifies the chemicals they will use. It is a localized treatment, not broadcast. The tree is an invasive species but don't want to destroy them all. If there are enough SLF's around they will find other species. They prefer to keep some trees as trap trees. The TNC has not provided comment yet, but most likely will come up during their East Regional Annual Retreat to be held during the week of October 22 the Poconos. BA property will be toured as part of their retreat agenda .

S. Repasch reported that there are two parties, one from California and one from Texas interested in buying the fire tower. They were both asked to present an offer to the Authority. The parties have asked for the construction plans which will be provided. The tower was erected in 1965 and is supposedly the tallest in the state.

Land Use Policy. S. Repasch reported that there were additional comments and suggestions to make to the land use policy since last meeting. V. Gower said he thinks the policy can be improved. He cited several points as follows. The policy is about the watershed. Define the watershed as all the land. There is language inconsistency in poses threat vs. negative impact. We should be thoughtful about that difference. We don't talk about controlled burns, and maybe we should. There is the matter of land inventory. Who owns the land within our watershed and should we pursue the acquisition of certain lands. Also, -we talk about adjacent lands. Adjacent isn't in the drainage area so why don't we just focus on the drainage area. He is not supportive of a policy that spends time examining property outside the drainage area.

D. Domchek said that recent events have raised a lot more questions. We need a separate session. S. Zondag said it is premature to call for action today and the Board needs more input in the development of the policy before it is acted on. T. Donchez said Vaughn makes a lot of good points and linking this policy to our mission very clearly has to be effective outside of this room so people can get a clear understanding of it. An aspect of this policy is what is our posture relative to the public. A linkage has to be back to the mission, then this policy will flow nicely. D. Domchek asked about hunting club leases and do we really want to maintain them indefinitely. J. Tallarico said the leases we created for hunting are one-year leases.

After much discussion it was decided that comments should be sent to the sub-committee for review and inclusion into another draft of the policy. S. Zondag said work remaining to be done is in good hands with Tom and John and it's our duty is to provide input. No need to rush, we should take our time. V. Gower moved and J. Tallarico seconded to table voting on the land use policy. Motion passed unanimously 5-0.

Property Inventory Proposal. S. Repasch reported that following the discussion on the Keller property off hatchery road, he was asked to find a consultant to identify the properties within and adjacent to the watershed so we have an inventory. He contacted Woodland Management Resources, who provided a proposal. There is one thing missing, specifically monitoring sheriff and tax sale properties. He is not asking for action today. V. Gower said until we address the land use policy we shouldn't advance this property inventory proposal. A property ranking system will be based on the land use policy. They will identify properties in categories we are looking for and we will rank them. The Board agreed that more information is needed and the Land Use Policy needs to be done before the property inventory project can be approved.

Accounting/Bookkeeping Proposal. S. Repasch reported he received two proposals to outsource the Authority's payroll, one from Paychex and one from ADP. He circulated the ADP proposal which was a better offer: \$77.01 per month for a monthly payroll and the year-end reports at a small fee per employee, direct deposit, three months free if processing is completed by October 25.

T. Donchez questioned how much bookkeeping and accounting remains on the table.

S. Repasch responded payroll is minimal. He will be meeting with the Authority Controller again next week on what his firm can provide in the short term. He will inform the Board what the costs will be. S. Zondag had a preliminary meeting and reviewed the documents that need to be accomplished before the end of the year. S. Repasch will explore options for bookkeeping and accounting functions. V. Gower moved and D. Domchek seconded to approve using ADP for payroll services as presented.

Emergency Water Supply Study. S. Repasch indicated the final report from AECOM was received and circulated to the Board via email. AECOM presented the results of their study to the Board on September 26. E. Boscola and S. Repasch had input into the final report as well. D. Domchek said we need to schedule a future meeting to follow up on actions to take based on the report. This all has to tie into the capital plans, but first we need to know what the big dollars are along the way. We need a step by step plan until we actually have a second water supply. T. Donchez said we have a lot of risks with the water system. The question for all of us is should we put in place a second system given the risks. A risk analysis should be done to define the risks and their likelihood. D. Domchek said this needs to be maintained as an agenda item every month going forward.

D. Domchek moved and V. Gower seconded to accept the AECOM report on the Emergency Water Supply Study. Motion passed unanimously 5-0.

Arbitrage Report. S. Repasch reported that the 1998 Capital Appreciation Bonds arbitrage calculation was completed by Bank of New York Mellon and indicates there is no arbitrage due. The calculation needs to be reviewed by BONY Mellon senior management before the final report is issued by the October 19 deadline.

Discussion ensued with regard to future water system capital financing. V. Gower said the CABs can be refunded only on a taxable basis. These were structured without an early call. They have to be held until maturity. That will make a refunding more expensive. The refunding bond funds would be invested to pay the original bonds as they come due and earn money by investing the unused proceeds so that can net against the higher interest rate a taxable bond will have. Such a refunding will be examined by the City's Financial Adviser. The bigger question is will it be possible to provide for a way to lower debt service in a way that will create added cash to support increased annual capital spending. City's Financial Advisor (FA) will prepare options with longer maturities that more closely match the life of the current and future assets. When the numbers are run and pooled together, we will meet again with M. Sivak from the City and their FA. D. Domchek said the meeting on October 3rd was very useful. What also became apparent is there really is a different view on borrowing. Council is focused on total interest payments over the period of the debt issue rather than matching the term of the debt to the life of the assets.

V. Gower reported , according to Ed Boscola, the city's 2019 water capital spending can be funded from the BRIF and normal cash flow that the annual budget generates. It's not until 2020 and beyond that other projects will require multiple borrowings.

4Q18 Income and Expense Projections. S. Repasch reviewed the 4Q18 Income and Expense Projections as circulated and filed. Carbon credits revenue of ~\$250,000 is anticipated very soon. Administrative expenses are anticipated to be lower due to staff changes. The PennEast Pipeline reserve fund has been isolated in its own section as requested.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative for the nine months ending September 30, 2018 as circulated and filed. Overall, operating revenues are 46%, expenses are 52%. Overall, capital reserves source of funding is 79%, expenses 129%. We are anticipating reimbursement on the wind energy legal expenses within a few weeks.

2019 Authority Budget. S. Repasch reported that a draft budget is forthcoming, and he provided budget assumptions to the Board in a memo. There are many outstanding issues that need further clarity before a draft budget can be delivered for review. We received a proposal from the Maser Consulting for next year's services. V. Gower questioned next year's carbon credits revenue. S. Repasch said he will talk to the Authority forester about timbering plans for next year.

TREASURER

Investment Summary. D. Domchek reported that the investment portfolio is substantially the same as reported last month. There are four CD's with the local banks that mature next month totaling over \$2 million. They will be bid as we typically do.

With regard to the investments with the local banks and held by BNY Mellon, S. Reppert informed the Board that BNY Mellon has a call-back requirement for outgoing wires where the person directing the investment cannot be the same person verifying the wire. Now in anticipation of her leaving, either a Board member can be the verifier, OR by formal action by the Board, S. Repasch and can be authorized to solely provid written investment instructions AND be called back to verify the outgoing wires. D. Domchek says we already have built-in controls and can be provided the investment direction letter.

V. Gower said he is comfortable with Steve being authorized to provide BNY Mellon with wire instructions and call-back verification as long as someone else knows and has the ability later through examination of the records that it was done. He moved to authorize S. Repasch to solely be the initiator and the approver of investment transactions with BNY Mellon with the provision that the Treasurer receives a copy of the letter. J. Tallarico seconded. Motion passed unanimously 5-0.

Controller. J. Filipos's report for the month of September, 2018 was circulated and filed. He thanked Sandy for all the years of service and publicly acknowledged he enjoyed working with her and wish her best of luck.

Resolution 424 – Approval of Expenses. S. Zondag presented Resolution 424 to the Board for the payment of expenses and transfers from the General and Reserve accounts totaling \$71,077.81.

D. Domchek moved and T. Donchez seconded to approve Resolution 424 as presented. Motion passed unanimously 5-0.

SOLICITOR

Allen Township Release of Easement. J. Broughal reported he was contacted by the Allen Township solicitor. The Township is deeding a ROW to PADOT for route 329/Weaversville Rd. and needs certification that ROW is free of liens and encumbrances. In 1988 there was a deed recorded that granted a ROW to the City. There is no written easement anywhere but this is an issue for Allen Township. They provided a draft release for the easement releasing any rights to this particular easement so the township can give the land to PADOT. Authorize the chair to sign a release of the easement which is contained in the deed of 2/29/1988.

J. Tallarico moved and T. Donchez seconded. Motion passed unanimously 5-0.

CONSULTING ENGINEER

October 19 has been scheduled as the first day of the annual inspection tour. The tour commences at the water filtration plant, then the reservoir. One focus this year is on the portal access to the two tunnels and assessment of remote inspection possibilities.

SPECIAL POLICE

Officer S. Mertz's report for the month of October was circulated and filed. S. Zondag said that every police report includes a reference to Hypsie Gap Road and asked if there are cameras. S. Mertz responded the cameras were taken down recently because of the logging activity. At one point there were eight cameras on the road. He will work on getting cameras back in place.

WATER REPORT

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

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water fund and Major Initiatives for September 2018 was circulated and filed. Revenue is on target and there is enough cash in the bank to make the November debt service and lease payments. Main focus has been 2019 budget development which can be described as status quo. Revenue growth rate is less than .5%. There is enough capital to get through 2019, \$3.5 million budgeted and does not include

any major capital projects. The Mayor typically releases the draft budget in the beginning of November.

Automated Metering Infrastructure (AMI). Antennae will be installed at the end of the month as part of the AMI project which includes drive-by reading technology and central receiving station technology. One antennae is on the 5MG Hecktown Rd. tank and the other on the City's South Mountain communications tower. The number of meters that can be detected will be determined. Two or three additional sites will most likely be needed for customers in remote areas.

Willowbrook Road Bypass. This project will possibly occur this month which will have the Howertown South transmission main shut down in order to facilitate repairs associated with the FedEx project. He feels confident that in the short term all customers can be supplied from the Howertown East transmission main with some valve and PRV manipulation with minimal impact. The project is anticipated to take one week.

COURTESY OF THE FLOOR

Mr. Stephen Antalics questioned if the discussions on the land use policy or other policies, requires any interaction with City Administration and Council in terms of consulting or advising. J. Broughal answered no, and that the Authority is not an agency of the City, it is an agency of the Commonwealth of PA. By law, the Authority is an agency of the Commonwealth of PA. Mr. Antalics questioned how it differs from the parking authority. The parking authority is an authority pursuant to the PA Parking Authorities Act. They are also independent of City Administration and Council.

NEXT MEETING

The next regular meeting is scheduled for November 8, 2018 at 3:30 PM.

OTHER BUSINESS

S. Zondag indicated that this is Sandy Reppert's last meeting. The Board is deeply grateful for her 15 years of service. On behalf of the Board members and consultants, J. Tallarico presented her with a plaque and thanked her for everything she has contributed to the Authority during her tenure. R. Donchez recalled his time on the Board and how dedicated Sandy was. Other Board members offered similar sentiments.

ADJOURNMENT

V. Gower moved and J. Tallarico seconded to adjourn the meeting at 5:09 P.M.

Vaughn C. Gower
Board Secretary