

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

FEBRUARY 11, 2016

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, February 11, 2016 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order by Mr. John Tallarico, Chairman. Also in attendance were:

- Ms. Laurie Hackett, Vice Chairwoman, Assistant Secretary/Treasurer
- Mr. Vaughn Gower, Secretary
- Mr. Dennis Domchek
- Mr. Jack Abel
- 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

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, private citizen
- Mr. Shawn Martell, City of Bethlehem Councilman and Council Liaison to the Authority
- Mr. Nate Jastremski, Bethlehem Press
- Mr. Ron Madison, Engineering Consultant
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. George Yasso, City of Bethlehem Controller
- Mr. Mark Jobs

J. Tallarico presented M. Jobs with a proclamation honoring him for 10 years of service as an Authority Board member. He thanked him for the many good things happened under his watch, his invaluable insight and his banking knowledge. He will be missed by all.

J. Tallarico welcomed Mr. Dennis Domchek as the newest Authority Board member. His experience and knowledge will serve the Board well.

COURTESY OF THE FLOOR

Mr. Antalics commented that M. Jobs was excellent at asking the proper questions and holding his position until he got the answers that were wanted. He highly commended him for his work, looking at matters objectively in the best interests of the Authority.

APPROVAL OF MINUTES

J. Tallarico moved and J. Abel seconded to approve the minutes from the January 14, 2016 reorganization and regular meetings. Motion passed unanimously.

CHAIRMAN

PennEast Gas Pipeline. J. Tallarico reported that PennEast has completed the core drilling in the Authority's transmission main right-of-way. R. Madison added that PennEast did everything they said they would do to protect the water transmission line, and there were no mishaps. When the report is received and reviewed, the parties will meet again to discuss PennEast's next steps for this project.

EXECUTIVE DIRECTOR

Investment Policy. S. Repasch presented the final version of the Authority's Investment Policy, which contained minor revisions from the version originally circulated. He suggested the Board adopt the investment policy with the following revisions:

- ¶1, Line 2: "time deposits, money market funds, as well as investments maintained in PLGIT."
- Permitted Investments, Line 3: "or as provided in the Indenture secured under Act 72 to the satisfaction of the Board."
- Bid Requirements, ¶2, Line 4: "from the institution offering a lower yield."

L. Hackett moved to adopt the Authority Investment Policy. V. Gower would like the Bid Requirements section amended to read: "unless there are investment objectives the Authority is seeking to achieve." By making this change we will connect policy exceptions with respect to credit risk, diversification, yield, and liquidity all of which are already incorporated into the Investment Objectives section. Also, with regard to Delegation of Authority, since email is often used as the method of communication for investment recommendations and actions, a sentence should be added to address this procedure such as: "All investment recommendations that are accomplished via email or telephone will be brought to the Board for ratification at its next meeting."

L. Hackett moved to adopt the Authority Investment Policy with the amendments as discussed. J. Abel seconded. Motion passed unanimously.

Investment Opportunities. S. Repasch reported Embassy Bank, ESSA Bank and Merchants Bank of Bangor have agreed to Act 72 Collateralized Certificates of Deposit (CD). With regard to Saxon Investments, who contacted the Authority Financial Advisor, it was suggested to form a committee to investigate them since at the present time not much is known about them. The Board indicated it would prefer to proceed today with investing in the banks that participate in Act 72, and then investigate Saxon.

CD rates, valid through February 12, were solicited and circulated to the Board. After further review and discussion, the following investments were presented for approval:

Operating Reserves Account. Close the Provident Bank savings account, current balance \$234,015, and open a Peoples Security Bank Money Market account, current interest rate 1.0%.

V. Gower moved and D. Domchek seconded the Operating Reserves Account actions presented and discussed. Motion passed unanimously.

Maintenance Reserve Fund (MRF). Total amount available to invest is \$2.0 million. Divide \$2.0 million between ESSA Bank, Merchants Bank of Bangor and Embassy Bank and invest in 6 month CDs at quoted rates of .60%, .80% and .85% respectively.

V. Gower moved and D. Domchek seconded to approve the MRF investments presented and discussed. Motion passed unanimously.

Bond Redemption and Improvement Fund (BRIF). Total amount available to invest is \$2,532,439. Divide \$2.0 million between ESSA Bank, Merchants Bank of Bangor and Embassy Bank and invest in 12 month CDs at quoted rates of .85%, 1.0% and 1.05% respectively. Invest remaining \$532,439 in 12 month CD with Embassy Bank at quoted rate of 1.05%.

V. Gower moved and D. Domchek seconded to approve the BRIF investments presented and discussed. Motion passed unanimously.

V. Gower queried if the Authority has the option to do investments in some of the other funds. He believes there is potential in the Debt Service Reserve Fund (DSRF). S. Repasch responded there are additional restrictions on DSRF investments. He will contact the Authority Financial Advisor to look into this matter.

Forest Management. S. Repasch reported that the State's bid opening for gypsy moth spraying is today. He queried the Authority Solicitor if the Authority has to bid a spraying contract if it receives a quote from a firm at or below the State pricing. J. Broughal responded the bid threshold is \$19,400. If the State contract would be included in the State's COSTARS program, there is no need to bid; otherwise a spraying contract for gypsy moths must be bid.

Property Appraisal. S. Repasch reported that he, Officer Meixell and Robin Wildermuth met with Tom McKeown who indicated McKeown Realty was starting the working on property appraisal for the parcels impacted by the proposed PennEast Pipeline. More information is anticipated in the coming weeks.

Long Pond Property Sale. S. Repasch reported that Pocono Mountain Regional Police Department (PMRPD) withdrew their special exception application for the parcel of land adjacent to Authority property that they were interested in purchasing. It is not known whether the department is pursuing the matter further. J. Broughal added that PMRD is considering opportunities on Authority property but would prefer to buy Authority property, which they cannot, but an option to enter into a long-term lease would be an alternative.

WRA Membership. S. Repasch recommended that the Authority join the Water Resources Association (WRA) of the Delaware River. The WRA is an organization of water suppliers and industries in the Delaware River watershed. It is planning programs for its members and customer outreach on issues related to the watershed. The membership costs \$200 for the year, an expense which was not budgeted.

J. Tallarico moved and L. Hackett seconded to approve the expenditure of \$200 to join the WRA. Motion passed unanimously.

1Q16 Income/Expense Projections. S. Repasch reviewed the 1Q16 Income/Expense Projections Report as circulated and filed.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative for the month of January 2016 as circulated and filed.

Business Practices. S. Repasch asked the Board and others to give some thought about our business practices. He wants to make sure the Board is comfortable and satisfied with how we handle our reports and communications, which are mostly handled through email, and if there is anything we should be doing differently.

J. Tallarico would like employee evaluations to be done this year. L. Hackett would like the meeting time to revert to 3:30 PM. The Board was amenable to the change beginning with the March 10 meeting. This will be advertised, and the Authority's web page will be updated.

PMAA Board Member Training. S. Repasch informed the Board there is a PMAA Board Member Training session on March 10. The session is available for any new or existing Board member to attend if interested. He will circulate the information.

CONTROLLER

J. Filipos's report for the month of January, 2016 was circulated and filed.

S. Repasch commented that City Council's Finance Committee will be reviewing the City's 2014 audit on March 9. The Authority's 2014 audit has been delayed because it is a blended unit of the City's audit.

Resolution 387 - Authorization of Bank Accounts Signer. S. Reppert presented Resolution 387, reviewed by the Authority Solicitor, to the Board for approval. The resolution adds D. Domchek as an authorized signer to the Authority's existing and/or new bank accounts and removes M. Jobses.

V. Gower moved and J. Abel seconded to approve Resolution 387 as presented. Motion passed unanimously.

Resolution 388 - Approval of Expenses. J. Tallarico presented Resolution 388 to the Board for approval. The resolution totals \$80,612.12 for the payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Capital Reserve Funds.

L. Hackett moved and V. Gower seconded to approve Resolution 388 as presented. Motion passed unanimously.

The Solicitor had no report.

CONSULTING ENGINEER

S. Repasch reported that a copy of the 2015 Consulting Engineer's Annual Report, without the appendices, was received and is currently being reviewed by E. Boscola and his department. When their review is complete, the report will be provided to the Board for its review.

SPECIAL POLICE

D. Meixell's report for the month of February, 2016 was circulated and filed. He reported that the core drilling on Authority property and right-of-way for the PennEast Pipeline was completed yesterday. There was a bald eagle shot near the Authority's reservoir as was reported in the newspaper. The incident is currently under investigation by the PA Game Commission, and there should be more information to report about this incident next month. S. Repasch mentioned that the Morning Call is doing an article about the shooting and the eagle's relationship to the Authority's watershed.

WATER REPORT

The Water Report for the month of January, 2016 was circulated and filed. The reservoirs are at 100.92% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and major initiatives was circulated and filed.

- The Water Fund is in good shape, even though there were 3 pay periods in January and the billings were slightly behind.
- The long-term infrastructure plan was submitted to the PUC, which is a pre-cursor to the DSIC funding application.
- Currently updating the 5-year plan for the water utility to help project capital projects funding beyond 2016. If all goes as planned, it is anticipated the Construction Fund will be depleted by the end of 2016.
- The large water main replacement projects for the South Side and Fountain Hill are out to bid and due before the March Board meeting.

OTHER BUSINESS

J. Tallarico commented he failed to mention that M. Jobs served as Chairman of the Authority Board for 2 years. He also thanked S. Martell, the newly elected City Councilman and Authority liaison, for attending today's meeting.

Appointment of Authority Treasurer. L. Hackett moved to appoint D. Domchek as Treasurer to the Bethlehem Authority for the year 2016. J. Abel seconded. Motion passed unanimously.

COURTESY OF THE FLOOR

Mr. Antalics queried what kind of control PennEast would have over the contractors or sub-contractors to make sure piping specifications are met and inspections are being

performed before the piping goes into the ground. Response was there are 4 classes of pipe, where each class is used in a particular area. FERC sets the piping standards to insure the right class is used, and there are testing procedures for all types of pipe. PennEast indicated they will go one class above FERC's requirements. An engineer oversees the specifications, materials and execution of pipeline construction. This is still a topic of discussion with PennEast. Mr. Antalics also queried if there is fracking close to the watershed, since fracking has caused minor earthquakes and sinkholes. Response was the closest fracking well is approximately 50 – 60 miles from the watershed. Sinkholes are an issue, but 700' of pipeline is strong enough that it will not break.

E. Boscola commented about the Flint, Michigan issue. The City proactively put information on its website to inform customers about lead testing. The City has complied with the lead and copper rule for 25 years, with sampling done every 3 years on samples taken from inside a home. The results have been consistently below EPA action levels. The City's water is very corrosive. It is very soft but higher in corrosivity, which is counterintuitive. Hard water forms a scale in plumbing and pipes, which adds a protective layer to the underlying metal. Hard water is better from a corrosion control standpoint. However, because the City's water is soft, a corrosion inhibitor, zinc orthophosphate, is added to create a passivation layer inside the pipe. This protects the underlying metal from corrosion and prevents lead in the pipe from leaching into the water stream.

M. Jobs commented that it has been a pleasure and honor to work with the Board and staff. His 2 terms have been a good run. It was his first foray into government and quasi-politics. He is most proud of the Authority taking a business stance in looking at things and finding ways to generate income, such as the carbon credits and potential wind power, while all along remaining good stewards to the property and asset. He has fond memories of the Working Woodlands program and partners, The Nature Conservancy and Sierra Club. He was happy that the debt was finally restructured. He urged the Board to focus on the aging infrastructure. Although expensive to address, it should be a priority. He thanked everyone for everything.

S. Martell commended the City for putting the information concerning the lead issue on the website. He initially received numerous phone calls about it after the newspaper ran an article on lead exposure in the area.

NEXT MEETING

J. Tallarico announced the next meeting is March 10, 2016 at 3:30 PM.

ADJOURNMENT

J. Tallarico moved and L. Hackett seconded to adjourn the meeting at 5:35 PM. Motion passed unanimously.

Vaughn C. Gower, Secretary