

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

OCTOBER 13, 2016

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, October 13, 2016 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Mr. Vaughn Gower, Secretary
- Ms. Sharon Zondag, Member
- Mr. James Broughal, Esq., Solicitor
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

APPROVAL OF MINUTES

J. Tallarico moved and V. Gower seconded to approve the minutes of the September 8, 2016 regular meeting. Motion passed.

NEW BOARD MEMBER

J. Tallarico welcomed Ms. Sharon Zondag as the newest Authority Board member, replacing Mr. Jack Abel. Her background will serve the Board well. On behalf of the Board, J. Tallarico recognized Mr. Abel and, although not present, thanked him for his service and wished him all the best.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, private citizen
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Ron Madison, Authority Consulting Engineer
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

There were no comments during Courtesy of the Floor.

CHAIRMAN

PennEast Pipeline. J. Tallarico reported that a meeting will be held tomorrow with Authority, TNC and PennEast representatives regarding the proposed pipeline Conservation Easement and environmental concerns. Negotiations continue on a license agreement with PennEast, which will be discussed in Executive Session after the adjournment of today's regular meeting.

(Ms. Laurie Hackett entered the meeting at 3:35 PM)

EXECUTIVE DIRECTOR

Watershed Management. S. Repasch reported that timbering continues in Wild Creek. Also, the Authority underwent the FSC audit this past Tuesday. He and D. Meixell spent the afternoon with the auditor, who was very thorough. The auditor was also very interested in the wind energy project since the Rain Forest Alliance, the third party auditing contractor, was contacted by opponents of the project. He was shown 3 met tower sites and all of the met tower sites will have to be excised from the program to comply with FSC requirements. If the project is ever developed, the wind tower sites would have to be excised as well. D. Meixell added the last 2 hours of the day were spent at the current logging site. The auditor was very complimentary about the project and the logger, Matt Carney. All in all, it appeared that the audit went very well.

Wind Energy Project. S. Repasch reported that Atlantic Wind filed an injunction with the Carbon County courts to have the venue changed to the Carbon County Court House for the Penn Forest Township Zoning Hearing. The Zoning Hearing Board is resisting. The next hearing is scheduled for October 18. Mr. Broughal added the earlier hearings became very contentious and Atlantic Wind had to hire security because of threats being made. They want the courts to appoint a hearing officer.

2017 Authority Budget. S. Repasch reported that he anticipated providing a draft 2017 Authority budget to the Board today. However, some items are still being worked on, such as PennEast and the health insurance. The insurance trust projects a fairly large increase. He expects to have a draft budget available for review next week.

4Q16 Income and Expense Projections. S. Repasch reviewed the 4th Quarter Income and Expense Projections as circulated and filed. He noted:

- The logger for the Tunkhannock timber sale will not be able to start until January 2017. Therefore, timbering revenue for the 4th quarter will be less than \$30,000.
- Wind project expenses are expected to be reimbursed.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget comparative for the 9 months ended September 30, 2016. He noted:

- Audit services will be over budget because the 2014 audit was not completed and paid for until March, 2016.
- PennEast escrow fund is \$9,400 over what was received from PennEast and could be reimbursed as part of the proposed license agreement negotiations.
- Capital Expenses for security office improvements will exceed budget. The driveway is badly deteriorated. It will be repaired, then oiled and chipped in the coming weeks. The cost is ~\$3,000.

(The Chairman recognized Ms. Linda Christman from Towamensing Township and Ms. Lois Mitchell, who entered the meeting at 3:50 PM.)

CONTROLLER

The Authority Controller could not attend today's meeting due to work commitments. His report for the month of September was circulated and filed. The addition of the new investments summary page at the end of the report was recognized. S. Repasch indicated that the Authority Financial Advisor has reviewed this information, has some suggestions, and will provide an analysis with regard to risk and the Act 72 investments. He will be meeting with Dennis Domchek next week to discuss investment strategies going forward.

2015 Audit Opinion Letter. S. Repasch reported that the Authority's 2015 Audit Opinion letter was received from Maher Duessel, who is also the City's auditors. Because the Authority is a blended component of the City's audit, the Authority's information cannot be released until the City's audit is final, which has recently occurred. The opinion letter states:

"In our opinion dated September 22, 2016, we stated that the financial statements present fairly, in all material respects, the respective financial position of each major fund of the City as of December 31, 2015. There were no Government Auditing Standard findings or Single Audit findings that related to the Authority, nor were there any management letter comments provided to the City in relation to the Authority."

This is a clean audit with no outstanding issues.

L. Hackett moved and V. Gower seconded to accept the 2015 Audit Opinion letter. Motion passed unanimously.

Annual Controller's Report. S. Repasch suggested postponing acceptance of the Annual Controller's Report until the November meeting when the Authority Controller is present to provide comments. V. Gower remarked that the Board has already accepted the December 31, 2015 Controller's Report, which is the crux of the Annual Report. The DCED report and Continuing Disclosure Tables, which contain information relative to and prepared by the City, are required by law to be a part of the Authority's Annual Report. He moved to accept the Annual Controller's Report. L. Hackett seconded. Motion passed unanimously.

Resolution 397 – Approval of Expenses. S. Repasch presented Resolution 397 to the Board for approval. The resolution totals \$931,267.33 for the payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Reserve Accounts.

L. Hackett moved and S. Zondag seconded to approve Resolution 397 as presented. Motion passed unanimously.

V. Gower remarked the substantial capital expenses this month bring the balance in the Construction Fund to ~\$400,000. We will soon need to resort to the BRIF, which has ~\$1.3 million available. E. Boscola indicated he will discuss capital funding sources under his report.

Resolution 398 – Authorization of Bank Accounts Signer. J. Tallarico presented Resolution 398, reviewed by the Authority Solicitor, to the Board for approval. The resolution adds S. Zondag as an authorized signer to the Authority's existing and/or new bank accounts and removes former Board member Jack Abel.

L. Hackett moved and V. Gower seconded to approve Resolution 398 as presented. Motion passed unanimously.

There were no Solicitor or Consulting Engineer Reports.

SPECIAL POLICE

D. Meixell's report for the month of October, 2016 was circulated and filed.

WATER REPORT

The Water Report for the month of September, 2016 indicates the reservoirs are at 88.62% capacity. E. Boscola remarked that due to the dry and hot summer, the Penn Forest reservoir level is slightly below capacity, but that likely will change as fall and winter approach.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and major initiatives for the month of September, 2016 was circulated and filed. He noted:

- **Water Fund.** Revenues are up ~3% over projections, most likely from increased consumption due to the dry and hot summer and from replacing the large meters of commercial, industrial and institutional customers. Expenditures remain frugal; however, some expenses (insurance, pension, and other soft costs) are under-reported because they are paid near the end of the year.
- **Upper Saucon Township Agreement.** A billing amount needs to be reconciled at the end of October, after which the final draft will be submitted to the respective Boards and Councils for formal approval. An execution date of January 1, 2017 is anticipated. The Authority should have the final draft for the November meeting.
- **Allen & East Allen Townships.** The strategy and approach to expand the water distribution system will be to meet development as it occurs. Eventually, most, if not all, East Allen customers will be tied into the City system and the wells will be abandoned. There is a meeting next week with David Jaindl, who is currently working on development plans in the townships.
- **Lower Saucon Township.** The Township plans to install 3 master meters to address all honor system customers by the end of 2016.
- **Lead and Copper Testing.** 51 homes were tested by the end of September. The results indicate the 90th percentile of <2 parts per billion was met, and has been met in the 20+ years this testing has been in effect. L. Hackett questioned about the City's involvement with BASD after it was revealed a Lehigh professor did lead testing for the schools in the district. E. Boscola responded the initial testing was done surreptitiously, the drawing methods were not proper, and Lehigh's lab was not certified to opine on the test results. Since that incident, BASD formally had the water tested in all its schools by

a certified lab. The official results were provided to the City and to DEP. A shortcoming of the lead and copper rule is only residential homes are tested and not schools, hospitals, public buildings, commercial properties, etc. The testing is a statistical sampling that provides regulators an idea of what is in the water system. It also identifies how well a utility is addressing lead in the water with the corrosion controls is in place to prevent it.

Funds Needed and Available for Water Capital. E. Boscola reported he is in the process of drafting the 2017 water capital budget. A net operating income of +\$1 million is forecast for 2016 and will be moved into the capital fund for 2017, the \$.4 million remainder in the Construction Fund will be spent, and \$1 million from the BRIF is planned to be used. There is also cash in the City account assigned to the capital fund. In total, over \$4 million will be appropriated for water capital in 2017 with no need for financing.

Water Main Break. J. Tallarico questioned when New Street will be re-opened. E. Boscola responded there was a large water main break and subsequent gas leak. A lot of streets in the downtown areas of the city are concrete underneath asphalt. The concrete is still intact and acts as a cap. If there is a water main break, the water cannot escape out of the ground; it stays below the ground and finds a path of least resistance. Unfortunately, the foundations of 3 homes on the west side of New Street were undermined. The homes are condemned and will be razed. There are some soft spots and voids in New Street that need to be addressed before the street is re-opened. The City has hired a contractor (Ronca) to do exploratory digs and an engineering firm to perform ground-penetrating radar tests to locate the voids. The public right-of-way needs to be repaired and restored to re-open the road before the colder weather and holidays. This work will be paid for from the water capital fund so some projects may have to be placed temporarily on hold. The City has 2 emergency services contractors and quotes were obtained from both. G. Auman added the City has contracts in place for emergency services. However, because of the scope of this work, a new contract had to be drawn up.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Stephen Antalics: He opined that the Authority might be subjected to legal issues that it might not otherwise be if it was independent of the other legs of government. He questioned if the Authority would be better off as an independent authority. J. Broughal responded that the Authority is an independent authority. If the Authority was an operating authority and operating the entire water system, yes, it would be better off. Mr. Antalics questioned if the issue of becoming an operating authority has been abandoned. V. Gower responded yes, it is currently not necessary. It would take a severe issue with the City on how it runs the water system. It is always an option if it is in the best interests of the Authority, City and customers.

Ms. Linda Christman: She stated she is from the anti-pipeline group, Save Carbon County. For the Authority's information, it is estimated that the pipeline project is a year behind schedule. The in-service date was originally October, 2017 and is now mid-October, 2018.

There are some factors that could easily push that date back as well. Construction is set to start in April, 2018, unless the group can stop it.

NEXT MEETING

The next meeting is scheduled for November 10, 2016.

ADJOURNMENT

V. Gower moved and J. Tallarico seconded for adjournment of the regular meeting at 4:30 PM and to convene an Executive Session to discuss real estate negotiations and contract issues.

Vaughn C. Gower, Secretary