

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

NOVEMBER 12, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, November 12, 2015 in room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 4:00 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Mr. Vaughn Gower, Secretary
- Mr. Mark Jobs, Treasurer
- Mr. Jack 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 V. Gower seconded to approve the minutes from the October 15, 2015 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Nate Jastremski, Bethlehem Press
- Mr. Stephen Antalics, 737 Ridge Street, Bethlehem, PA resident
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Ron Madison, Maser Consulting

COURTESY OF THE FLOOR

Mr. Antalics commented he read an article about the metals and materials used to join oil pipelines together. Moisture and chemicals in the ground can cause failure where the pipes are joined. S. Repasch said that PennEast assured cathodic protection would be in place in the pipeline to minimize or eliminate this potential.

CHAIRMAN

PennEast Gas Pipeline. J. Tallarico reported he, V. Gower, S. Repasch, Ed Boscola and R. Madison met with high-level PennEast representatives on November 11, and summarized below:

- PennEast acted on the Authority's suggestions and escalated our concerns about safety and evaluation of alternative routes.
- State of the Art technology will be in place: Cathode monitoring, shut off safety devices, alarms, radiographic testing, thicker and better coated pipes, etc.

- Alternative routes east/west of Authority property involve DCNR and the National Park Service and additionally, the Army Corps of Engineers because of crossing under Beltzville Lake. There are also construction issues because of elevation differences.
- Following the Buckeye Pipeline easement is not wide enough because the easement is 33' wide and there are two pipelines running through the easement.
- The Authority will write a letter to the National Park Service/Appalachian Trail in support of PennEast's preferred route crossing of the Blue Mountain, which is east of the Authority waterline.

For the area that is of most concern to the Authority, PennEast plans to bore through rock at ~120 feet below the water pipeline. However, they need to do a geotechnical investigation requiring core drilling so they can confirm that their current plan is feasible. The Authority needs to verify PennEast's assertions about the pipeline technology and the core drilling. If we are comfortable with the assertions, there may actually be a solution that can be worked out.

The recommendation is for the Board to approve an addendum to the existing access agreement with PennEast for them to access Authority right-of-ways to perform geotechnical work. PennEast will provide all the testing criteria to be included in the addendum and the Authority will include only what PennEast is allowed to do. Additional and future Authority expenses related to the pipeline will be estimated and a request for these funds will be made to PennEast. If a right-of-way with PennEast is established, terms would be negotiated at that time based on the value of the land determined through an appraisal.

V. Gower moved and J. Abel seconded to approve an addendum to the existing access agreement with PennEast as described above. Motion passed unanimously.

Gift Policy. J. Tallarico reported the Board concurs that a gift policy should be in place and capped at a reasonable dollar amount, but the issue needs more discussion and is tabled until the December meeting. S. Repasch said he should have the requested information on a gift policy from the Authority Financial Advisor by that time.

EXECUTIVE DIRECTOR

S. Repasch read a letter received from the Monroe Animal League, thanking the Authority for its participation in their "Woof-Stock 2015" fundraising event. The Authority allows parking on its property for the group's event every year.

S. Repasch presented to the Board the Environmental Partnership Award, which was given to the Authority and Nature Conservancy for forging environmental partnerships and bringing protection and stewardship to Northeastern PA environmental resources. The award was given by the Northeastern PA Alliance, PA Department of Conservation and Natural Resources, PA Department of Environmental Protection, PA Environmental Council, PPL Corp., Proctor and Gamble Paper Products Co. and Wilkes University.

Forest Management Activities. S. Repasch presented an addendum to the timber sale contract with Elite Timber Harvesting. Adjacent Stand 3B has been added to the sale and the payment format changes from a purchase to a unit sale. The Authority will still receive \$14,459 upfront as stated in original contract and receive additional revenue. The unit sale prices are \$3/ton for softwood; \$3/ton for hardwood; \$150/thousand board feet for saw logs.

J. Abel queried if there is any relationship between this sale and the carbon credits. S. Repasch responded timbering is part of executing the forest management plan, and the allowable cut under the plan is ~7,900 tons of carbon per year.

V. Gower moved and M. Jobes seconded to approve the addendum to the timber sale contract with Elite Timber Harvesting as presented. Motion passed unanimously.

Wind Energy Project. S. Repasch reported the additional met towers have been approved by Penn Forest Township. Iberdrola has been extremely active doing surveys and wetland studies at all sites for the entire project. They indicated the project will be a top priority for development and will apply for all environmental study permits in 2016. If approved, construction could commence in 2017. D. Meixell added that studies are being done on a third ridge that lies between the Call and Stoney Mountains.

Solar Project. S. Repasch reported that the City received a revised Power Purchase Agreement (PPA) from Solar City for the solar project at the water treatment plant. To be clear, the Authority only has to approve the use of the land for the project. E. Boscola said that an independent evaluation of the PPA is in process. This is a very viable renewable energy project capable of producing close to 100% of the power requirements at the plant. Initially, the payback is small but becomes larger in the outer years. It is hoped the project will commence next year.

Bear Swamp Hunting Club. As discussed at the October meeting, S. Repasch presented a new lease agreement with Bear Swamp Hunting Club for the Board's approval. The lease area is along the western border of Authority property south of Pocono Raceway and has increased from 80 to 240 acres with a yearly rental of \$2,400. The club has also agreed to maintain the roads and fire lanes.

V. Gower moved and J. Abel seconded to approve the lease agreement with Bear Swamp Hunting Club as presented. Motion passed unanimously.

Investment Opportunities. S. Repasch reported he has been working with the Authority Financial Advisor on other investment opportunities. Some information was provided to the Board about FDIC-backed CD's through a broker, averaging .40%-.45%/6 months and .75%-.80%/12 months. (Currently we are averaging .30%-.35% with the local banks.) It is unclear if we will encounter the same problems with the Trustee on this as we did with the PLGIT CD's.

V. Gower said there is more money to invest than banks available to keep in line with Authority policy. We will be faced with a waiver to permit an investment exceeding FDIC limits and it will be dealt with accordingly. He suggested that the Financial Advisor contact a local bank to discuss options. M. Jobses will provide a list of additional banks for the Authority to contact.

4th Quarter Income and Expense Projections. S. Repasch presented the 4th Quarter Income and Expense Projections as circulated and filed.

Expense Budget Comparative. S. Repasch presented the Expense Budget Comparative for the 10 months ended October 31, 2015. The gypsy moth survey will be completed and a full report provided in December. Since the City upgraded its IT systems, it was necessary to purchase new computers and software in order to be compatible, which is why office equipment and expense exceed budget. Pipeline escrow funds remaining total \$17,630 and are anticipated to be depleted in early 2016.

H2O PA Grant Audit. S. Repasch reported that the Authority received an H2O PA Grant in 2009 in the amount of \$275,000 for the Valve Replacement/5th and William Streets Pump Station project. With the project now finished, an audit is required to be completed within 60 days. He requested approval for Maher-Duessel to perform the audit at a cost not to exceed \$2,500. According to the Authority Controller, the cost is reasonable.

M. Jobses moved and J. Abel seconded to approve the H2O PA Grant Audit by Maher-Duessel in the amount of \$2,500. Motion passed unanimously.

2016 Authority Budget. S. Repasch presented the 2016 Authority Budget for final approval and adoption following suggestions and changes by the Board and Authority Controller:

- Contribution from capital reserves is accurately stated as a transfer and not revenue. This is indicated on the revenue and cash flow pages.
- Staff salary increases of 3%
- Health insurance increase of 6.9%
- Gypsy moth spraying is budgeted at \$35,000 and should remain within that amount.
- Carbon credits revenue of \$185,000 will remain in Authority reserves in the event of potential litigation relating to the pipeline. If not, a use for those monies will be determined—the BRIF or City Water Fund.
- Window replacements at the security office are budgeted and anticipated to be installed in January.
- New gate installation at Wild Creek is budgeted.

J. Abel moved and M. Jobses seconded to approve the 2016 Authority Budget as presented. Motion passed unanimously.

CONTROLLER

J. Filipos's report for the month of October, 2015 was circulated and filed. He noted:

- The Hirko debt has been retired
- The last reimbursement from the H2O PA Grant was received and deposited into the Construction Fund
- The City sent the money to the Trustee for November's debt service payment and lease coverage.

Resolution 384 - Approval of Expenses. J. Tallarico presented Resolution 384 to the Board for approval. The resolution totaled \$168,961.80 for the payment of water capital expenses from the Construction Fund and administrative, professional and security expenses from the General and Capital/Reserve Accounts.

M. Jobs moved and V. Gower seconded to approve Resolution 384 as presented. Motion passed unanimously.

The Solicitor had no report.

CONSULTING ENGINEER

S. Repasch reported that the Authority Consulting Engineer, Neal Kern, completed three days of inspections of the water system and facilities. He is preparing the yearly insurance certification required by the Trustee. The budget certification will be prepared after the City's budget is passed.

SPECIAL POLICE

Officer D. Meixell's report for the month of November was circulated and filed. He said that he has been learning a lot of information about the Authority's property from the surveying teams doing work for PennEast. It would be good for the Authority to have this information as well, such as boundary lines as to aide with enforcement issues. Discussion with PennEast to obtain useful information will occur at an appropriate time.

WATER REPORT

The Water Report for the month of October, 2015 was circulated and filed. The reservoirs are at 99.73% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the financial status of the Water Fund, status of 2015 major initiatives and 2016 capital projects was circulated and filed.

- Water Fund remains strong and the November debt service payment was sent to the Trustee.
- Phase I of a pilot program for automatic meter reading (AMR) technology is budgeted for 2016. AMR allows for drive-by or central receiving station reading capability. The City will start with the larger industrial customers, but this is a multi-year effort. Full build out for 35,000 customers is \$12 million to \$14 million.

- Total capital budget is ~\$4million. Most of the funding is from the Construction Fund, while \$1.2 million is anticipated from the City operating budget. The financial plan and 2014 refinancing helped allow for this. However, new money will be needed for the 2017 capital budget.

There was no Other Business.

COURTESY OF THE FLOOR

Ms. Victoria Opthof, 1010 Laurel Drive, Bethlehem, PA. She arrived mid meeting. Ms. Opthof is here on behalf of the citizens opposing the PennEast Pipeline in Northampton and Carbon Counties. The updated FERC docket indicated a letter was submitted by the Authority concerning the ongoing negotiation process of the pipeline in relation to the Authority's resources. She would like to know if there is an update on that, and also if the Authority was able to get PennEast to realign the route away from the watershed. J. Tallarico responded that there was another meeting with PennEast, they are trying to accommodate the Authority, and the risk assessment was strongly stressed. A copy of the minutes will be provided to Ms. Opthof after they have been approved.

NEXT MEETING

J. Tallarico announced the next meeting is December 10, 2015.

ADJOURNMENT

V. Gower moved and M. Jobses seconded to adjourn the regular meeting at 5:40 PM. Motion passed unanimously and the Board convened Executive Session to discuss a legal matter.

Vaughn Gower, Secretary