

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

DECEMBER 10, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, December 10, 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:

- Ms. Laurie Hackett, Vice Chairwoman
- Mr. Vaughn Gower, Secretary
- Mr. Mark Jobes, 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

V. Gower moved and L. Hackett seconded to approve the minutes from the November 12, 2015 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, 737 Ridge Street, Bethlehem, PA resident
- Ms. Linda Christman, 6495 Pohopoco Drive, Lehighton, PA on behalf of Save Carbon County
- Mr. Roy Christman, 6495 Pohopoco Drive, Lehighton, PA on behalf of Save Carbon County
- Mr. Nate Jastremski, Bethlehem Press
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

COURTESY OF THE FLOOR

Mr. Roy Christman spoke about the task force created by Governor Wolf task force to review pipeline construction and to make recommendations for improvement. The draft report was recently released to the public. There are recommendations in the report to avoid dams and reservoirs and to study the long-term impacts of pipeline infrastructure on water resources and sensitive landscapes. He feels these recommendations are relevant to the Authority and urges the Board to comment on the report, which can only be done on line and until December 29. Although not optimistic that comments from the Authority would make any difference, he cannot think of an agency with more reasons to make cogent comments than the Authority.

CHAIRMAN

PennEast Gas Pipeline. J. Tallarico reported several meetings were held with high-level PennEast representatives and the Authority's committee. We have to plan as if this pipeline will become a reality and where and how it will impact us. We have made suggestions to PennEast and they have been very accommodating.

- PennEast has changed its construction method to deep drill beneath the water line through solid rock in order to safeguard the waterline.
- PennEast is being forced by the National Park Service to have a circuitous route up Blue Mountain and across the Appalachian Trail, which causes the pipeline to double-back on itself, above the waterline tunnel where it passes through the mountain. PennEast's preference was always to have pipeline further east using existing PPL right- of-ways.
- The Authority will write a letter to the National Park Service supporting PennEast's preferred route over the mountain and further east of the waterline. This will benefit both parties.
- PennEast has been very cooperative. They are providing the funding for the Authority's costs for consulting services and staff expenses.
- The interactions have been professional, effective and demonstrate an effective business relationship – problems, alternatives, solutions. One goal is co-location along roadways, other pipelines and power lines as much as possible.
- The geotechnical borings will help the Authority determine if the proposed deep drill route is feasible. There is no doubt PennEast is determined to build this pipeline and no reason not to allow the geotechnical investigation.

S. Repasch presented the Addendum to Access, Indemnification and Escrow Agreement with PennEast (original agreement incorporated and referenced to include Paragraph 1 as "Background" paragraph), to allow for geotechnical studies and boring to ascertain subsurface conditions below the water transmission lines and under the Pohopoco Creek. Five holes will be drilled on and near Authority property and rights-of-way. There will be significant safety procedures in place and there will be no lasting detriment to Authority property. The drilling areas must be restored to the same or better condition. The addendum provides the Authority copies of all environmental, geological, and property surveys and reports completed as part of this project. Maser will be the Authority watchdog over the drilling process.

V. Gower is in favor of the agreement. The borings are required to determine whether PennEast's deep drill plan will work. He moved and M. Jobes seconded to approve the Addendum to Access, Indemnification and Escrow Agreement with PennEast as discussed and described above. Motion passed unanimously.

Gift Policy. S. Repasch presented the Bethlehem Authority Policy Restricting Acceptance of Certain Gifts to the Board for adoption. The Board agreed on a not-to-exceed total value of \$100 for occasional de minimis gifts in any given year. The policy must be adhered to by Board members and Staff.

M. Jobs moved and L. Hackett seconded to adopt the Bethlehem Authority Policy Restricting Acceptance of Certain Gifts. Motion passed unanimously.

EXECUTIVE DIRECTOR

Award Citation. S. Repasch reported the Authority received a citation from Governor Wolf recognizing the Authority as a recipient of the Northeast Environmental Partnership Award.

Forest Management Activities. S. Repasch reported the Authority Forester completed his study and report on the potential gypsy moth activity for 2016. Preliminarily, there are ~650 acres that would need to be sprayed next May at an assumed cost of \$50/acre. The Forester will present to the Board early next year.

Wind Energy Project. S. Repasch reported the areas are being cleared and crews are on site to erect three new met towers, anticipated to be completed next Wednesday. The fourth and tallest met tower will be erected in Spring, 2016.

Maser Consulting Agreement Extension Ratification. S. Repasch reported the Board authorized via email the extension of terms of the Maser Consulting Agreement, dated July 30, 2015, and extended twice since, from November 9, 2015 to January 8, 2016. It is estimated that Maser's fees for inspection and related services for the proposed geotechnical evaluation, including sub-surface borings, will be approximately \$4,000. After the agreement expires and if necessary, Maser will be asked to provide a more comprehensive and updated agreement for consulting engineer services related to PennEast.

V. Gower moved and M. Jobs seconded to ratify the email approval of the Maser Consulting Agreement Extension. Motion passed unanimously.

Investment Opportunities. S. Repasch reported on the information he previously provided to the Board from the Authority Financial Advisor on investment opportunities with Embassy Bank and Saxon Securities. Since then, it was learned:

- The Embassy Bank repurchase opportunity will not be allowed by BNY Mellon. BNY Mellon is requiring specific collateral for Authority investments, but Embassy's collateral is pooled under its repurchase program and cannot comply with BNY Mellon's requirement.
- The Saxon Securities CD program will be allowed by BNY Mellon although details will need to be worked out.

V. Gower commented the Saxon program may not work effectively because they cannot invest with any bank the Authority already has \$250,000 deposits with. And, the CD rates are less because Saxon is taking a fee from their rates. It appears that the problems have to do with the interpretation of the Trust Indenture on allowable investments. The Authority Financial Advisor and Bond Counsel are in position to evaluate the issues and suggest

solutions. If changing the Trustee is the solution, we'll need to have the language of the Trust Indenture reviewed and opined by another trustee bank. Also, the bondholders will have to be notified or possibly approve any suggested action.

S. Repasch also reported the People's Security Bank and Trust money market account option, currently earning 1.0% interest and approved via email by the Board, is currently being scrutinized by BNY Mellon. People's is confident they can comply with BNY Mellon's request and we should know more next week.

V. Gower moved and M. Jobs seconded to ratify the email approval to invest in a money market account with People's Security Bank and Trust. Motion passed unanimously.

4th Quarter Income and Expense Projections. S. Repasch presented the 4th Quarter Income and Expense Projections as circulated and filed. He noted that the Authority's 2015 financial statement audit and H2O PA Grant audit are not yet complete. It is very likely the expenses for audit services will be paid in 2016.

Expense Budget Comparative. S. Repasch presented the Expense Budget Comparative for the 11 months ended November 30, 2015.

- Timbering income is lower than budgeted, as one timbering project was pushed into 2016 and the current projects will not be completed until 2016.
- Property expense is over budget due to the unanticipated gypsy moth spraying.
- Administrative expense is over budget due to printer repair and new office computers and software which were not budgeted.
- Additional pipeline escrow funds are anticipated in January, 2016.

CONTROLLER

J. Filipos's report for the month of November, 2015 was circulated and filed. He noted that November's debt service was paid and the lease coverage was received in the BRIF.

Resolution 385 - Approval of Expenses. J. Tallarico presented Resolution 385 to the Board for approval. The resolution totals \$115,729.27 for payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Capital/Reserve Accounts. A noted expense was the annual bill for the Authority's pension plan.

L. Hackett moved and M. Jobs seconded to approve Resolution 385 as presented. Motion passed unanimously.

The Solicitor had no report.

CONSULTING ENGINEER

S. Repasch reported that the Consulting Engineer is working on the Annual Report. It is anticipated to have the report in March or April for acceptance. V. Gower would like the

Board to have the information on the physical condition of the facilities and any recommended changes for review prior to the full draft report. S. Repasch said the request can be accommodated.

SPECIAL POLICE

Officer D. Meixell's report for the month of December, 2015 was circulated and filed. He noted that there have been no arrests to date during this deer hunting season. L. Hackett queried if the City has been informed about the (lack of) fence checks. She also queried about the trapping incident. E. Boscola responded yes and he will follow up on the fence check matter. D. Meixell responded the trapping was not illegal, it was the location of the trap placement that was questionable.

WATER REPORT

The Water Report for the month of November, 2015 was circulated and filed. The reservoirs are at 99.20% capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the financial status of the Water Fund and 2016 Budget Overview was circulated and filed.

- No expenses are being delayed or deferred purposefully in order to meet 2015 budget.
- There are no proposed changes to the preliminary 2016 Water Fund budget.
- Overall revenue is up 3% mostly due to commercial customers, economic growth, the aggressive collection of older receivables and from replacing larger water meters.
- Overall operating and maintenance budget is up 4%, and includes ~\$1.2 million in capital appropriation.
- 2016 Water Capital budget projects will be funded by the Authority's Construction Fund and City's Water Fund. In keeping with the long-range plan, water main replacements are a high priority.

There was no Other Business.

COURTESY OF THE FLOOR

Ms. Linda Christman congratulated the Authority and Board for its recognition from Governor Wolf in protecting the environment and managing the watershed lands. She could not sit through any of these meetings without knowing this Board puts careful thought and invests money in protecting the watershed lands. She wonders if PennEast will be as accommodating in terms of adjusting the pipeline route to reduce number of trees that would be cut down and in reimbursing the Authority for lost carbon credits revenue. S. Repasch responded yes, PennEast is eliminating the removal of many trees by locating a portion of the pipeline along Lovitt Road. The total initial area of disturbance is ~50 acres, but will grow back to ~23 acres. A construction right-of-way is needed, but it will be restored to the Authority's specifications. The main pipeline right-of-way will be converted to gated fire lanes.

Ms. Christman also said PennEast has no plans to do eyes-on inspections of its infrastructure. This so because virtually all of it is below ground. PennEast will rely on electronic and aerial surveillance/inspections. S. Repasch responded that other than our tunnel portals, the Authority's underground waterlines are not inspected.

Mr. Stephen Antalics commented that the Authority Board has come a long way since years ago and deserves respect and commendation for the "squeaky clean" job it does.

NEXT MEETING

The next meeting is scheduled for January 14, 2016.

ADJOURNMENT

M. Jobs moved and L. Hackett seconded to adjourn the regular meeting at 5:20 PM. Motion passed unanimously and the Board convened Executive Session to discuss a real estate issue.

Vaughn C. Gower, Secretary