

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

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on September 11, 2014 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 4:00 PM by Mr. Vaughn Gower, Chairman. Also in attendance were:

- Mr. John Tallarico, Vice Chairman
- Ms. Laurie Hackett, Secretary
- Mr. Mark Jobes, 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 Office

APPROVAL OF MINUTES

J. Abel moved and J. Tallarico seconded to approve the minutes from the regular meeting held on August 19, 2014. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, Bethlehem 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

There were no comments during Courtesy of the Floor.

CHAIRMAN

V. Gower commented that the debt refinancing was accomplished because of good advisors, good views and good circumstances in the bond market that benefited the water enterprise. There was a lot of hard work by the Authority, City and the consultants. When presented to City Council, each member shared positive comments and wholly endorsed the refinancing.

EXECUTIVE DIRECTOR

S. Repasch passed along congratulations to the Authority and City on the debt refinancing from (former Board member) Richard Master.

Trustee Bond Documents. The Official Statement for the 2014 Bonds was issued on August 19, 2014. The Authority's Consulting Engineer and Bond Counsel finalized the Self Liquidating Debt Report on September 4, 2014 and submitted it to the DCED as required on September 5, 2014.

Bank of New York Mellon Fee Schedule for 2014 Bonds. The fee schedule from BNY Mellon for the 2014 Bonds was presented. The annual administration fees of \$2,750 are consistent with what is being charged for the other bond issues. The recommendation was for the Board to accept the fee schedule.

J. Abel moved and M. Jobs seconded to approve acceptance of the fee schedule for the 2014 Bonds from BNY Mellon. Motion passed unanimously.

Termination Letter. An instruction letter to the BNY Mellon for the termination of the Wells Fargo investments in the Debt Service Reserve Fund was just received from Bond Counsel prior to the meeting and presented to the Board for approval. The Authority's Financial Advisor and Bond Counsel worked on the language in the letter. The investments will be liquidated and arbitrage will be paid to the IRS from funds set aside at closing.

J. Tallarico moved and L. Hackett seconded to approve the termination letter to BNY Mellon as presented and discussed. Motion passed unanimously.

Bond Pre-Closing. Pre-closing is scheduled for Monday, September 15, 2014. The Authority Chairman and Secretary will be present.

2004 Arbitrage Report. The preliminary arbitrage analysis by BNY Mellon on the 2004 Bonds for the current five-year period through August 18, 2014 indicates there is ~\$133,000 arbitrage. 90% is due to the IRS by October 17, 2014. The final arbitrage analysis for the period August 18 to November 15, 2014 will most likely result in negative arbitrage and will be used to blend down future arbitrage. The Authority has \$195,000 set aside in the arbitrage account.

Shareholder Communications Act Election Form. A Shareholders Communications Act Election Form from BNY Mellon (resulting from new Dodd-Frank regulations) was presented and discussed. The Authority's Bond Counsel is currently reviewing the document and has not provided his opinion yet. The new regulation forces bond issuers to be transparent about their ability to repay.

M. Jobs moved and J. Tallarico seconded to authorize the Executive Director to sign the Shareholder Communications Act Election Form conditioned upon the advice and approval from the Authority's Bond Counsel. Motion passed unanimously.

Forest Management Update. The Keiper Fence Timber Sale recently commenced and is going well. The final payment of \$105,438 was received. The sale needs to be completed by deer season (approximately eight weeks from now), and the contractor is confident this can be accomplished.

Carbon Credits Update. The carbon verifier has finished the verification process and issued the carbon authorization. The buyer of the carbon credits has 30 days to pay Blue Source. The final calculations for 2013 yield 24,589 tons of carbon credits totaling \$221,301 gross revenue, less \$69,958 net third-party expenses, \$151,342 net revenue. The Authority's share is 70% of the net revenue, or \$105,939. Annual desk verifications will likely be done for the next four years, reducing costs and thus increasing revenue.

Wind Energy Project Update. Iberdrola completed the first phase of a PJM interconnection feasibility study. It indicated the interconnection is feasible to connect to the grid at a cost of ~\$8.3 million. If Iberdrola decides to move forward, the next phase would be an interconnection impact study with a deposit of \$49,500, to be paid by Iberdrola by the end of September. Iberdrola will evaluate the wind data that has been collected up to this point to gauge whether or not to move forward at this time.

Gas Pipeline Project Update. A request to perform surveys (soil, land, artifacts and other within a 200' right-of-way) on four specific parcels of Authority property was received by the gas pipeline developer, Penn East. There is a meeting with a representative in the office tomorrow. No approvals will be given until more information on the pipeline route is known and acceptable.

J. Broughal added the project is a Federal issue and falls under the Federal Gas Pipeline Act because it is an interstate project. Although in its infancy, if the project is approved, there are a lot of issues to hurdle in the watershed.

Rentricity Project Update. PPL rejected Rentricity's request for net metering related to the project. Rentricity is trying to schedule a meeting with PPL, the Authority and City representatives to work out the issues.

2015 Operating Budget. Work has begun on a preliminary 2015 Operating Budget, which is planned to give to the Board at next month's meeting for review.

3rd Quarter Income and Expense Projections. The 3rd Quarter Income and Expense Projections report was presented as circulated and filed. Revenue in the operating account is up \$105,000 due to timbering revenues received sooner than anticipated and after the report was circulated.

Expense Budget Comparative. The Budget Expense Comparative for the eight months ended August 31, 2014 was presented as circulated and filed. Forestry expenses will eventually exceed budget projections due to timber sale commissions being higher than anticipated.

2015 MMO for Pension Plan. The 2015 MMO (Minimum Municipal Obligation) for the Authority's pension plan is \$10,173. The memo provided to the Board, in compliance with Act 205, indicated the amount will be included in the Authority's 2015 budget.

CONTROLLER

J. Filipos's presented a corrected copy of his report for the month of August, 2014. He apologized for the small error that was found after the report was circulated. The Emmaus loan principal of \$680,000 and interest of \$23,000 was paid, and the \$34,000 coverage on that was received from the City and transferred to the BRIF.

City and Authority Audit. The City's draft audit will be presented at the September 17, 2014 finance committee meeting. The final audit should be issued the following day. The Authority should receive its final audit opinion at that time as well. The Authority's year end report and audit will be presented at the October meeting for acceptance.

Resolution 369. V. Gower presented Resolution 369 to the Board in the total amount of \$47,609.65 for administrative, professional and capital/reserve expenses. Water capital expenses are being paid from the City's line of credit. Extraordinary items are the timber sale performance deposit refunds and the school real estate taxes for the EATMA properties. A notice for the tax exemption hearing is expected soon.

M. Jobses moved and J. Abel seconded to approve Resolution 369 as presented. Motion passed unanimously.

Ratification of CD Investment. S. Reppert presented the following CD investment approved via email for ratification:

- \$250,000 with TD Bank, 0.21% for 15 months

L. Hackett moved and J. Abel seconded to ratify the approval of the CD investment as presented. Motion passed unanimously.

SOLICITOR

No report.

CONSULTING ENGINEER

S. Repasch reported that the Consulting Engineer's report was received late. It indicated the completion and filing of the Self Liquidating Debt Report, which he reported on earlier. The yearly inspections of the Water System's facilities will commence this month.

BETHLEHEM AUTHORITY SPECIAL POLICE

Officer D. Meixell's report for the month of September, 2014 was circulated and filed. He mentioned that the recent prescribed fire produced a lot of smoke due to the green on the ground. There is still ~50 acres remaining to burn.

WATER REPORT

The Water Report indicated the reservoirs are full.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and Water Capital projects was circulated and filed. Actual water consumption has dropped over the years due to more efficiencies in home and industry and could slightly affect 2015 budget projections. He reviewed the major projects and provided status updates on the potential water service agreements for the City to service the FedEx project in Allen Township and the Prologis development in Lower Nazareth. The recent refinancing and water capital plan provided a deliberate view on prioritizing projects.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Antalics commented that on a recent trip to western Pennsylvania, he saw wind turbines along a mountain ridge and thought they were unsightly. He queried the visibility of the wind turbines in the watershed if that project is built. S. Repasch responded that out of the 30 proposed turbines, possibly 10 would be visible on the northern end.

NEXT MEETING

The next Board meeting is scheduled for October 9, 2014.

ADJOURNMENT

J. Abel moved and M. Jobes seconded to adjourn the meeting. Motion passed unanimously and the meeting adjourned at 5:15 PM.

Laurie G. Hackett, Secretary