

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 Thursday, October 9, 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. 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 J. Tallarico seconded to approve the minutes from the regular meeting held September 11, 2014. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Jon West, URS Corp., Managing Environmental Surveys for PennEast Pipeline
- Mr. John Spencer, Western Land Services, Area Field Supervisor
- Mr. Christopher Montanye, Western Land Services, Managing Government and Corporate Parcels for PennEast Pipeline
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Nate Jastremski, Bethlehem Press

There were no comments during Courtesy of the Floor.

CHAIRMAN

V. Gower announced an Executive Session was added at the end of the agenda to discuss a personnel matter.

EXECUTIVE DIRECTOR

S. Repasch reported on the following:

Proposed Gas Pipeline Project Update. Several maps were presented that depicted the current proposed route for the PennEast Pipeline project. Mr. West, Mr. Spencer and Mr. Montanye provided an overview and timeline of the project. The pipeline is

proposed to be a 36" underground natural gas pipeline covering 108 miles from Wilkes Barre, PA to Mercer County, NJ. A portion of the current route that passes through the Authority's watershed in Carbon County follows another existing gas pipeline. PennEast has contacted private and municipal landowners for property access to conduct cultural and biological surveys within a 400' wide corridor. In November, PennEast will hold open house informational meetings, followed by scoping and interactive meetings held by FERC (Federal Energy Regulatory Commission). They have pre-filed details of the proposed route with FERC and anticipate having the studies completed by July, 2015 so they can file for the environmental impact study. Construction could begin in Spring, 2017. PennEast is seeking the Board's permission to access Authority property to conduct surveys with shovel testing (not be deeper than 20"). Permission forms, indemnification and insurance agreements can be edited to suit the Authority's needs based on the Authority Solicitor's review and recommendations.

Following a lengthy discussion, the Board agreed to consider permitting access for surveying purposes following review and input from the Solicitor and Executive Director.

Refunding Update. Closing took place on the new 2014 bonds. Since then, some incidental post-closing agreements have been executed. An Intercreditor Agreement was just received from PENNVEST for execution. The Agreement removes the bonds that were paid off from the PENNVEST loan and adds the new bonds. The agreement needs to be reviewed by the Authority Solicitor.

L. Hackett moved and J. Abel seconded to authorize Authority representatives to sign any post-closing documents that remain to be signed, pending approval by the Authority Solicitor. Motion passed unanimously.

A new Construction Fund was opened with ~\$5.1 million of new money. This fund must be spent down by 80% in two years. The BRIF will not be drawn upon, which will allow it to grow until it is utilized again.

Arbitrage. The arbitrage rebate payment to the IRS on the Series 2004 Water Revenue Bonds will be mailed Friday. The payment of \$119,500.68 is 90% of the total amount due. The remaining 10% will eventually be paid once outstanding arbitrage calculations are completed on other bond issues. There is ~\$65,000 remaining in the arbitrage account at BNY Mellon.

Forest Management Update. The Keiper Fence Timber Sale was completed in four weeks and went very well. The \$3,000 performance bond deposit will be returned to the logger. Timber projects for the next three years are mostly thinnings (seven in Wild Creek and three in Tunkhannock). They are in accordance with the Forest Management Plan, within the average yearly allowable cut of 7,900 tons of carbon, and not significant revenue generators:

- 2015 - \$73,700, four sales, 310 acres
- 2016 - \$39,000, three sales, 258 acres
- 2017 - \$86,000, three sales, 185 acres

Renewable Energy Projects Update.

Wind. The wind data collected by Iberdrola was what they expected so they wish to move forward with a grid impact study. However, the study was put on hold until next year due to budgetary reasons.

Rentricity. Rentricity has been working with PPL to have the PUC will recognize the project as a Tier 1 renewable energy project. New regulations could be helpful in moving this project forward. S. Repasch and E. Boscola will be meeting with representatives from North Wales Water Authority about its (PUC approved) Rentricity project.

Solar. Dayhill Group provided contact information to the Authority for a company interested in doing a solar project at the Water Treatment Plant. Situated on five acres, the project could power the entire treatment plant. Representatives from Green Energy, LLC have been invited to the November meeting to discuss this potential project.

2015 Operating Budget. Work has continued on the 2015 budget. The draft budget was reviewed with V. Gower and the draft will be provided to the Board by the end of the month. The final budget should be acted on at the November meeting.

Board approval was requested to change health insurance brokers from Coastal Financial Group to the Delaware Valley Insurance Trust, a consortium of municipalities and authorities. The current Aetna health plan benefits and the dental and vision benefits would remain the same but cost 2% less. The Authority has to commit to the Trust by November 1 for the new benefit to take effect February, 2015. The current Aetna plan will remain in place through January, 2015 and can be terminated with 30 days notice. The Board approved of the change.

4th Quarter 2014 Income and Expense Projections. The 4th Quarter Income and Expense Projections report was presented as circulated and filed. The carbon credits revenue of ~\$106,000 is expected by the end of October.

Expense Budget Comparative. The Budget Expense Comparative for the nine months ended September 30, 2014 was presented as circulated and filed.

CONTROLLER

J. Filipos's report for the month of September, 2014 was presented as circulated and filed. There was a lot of activity from the bond refinancing. There will be more activity in November when the refinanced bonds are defeased. He noted that \$1.147 million

was received from Wells Fargo Bank for the termination of those investments in the Debt Service Reserve Fund.

2013 Audit Opinion Letter. The Authority received its 2013 audit opinion letter from Maher-Duessel, CPA's, and the opinion is good. The Authority is treated as a blended component unit of the City of Bethlehem. A finding noted in the opinion related to a slight difference that was immaterial and corrected before the audit was released. He commended the staff for a job well done.

J. Abel moved and L. Hackett seconded to accept Maher Duessel's audit opinion letter on the financial activities of the Authority for the year 2013.

Resolution 370. S. Reppert presented Resolution 370 to the Board for approval. The resolution totals \$283,723.70 for the payment of water capital expenses from the Construction Fund, administrative and professional expenses from the general account and expenses from the reserve account, with the largest being the arbitrage payment.

L. Hackett moved and J. Tallarico seconded to approve Resolution 370 as presented. Motion passed unanimously.

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

- \$250,000 with Merchants Bank of Bangor, 0.45% for 12 months

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

SOLICITOR

No report.

COSULTING ENGINEER

The Consulting Engineer's report for the month of October, 2014 was circulated and filed.

SPECIAL POLICE

Officer D. Meixell's report for the month of October, 2014 was circulated and filed. He mentioned to the Board that in the coming months there will be a lot of activity in the heart of the watershed (new highway/road construction, pipeline surveyors). Manpower for supervising this activity could be a problem. V. Gower said there are other types of security that could be considered at remote, key points in the watershed that could be a part of the 2015 capital budget. He also commented that item #3 in the report does raise concern about the City's approach to security and patrol issues versus the Authority's approach. These differences should be worked out so everyone is working together.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola reviewed his report on the Water Fund and Water Capital projects which was circulated and filed. The department is trying to finish as many work-in-progress projects as possible for 2014. The 2015 Water Capital budget plan will be very aggressive since the Construction Fund was established.

There was no Other Business, and there were no comments during Courtesy of the Floor.

NEXT MEETING

The next Board meeting is scheduled for November 13, 2014.

ADJOURNMENT

J. Tallarico moved and L. Hackett seconded to adjourn the regular meeting. Motion passed unanimously and the meeting adjourned at 5:25 PM. The Board then convened its Executive Session.

Laurie G. Hackett, Secretary