

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

JANUARY 12, 2017

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, January 12, 2017 in Room B504, City Administration building, 10 E. Church Street, Bethlehem, PA immediately following adjournment of the reorganization meeting and called to order at 3:40 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Mr. Vaughn Gower, Vice Chairman
- Mr. Dennis Domchek, Treasurer
- Mr. Thomas Donchez, Assistant Secretary/Treasurer
- Mr. James Preston, Esq., of Broughal & DeVito, LLP
- 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 D. Domchek seconded to approve the minutes from the December 8, 2016 regular meeting. Motion passed with T. Donchez abstaining.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, 737 Ridge Street, Bethlehem, PA. private citizen
- Mr. Roy Christman and Ms. Linda Christman, 6495 Pohopoco Drive, Towamensing Township, Lehigh, PA from the group Save Carbon County.
- Mr. George Yasso, City of Bethlehem Controller, 1413 W. Market Street, Bethlehem, PA
- Mr. Ron Madison, Maser Consulting and Authority Consulting Engineer
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Ms. Jodi Schnalzer, City of Bethlehem Water Quality Manager
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Jeff Williams, Hellertown resident and opposed to wind farm

COURTESY OF THE FLOOR

Mr. Antalics: He opined that the Authority Board is run very well and will be in good shape with the appointment of T. Donchez.

Ms. Christman: She provided a report to the Chairman that was made to the NJ DEP on trenchless crossing methods. She thought the Authority engineers should make sure horizontal directional drilling is used when required, because FERC cannot be relied upon to enforce the requirement. In addition, the only compressor station planned for the PennEast pipeline is located in Kidder Township, close to Hickory Run State Park. It has

been approved by the township's Zoning Hearing Board, with the possibility of an appeal. It will be releasing ~190 tons of pollution per year.

Mr. Williams: He last visited an Authority meeting in 2011, remains opposed to the wind farm project and would like to get more involved again. He is currently writing a book on PA's preserved land. Last year, he travelled over 15,000 miles in PA visiting and photographing over 100 places of preserved lands. He has done a lot of research and is convinced the Authority's land is extra special – there are not many places in PA like it. The land is not marketed like a State Park, Forest or the Army Corps of Engineers. It is open to the public, but there are no big parking lots, marked trails and facilities so less people visit. He is going to try to do whatever he can to stop the wind project. It appears things are currently at a standstill, but he thinks the project will build up and happen or somebody will stop it. He said the Authority is a great Board and the people on it are very considerate; however it is in a tough and almost no-win situation. The Board's job is to provide water and not oppose any kind of income. He has enjoyed working with D. Meixell, S. Repasch and J. Tallarico in the past. He is sure they will work together in the future.

CHAIRMAN

PennEast Pipeline. J. Tallarico reported there will be an Executive Session at the end of the meeting to discuss on-going negotiations with PennEast on an agreement for use of the property.

EXECUTIVE DIRECTOR

S. Repasch thanked the Board for its continued support and confidence in him as Executive Director.

Forestry Management. S. Repasch reported that the freeze-thaw cycle has prolonged the timbering in Wild Creek. It is anticipated to be completed by the end of January. The Authority Forester will be at the February meeting to provide a status report on the activities that were accomplished in 2016 and activities planned for 2017, including timbering, gypsy moth control and grant potentials.

Maser GIS Proposal. S. Repasch presented a proposal from Maser Consulting in the amount of \$5,000 for consulting services to develop a GIS (Geographic Information System) for the watershed property. GIS will allow properties to be chronicled and to make sure they are marked correctly since there are boundary issues at several locations. It also includes consulting for the purchase of an un-manned aerial vehicle (UAV), or more commonly called a drone, which will be an invaluable tool for patrol work (less manpower) and forestry purposes (check for problems from above the canopy). The 2017 budget included \$6,000 for GIS services.

D. Domchek questioned if the scope of the work includes implementation and training support to operate the drone. R Madison responded this proposal is a recommendation for the first step. A UAV can become a tool that keeps growing to stay in tune with the goals and resources of the Authority.

D. Domchek moved and V. Gower seconded to approve the Maser GIS proposal as discussed. Motion passed unanimously.

Surveyor Agreement. S. Repasch presented an agreement with Mr. Ralph Clay to provide surveyor services at rates of \$125/hr. for field work and \$75/hr. for office and courtroom work. It is anticipated Mr. Clay will initially be used for office and court room work and meetings with the Authority and adjacent property owners on the issues. Field survey work will only be authorized if needed.

D. Domchek questioned if there is a limit on how much the Authority should spend. S. Repasch responded no, most of the field work will be done by the other property owners' surveyor. Mr. Clay will work closely with that person to confirm the validity of his findings.

J. Tallarico said Mr. Clay has been in the surveying business a long time, has previously done work for the Authority and is well-known in the Carbon County region. He moved to approve the Surveyor Agreement with Mr. Clay for the specific survey work discussed. T. Donchez seconded. Motion passed unanimously.

Alternative Water Supply Study. S. Repasch reported that the Maser study on the proposed PennEast pipeline recognized that a catastrophic event could cause the City to be without water. Through discussions with PennEast, and internal discussions with City staff and the Board, it was agreed that alternative water supply capability is necessary. The Board asked Maser to draft a feasibility study outline for an alternative water supply, which has been reviewed and commented on by himself and E. Boscola.

R. Madison continued on to say that whether the pipeline happens or not, the water system assets have several points of vulnerability: A lot of the initial infrastructure was built in 1939, including the Wild Creek reservoir earthen dam. If something happens to that dam, there is not a system in place to get water to the filtration plant. There are redundant raw water transmission lines and single rock bore tunnels through Wire Ridge and Blue Mountain. Those are points of vulnerability where there is no redundancy. There are emergency interconnections with adjacent water providers; however, they are not always exercised and the capacity is more theoretical than truly known. There are other means of providing water in an emergency, such as bottled water and potable water hauling trucks, but high level investigations can help determine how good the current systems are and what alternatives exist. The outline provides the basis for a Request for Proposals (RFP) to engineering consultants. The study should include a matrix of projects to improve and protect the water system and the approximate costs. It will also help determine where resources are best allocated in the water system.

E. Boscola commented that this study is only one piece of the broader concern about the condition of the assets in general. The water system is nearing 100 years old. The distribution system itself is under stress and will need to be addressed. This study is a worthwhile effort to drill down where the system will be in 50 years. The LVPC will also be looking at regional issues related to water and sewer resources.

The Board concurred that the proposed PennEast pipeline brought to light catastrophic loss, no matter what the event, and to begin the RFP process for an alternative water supply study.

2016 Audit Proposal. S. Repasch presented the proposal from Maher Duessel to perform the Authority's 2016 audit in the amount of \$3,520. J. Filipos said he reviewed the proposal, it is a standard engagement letter and the fee increased \$100 from the prior year. He recommended that the Board accept the proposal.

V. Gower moved and T. Donchez seconded to accept the 2016 Audit Proposal from Maher Duessel as presented and discussed. Motion passed unanimously.

1Q17 Income/Expense Projections. S. Repasch reviewed the 1st Quarter Income and Expense Projections as circulated and filed.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative for the year ended December 31, 2016 as circulated and filed. The Altemose agricultural lease payment of \$1,600. due in December was received in early January. Overall, operating revenues were 4% over budget and operating expenses were 4% under budget.

TREASURER REPORT

Investment Summary. D. Domchek noted that there is an Act 72 deposit that matures at the end of January. There is also a considerable amount of money invested Act 72 deposits maturing in February. If interest rates rise, we have to think about how long we want to invest Authority funds and where to invest. He and S. Repasch will have a discussion about this in the coming weeks.

Controller. J. Filipos thanked the Board for his reappointment as Controller. His report for the month of December, 2016 was circulated and filed. The 2011 Lease Bonds debt service payment was made (\$100,000 principal and \$518,847 interest).

S. Repasch questioned the timeline for year-end reports. J. Filipos responded that the year-end report is generally done early but is held until the audit is finalized. He will provide a draft copy in 1Q17 and a final copy in 4Q17.

Resolution 401 – Approval of Expenses. J. Tallarico presented Resolution 401 to the Board for approval. The resolution totals \$94,385.69 for the payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Reserve Accounts.

V. Gower moved and D. Domchek seconded to approve Resolution 401 as presented. Motion passed unanimously.

S. Repasch noted that the Construction Fund is mostly depleted, at ~\$19,000. The City should begin using its Water Capital Fund and not the BRIF for capital expenses. E. Boscola

said there is ~\$2 million in the water capital fund that can be spent down. Discussions will be held later this year on future capital funding and financing opportunities.

Resolution 402 – Authorization of Bank Accounts Signer. S. Reppert presented Resolution 402 to the Board for approval. The resolution adds T. Donchez to the Authority’s existing and/or new bank accounts as an authorized signer and removes former Board member Laurie Hackett.

J. Tallarico moved and D. Domchek seconded to approve Resolution 402 as presented. Motion passed unanimously.

SOLICITOR

On behalf of Broughal & DeVito, J. Preston thanked the Board for the reappointment of James Broughal, Esq. and the firm as Solicitor.

Atlantic Wind Zoning Case Update. J. Preston reported he had attended the zoning hearings in Penn Forest Township, which were contentious and unruly. Action has moved away from the merits of the case (special exception) to procedures. After allegations of threats, Atlantic Wind petitioned the court for some relief by appointing a hearing officer and moving the hearing to the courthouse. The Zoning Hearing Board filed objections, claiming the court lacks jurisdiction, unless or until the Board has made a decision. The pleadings are now closed and the court is considering a decision on the procedural issues, which can take up to 90 days. The court will rule how to proceed.

S. Repasch questioned the Authority’s role once the hearings continue. J. Preston responded the Authority will be in an assisting role. It’s an emotional issue – posture needs to be reasonable so all the arguments can be heard on both sides. There is a lot of evidence to produce on both sides. This is going to take months and months of further hearings on the merits of the case.

CONSULTING ENGINEER

Annual Trustee Certifications. R. Madison thanked the Board for the reappointment of Maser as Consulting Engineers. He worked with S. Repasch and the City to prepare the Annual Certifications of Insurance and Revenues. These documents are provided to the Trustee as required in the Trust Indenture. Also, a draft of the Annual Report on the Operation of the Water System should be completed by the end of 1Q17. The format of the report will be changed from prior years but will contain similar information.

SPECIAL POLICE

D. Meixell thanked the Board for their confidence and the reappointment. His report for the month of January, 2017 was circulated and filed.

WATER REPORT

The Water Report for the month of December, 2016 indicates the reservoirs are at an average 74.22% capacity. E. Boscola said that the reservoir levels have been on a downward trend since last July and nearing drought watch levels. If the trend continues, a

drought watch will be issued sometime in February. A drought watch calls for voluntary conservation measures. Internal discussions will be held before public notification. For historical purposes, the reservoir levels have not been this low since 2005, and the only other time before then was when Penn Forest Dam was replaced in the 1990's.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

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

Water Fund. Revenue exceeded budget, expenses were under budget and there is ~\$3 million cash in the fund. This is the best the Water Fund has been in 3 or 4 years. It is anticipated to move some of the money into the Capital Fund. S. Repasch requested that the Authority be provided with a list of the expenses that will be paid monthly from the City's Capital Fund. The Authority does not have to approve the expenses but would like to remain informed.

With regard to the 2017 budget, V. Gower questioned if there is any risk to the revenue that might cause the City to be unable to transfer money into the Capital Fund. E. Boscola responded a certain level of cash is maintained in the account and he does not foresee any short-term risks.

Distribution System Improvement Charge. The DSIC application will be submitted in 2Q17. This will create another revenue stream restricted for capital investments.

Accelerated Meter Replacement Program. 1,400 meters were replaced this year (3,480 since 2013). Replacing old meters that have stopped or are not accurate could be helping revenues.

Capital Projects. With regard to the status report on the 2016 capital projects, D. Domchek questioned if there are constraints to getting all the projects completed and if New Street is complete and the cost. E. Boscola responded constraints are process-related, such as administrative, engineering, design and bidding, as opposed to financial. New Street work, including sidewalks, is complete at a cost of ~\$300,000 to the City.

J. Tallarico questioned if the Route 512 expansion is planned to start by end of 2017. E. Boscola responded the design work will be done and the permits obtained. The plan is to follow development as it happens. East Allen and Allen Townships have several development projects proposed and others that will likely be proposed over the coming years.

OTHER BUSINESS

S. Repasch noted that the Authority Financial Advisor, Mr. Steve Goldfield, will be at the February meeting to introduce himself to the 3 new Board members and to present a revised investment policy.

COURTESY OF THE FLOOR

Mr. Antalics: He questioned if any agreements have been reached between the City Water Department and the Authority on issues concerning responsibility and communication. S. Repasch responded discussions are progressively moving forward and the agreements are both written and verbal. E. Boscola added that 8 people in the Water and Sewer Departments took early retirement, which creates opportunities for the reclassification of positions and/or new hires. There is a new Watershed Supervisor who he will invite to the next Board meeting.

NEXT MEETING

The next meeting is scheduled for February 9, 2017.

ADJOURNMENT

J. Tallarico moved and V. Gower seconded for adjournment of the regular meeting at 4:55 PM and to convene an Executive Session to discuss real estate negotiations.

Thomas F. Donchez
Assistant Secretary