

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

FEBRUARY 9, 2017

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, February 9, 2017 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order by Mr. John Tallarico, Chairman. Also in attendance were:

- Mr. Vaughn Gower, Vice Chairman
- Ms. Sharon Zondag, Secretary
- Mr. Dennis Domchek, Treasurer
- Mr. Thomas Donchez, 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

D. Domchek moved and V. Gower seconded to approve the minutes from the January 12, 2017 reorganization and regular meetings. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Ed Boscola, City of Bethlehem, Director of Water and Sewer Resources
- Mr. Ron Madison, Maser Consulting, Authority Consulting Engineer,
- Mr. Robin Wildermuth and Ms. Cindy Wildermuth, Woodland Management Services, Authority Forester
- Mr. Steven Goldfield, Public Resources Advisory Group, Authority Financial Advisor

There were no comments during Courtesy of the Floor.

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 the use of Authority property. FERC's release of the Environmental Impact Statement (EIS) on the proposed PennEast pipeline has been moved from February 17 to April 7. The Federal authorization decision deadline on the EIS is July 6.

Authority Financial Advisor. J. Tallarico introduced Mr. Steven Goldfield, the Authority Financial Advisor (FA), who is here to provide information on PRAG's involvement with the Authority to benefit the newest Board members.

S. Goldfield stated he and his firm, PRAG, have been the Authority FA since 2005. Prior to then, the Authority did not have an independent FA. PRAG has a fiduciary responsibility to the Authority and aides with best practices, such as filing Continuing Disclosure updates, arbitrage rebate consultant selection, Trustee issues, Act 72, investments and policies. On certain occasions analysis were requested, such as the operating authority evaluation, strategic planning for capital funding, restructuring, and the Lehman Brothers derivative and bankruptcy. There is not much work done

by PRAG on a day to day basis but independent advice is provided when requested. The Authority has made great strides during the time PRAG has been the FA. He appreciates working with the Executive Director and Board as well.

J. Tallarico thanked S. Goldfield for all his work, past and present, that has greatly helped the Authority.

EXECUTIVE DIRECTOR

Investment Policy. D. Domchek reported that in accordance with the provision in the Authority's Investment Policy (Policy), he, S. Repasch and S. Goldfield recently spent time on the annual review of the Policy. Wording changes have been made to add clarity and certain additions have been made to the Policy that address actual investment practices of the Authority over the last 12 months:

Avoiding Concentration Risk. This section includes a table which lists the various security types, the minimum/maximum investment percentage allocation and the maximum aggregate investment amount, based on the total portfolio:

- CDs and time deposits not secured under Act 72, maximum allocation of 50% of portfolio, maximum aggregate in any one institution equal to current FDIC limit.
- CDs and time deposits secured under Act 72, maximum allocation of 35% of portfolio, not more than 15% in aggregate in any one institution. The Authority has signed written agreements with the banks to provide more information on the banks' Act 72 pooled securities.
- Negotiable CDs, maximum allocation of 50% of portfolio, maximum aggregate in any one institution equal to current FDIC limit.
- Money market and Local Government Investments, 5% of portfolio for minimum level of liquidity

The targeted ranges for each investment category are to achieve the primary Policy objectives of safety, liquidity and yield in that order.

Delegation of Authority. The 3-month trial period of the Executive Director and Treasurer solely involved in the investment approval process has ended. The Board is agreeable for that practice to continue and it is memorialized in this section. There is also a requirement that any investment recommendations outside of the Policy are to be brought to the Board for consideration.

V. Gower moved and T. Donchez seconded to approve the Authority's Investment Policy, amended February 9, 2017 as presented and discussed. Motion passed unanimously.

Forestry Management. S. Repasch introduced Mr. Robin Wildermuth, the Authority Forester, who is here to provide an overview of the forest management activities for 2016 and proposed projects and possible opportunities for 2017 and 2018.

R. Wildermuth presented the Authority's timbering activities, which follow the FSC certified forest management plan:

2016 Results:

- 75 acres of conifer plantations thinned at Wild Creek (concentrating on thinnings to allow healthier future growth that benefit carbon and timbering revenues).

- 120 acres of mixed oak stands treated with shelterwood harvest.
- 659 acres sprayed with Bt (safest, non-toxic biocide) to control gypsy moths and protect the forest. It is evident the trees are healthy where spraying took place.
- Carbon Project desk audit and FSC field audit completed successfully.
- Timbering revenues totaled \$43,614, although some of the actual revenues do not match up with budgeted revenues due to timing of payments.

2017-2018 Proposed Projects and Possible Opportunities:

- Completion of a harvest and a 53 acre thinning at Tunkhannock
- Two harvests of thinnings, shelterwood and gypsy moth salvage at Wild Creek
- Anticipated revenues of ~\$55,000
- The annual allowable cut is set at 7,900 tons. Some years have been less, which can offset any years that are slightly higher.
- Recommended gypsy moth spraying of 905 acres of higher risk areas at Wild Creek, cost estimated between \$33,000 and \$39,000. Pockets of moth activity and new egg masses persist, but a decline in the outbreak is evident. The 2017 budget was prepared before it was determined that a larger spray area should also be treated.
- The Authority must do some more work to control invasive species in smaller areas to minimize their dispersal.
- Older deer fences in Tunkhannock have outlived their usefulness and will most likely be removed in 2018.
- The PA Game Commission (PGC) received a \$6 million Federal grant for its habitat improvement program for landowners in its Voluntary Public Access program, in which the Authority is enrolled. If received, this funding could offset on-going forest management or future project costs, such as timbering, pollinator plantings, and prescribed fire. The PGC is interested in two warbler habitats in the watershed. He, S. Repasch and PGC officials will be meeting and touring some areas that fit within the improvement program.
- American Chestnut Foundation Tree Breeding and Restoration Project. The only way to obtain seedlings is either through monetary sponsorship or a scientific project approach. He has had discussions with a biology professor at Moravian College who may provide assistance in experimental design and modelling to obtain tree seedlings for planting in the Authority's forest.

D. Domchek questioned who the principal buyers are of our timber. R. Wildermuth responded he uses the markets available for the particular types of timber sales. A broker is not used. Hardwoods and sawlogs are competitively bid to Eastern PA sawmills, and a preferred supplier is used to market lower grade material. The timber is sold and used for furniture, cabinetry, flooring, pulpwood, railroad ties, wood pellets. Hercules Cement Plant has been contacted about using FSC green woodchips in its burners.

S. Zondag questioned the residual impact on wildlife from the Bt spray for gypsy moths.

R. Wildermuth responded Bt is a bacterium which is sprayed on leaves and is broken down by sunlight after ~3 weeks. It is very species-specific to the insects that ingest the leaves in that time period. It is not toxic to humans or other wildlife.

J. Tallarico questioned if the Authority will be within the actual allowable cut for 2017 and 2018, factoring in any possible timbering due to the proposed pipeline or gypsy moth damage. R. Wildermuth responded the annual allowable cut is just a guide, is flexible depending on the issues and the plan can be adjusted as needed.

The 1Q17 Income and Expense Projections and Expense Budget Comparative for January, 2017 were circulated and filed.

TREASURER

Investment Summary. D. Domchek noted that the investment summary was updated with the new CD investment with Peoples Security Bank. There are ~\$2.8 million in CDs maturing by the end of February and interest rate bids will be solicited.

Controller. The Controller's Report for January, 2017 was circulated and filed.

Resolution 403 – Approval of Expenses. J. Tallarico presented Resolution 403 to the Board for approval. The resolution totals \$50,787.69 for the payment of administrative, professional and security/property expenses from the General and Reserve Accounts and a portion of water capital expenses from the Construction Fund. This is the final draw from the Construction Fund.

T. Donchez moved and S. Zondag seconded to approve Resolution 403 as presented. Motion passed unanimously.

SOLICITOR

J. Broughal thanked the Board for his reappointment as Solicitor.

There was no Consulting Engineer report.

SPECIAL POLICE

D. Meixell's report for the month of February, 2017 was circulated and filed.

WATER REPORT

The Water Report for January, 2017 was circulated and filed and indicates the reservoirs are at 71.70%, an almost 30% drop in levels since June/July 2016. E. Boscola said normally a dip in levels happens every year, but this is the lowest the reservoirs have been in 15 years. One problem is there has not been much snow in the Poconos last winter and this winter to date. They continue to monitor the levels very closely. A drought watch announcement would be made if the levels continue to drop. It will take approximately 3 to 4 months of normal precipitation and snow pack for the reservoirs to be at capacity.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola reported there are adequate cash reserves in the bank. Next week, the City Council Finance Committee will move a substantial amount of cash from the Water Operating Fund into the Water Capital Fund. It appears the BRIF will not be used for 2017. He provided the following updates:

- Water main replacement for Goepp Street is currently out for bid.
- Water main upgrades at certain crossings are planned in conjunction with the PennDOT repaving project for Route 512/Center Street (2017/2018).
- The City's portion of the entire New Street reconstruction project will be paid and totals ~\$310,000.
- The Route 412 project is complete. Reconciliation will be made to PennDOT for the City's portion of the water infrastructure upgrades that total ~\$250,000.

S. Repasch indicated that the Eates lawsuit concerning a sinkhole-damaged and condemned property in Bethlehem Township has been settled.

V. Gower questioned if the City's proposed refunding includes water projects. E. Boscola responded that wastewater projects are included in the refunding, not water.

There was no Other Business, nor were there comments during the second Courtesy of the Floor.

NEXT MEETING

The next meeting is scheduled for March 9, 2017.

EXECUTIVE SESSION

J. Tallarico moved and T. Donchez seconded to convene an Executive Session at 5:10 P.M. to discuss real estate negotiations. J. Tallarico moved and V. Gower seconded to adjourn the Executive Session and re-convene the regular meeting.

Discussion ensued regarding a proposal from Maser Consulting to conduct an evaluation of the potential impact of a pipeline explosion on Authority facilities.

V. Gower moved and S. Zondag seconded to authorize Maser Consulting to complete the evaluation as described at a cost of \$7,500. Motion passed unanimously.

ADJOURNMENT

J. Tallarico moved and T. Donchez seconded to adjourn the meeting at 5:56 P.M.

Sharon J. Zondag
Secretary