

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

MAY 11, 2017

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, May 11, 2017 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM 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

V. Gower moved and T. Donchez seconded to approve the minutes from the April 13, 2017 regular meeting. Motion passed unanimously.

J. Tallarico announced the Board held an Executive Session one hour prior to the regular meeting to discuss contract negotiations and litigation matters.

RECOGNITION OF VISITORS

- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Ron Madison, Maser Consulting and Authority Consulting Engineer
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Stephen Antalics, private citizen (entered the meeting after Courtesy of the Floor)

There were no comments during Courtesy of the Floor.

CHAIRMAN

J. Tallarico reported that there has been no communication from PennEast since we sent them the most recent Maser report last month.

EXECUTIVE DIRECTOR

Forestry Management.

Gypsy Moth Spraying. S. Repasch reported that 900+ acres in two different areas were sprayed this morning for gypsy moths. The Authority Forester will monitor these areas over the next few days to measure the effects of the spraying. He will share a video of the spraying with the Board when received.

Carbon Credits. S. Repasch reported that he and the Authority Forester had a conference call today with Josh Parrish of TNC, and Blue Source, the carbon credits brokers. Approximately 12,000 tons of carbon was saved versus approximate 33,000 tons projected. Revenue will be slightly over \$100,000 versus \$225,000 which was projected and budgeted. The issues are mostly related to the model, which is based on 242 permanent plots measured periodically. The growth of the plots is extrapolated over the entire property. Three timbering projects occurred in permanent plots that were well-stocked and cut fairly heavily, which affected the carbon. Timbering is built into the model, but it is rare that so many permanent plots are timbered in one year. The model is the same as last year, but he reminded the Board that last year's carbon credits were \$265,000 versus \$185,000 budgeted. Over time there will be fluctuations of high and low years that eventually will even out. Going forward he will do a 10-year budget projection. The goal for being in the Working Woodlands Program is forest health, not financial gain. The Authority Forester will be having additional discussions about the modelling with TNC and Blue Source. The 10-year agreement with Blue Source expires in 2021, which can be renewed, or we can contract with another broker, or market the carbon ourselves. V. Gower suggested assessing the possible impact on the carbon credits before committing to future timbering projects.

PA Game Commission Access Agreement. S. Repasch reported that the PA Game Commission (PGC) approached the Authority about using an access through Authority property (to Kuhnenbeaker Road) for an upcoming timber harvest. An access agreement has been approved by the Authority Solicitor and will be negotiated with the timber contractor who is awarded the PGC's bid.

Agriculture Lease. S. Repasch reported that the current agriculture lease with William Altemose, signed in 1991, is for 305 acres at \$8.50 per acre. The Authority Solicitor worked up a new lease with Mr. Altemose for 291 acres at a negotiated price of \$30 per acre for one year. After one year, the lease can be bid or can be continued with Mr. Altemose. ~14 acres have been removed from the original lease for the PGC project to plant warm season grasses to induce wildlife activity. D. Domchek moved and S. Zondag seconded to approve the agriculture lease with Mr. William Altemose as presented and discussed. Motion passed unanimously.

Wind Energy Project. S. Repasch reported that legal issues related to the zoning for the wind energy project were discussed in the Executive Session held before the regular meeting. The Penn Forest Township Zoning Hearing Board hearing is scheduled for May 17; however, because it was not scheduled within 45 days of the court ruling in February, Atlantic Wind published a Notice of Deemed Approval for the project last Friday. There is a 30-day appeal period and it is expected to be appealed.

GIS/UAV Update. S. Repasch reported he, D. Meixell and the Authority Forester had a conference call with Maser's GIS specialist. Additional files were provided by the Forester to add to the GIS. The GIS should be complete in another month or two. The UAV has been purchased and was displayed for the Board. The Authority can now move forward with the application for a Certificate of Authorization Waiver to use the UAV as a government entity and for law enforcement purposes, The FAA approved the information provided in a letter from the Authority Solicitor that allowed for the registration of the UAV.

D. Meixell said he has been learning to fly the UAV and learning its capabilities and applications. His cell phone is attached to a controller and the camera can be manipulated while flying to capture videos and/or photos. The UAV can fly on Authority property and photograph its facilities. There is live streaming capability. There are strict FAA rules that must be followed, such as altitude and

distance restrictions and keeping the UAV in the line of sight. In his opinion, this was the right UAV for the Authority's purposes.

J. Tallarico especially thanked Maser Consulting for its guidance and recommendations in this endeavor.

2017 Income and Expense Projections. S. Repasch reviewed the 2Q17 Income and Expense Projections as circulated and filed. A \$3,000 down payment is anticipated on the new Altemose lease.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative as circulated and filed. Operating revenues are 19% and expenses are 20% of budget through April 2017. The Capital/Reserve expenses are mostly related to the PennEast pipeline.

TREASURER

Investment Summary. D. Domchek reported that the investment types and institutions are unchanged from last month. ~\$2.5 million in government notes mature next week and will be reinvested by the Trustee. 12-month treasuries are ~1.05%, the Saxon 12-month CDs on average are +.20 over treasuries and the Act 72 CDs are less than treasuries because of timing issues. There are no decisions to make in the near future and investment rates will continue to be monitored.

Controller. J. Filipos's report for the month of April, 2017 was circulated and filed. He reported that the City sent the Trustee ~\$1.2 million for the May 15 debt service payment on the 2014 Bonds. D. Domchek questioned the increase in the 2011 Bonds debt service fund. J. Filipos responded the next payment on those bonds is in June and the City sends money to the Trustee monthly.

Resolution 406 – Approval of Expenses. J. Tallarico presented Resolution 406 to the Board for approval. The resolution totals \$59,895.90 for the payment of expenses from the General and Capital/Reserve accounts and the transfer of funds among those accounts. T. Donchez moved and V. Gower seconded to approve Resolution 406 as presented. Motion passed unanimously.

The Solicitor had no report.

CONSULTING ENGINEER

Annual Report. R. Madison provided a draft copy of the 2016 Consulting Engineer's Annual Report on the Water System ("Report") to the Board without the appendices for review, noting the full PDF copy will be provided by email. He has been working on reformatting and streamlining the report since the prior consultant included redundant recommendations that appeared in several sections and reports, some dating to 2004. The report contains a purpose and overview section, an executive summary stating the system is being maintained properly, an overview of the facilities tour, reference to the Authority's website for water system history, photos and captions of significant items in the appendix, portions of the 2017 City Water Capital budget and projects being funded in the appendix, and all recommendations are in one section and are more of an overview versus many nitty-gritty recommendations.

Comments:

V. Gower – The Board relies on the Consulting Engineer to draw attention to the water system being maintained in good condition and any maintenance failures. Long term maintenance ignored for a period of years is an important piece of information for the Board to know. That is failure by the City to uphold its end of the lease. The redundancies and lack of flow are worthy of change, but the details are the very essence of the Report and should be included in the body of the Report. R. Madison responded that his goal of the facilities tour is to inspect the most significant facilities every year and the remaining system facilities every three years. He did not find anything critical or outstanding that needed to be addressed. Some issues listed have been taken care of, some are in the process of being completed and some are just not feasible. The 2014 distribution system comprehensive study done by the City identified and prioritized 22 major projects and preliminary costs – some old, some new. That document is referenced in the appendix.

S. Repasch –There was some criticism of the former consultant for identifying certain maintenance items that every year went unaddressed and these should not be ignored. R. Madison responded in his opinion, the items were not ignored. The 2015 report is included in this year's report by reference.

D. Domchek –There is reasonably good understanding of the major requirements for repair and renewal. He would like to see a simple table of major items and maintenance requirements, an execution plan, progress, responsible party to perform work, funding, etc.

S. Zondag – Are there issues with regard to long-term maintenance, repair and replacement that should be accomplished but are not, and have not been documented or reported to the Board? R. Madison responded that for a water system this large and old, there are difficulties getting to everything.

T. Donchez – We are the owner of the water system and have an operator under contract and lease. The operator should report to the owner the status of the assets, concerns, risks, what has and has not been done. He thinks what is missing is a yearly discussion between the Board and the City Director of Water Resources on a maintenance plan and status of accomplishments.

R. Madison stated he will be happy to revise the Report to include any and all items that the Board would like reinstated.

In other matters, S. Repasch reported that the Board previously authorized the expenditure of up to \$7,500 for Maser Consulting to provide a geotechnical evaluation report related to the PennEast pipeline and the impacts of a catastrophic event. There was more research involved than anticipated that amounts to an additional \$2,502.50 for only the geotechnical evaluation portion of the report. He would like the Board to authorize the payment of this additional expense. This does not include R. Madison's and his colleague's time for report work, conference calls, meetings and discussions which totals \$3,300 through April. The total cost of this report will be much greater than the original \$7,500. If we hear back from PennEast, additional time will continue to accumulate as Maser will be involved in more meetings related to its report. T. Donchez moved and V. Gower seconded to authorize the payment of \$2,502.50 to Maser Consulting as discussed. Motion passed unanimously.

SPECIAL POLICE

D. Meixell reported that S. Repasch is working on the Certificate of Authorization for the UAV. This is important because a government agency has to be certified and authorized or face severe penalties. He also said that there are a few protesters against the Exceptional Value status change of Tunkhannock Creek.

S. Repasch reported he received a phone call from a woman from the Long Pond area, who is concerned about the medical marijuana grower/producer facility that is proposed to be built across from Pocono Raceway (outside of the watershed) and its impact on the Tunkhannock Creek's water quality. He indicated that only a preliminary plan for the site was filed with the Tunkhannock Township Planning Commission and not a detailed plan. J. Broughal added no licenses have been issued yet by the State, and most will be given to existing warehouse facilities in populous areas.

WATER

The Water Report for April, 2017 was circulated and filed and indicated the reservoirs were at 81.55% combined average capacity. The graph of the reservoir storage levels showed a nice recovery from the Spring rains.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and Major Initiatives for the month of April, 2017 was circulated and filed. He reported the following:

- The Water Fund is performing well and there is a lot of cash in the bank, even after sending the May debt service payment to the Trustee.
- There is a tentative agreement between Upper Saucon Township and the developer for Sacred Heart Senior Living. Once that is finalized, the City and Authority can finalize the service agreement with the township. This may be a few more months.
- There are no more Lower Saucon Township "honor system" customers as of April. A condition of the last PUC rate case was the completion of a demand study prior to the next rate filing. A demand study is the statistical sampling of various customers' demand draw of water during the course of a day, a season and a year, not just total water consumption. This study will most likely be done in 2018.
- Hoover Avenue and Goepf Street water main replacements commenced this week, Penn Forest SCADA system and Shady Lane pump house replacement upgrades are in progress, and the Southside Pump Station bids were received last week and the job should be awarded next month.
- New style water meters in plastic housing have been installed for ~4,000 out of 36,000 customers in the system to date. Automatic Meter Reading (AMR) technology was installed in a test area, and the first successful radio read was conducted a few weeks ago. The first phase of AMR conversion will involve ~2,000 commercial and industrial customers who are already set up with new meters and need the transmitter installed (in-house labor). Full build-out will be very expensive – 36,000 customers at \$200 per meter and transmitter – and take many years, but there will be better accuracy and cost savings in labor. The current AMR system is a drive-by system, with the ultimate build-out having a central receiving station.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Stephen Antalics: He appreciates and enjoys the privilege to interact in the Authority's discussions. The Board is very user friendly.

NEXT MEETING

The next Board meeting is scheduled for June 8, 2017.

ADJOURNMENT

S. Zondag moved and V. Gower seconded to adjourn the meeting at 5:10 PM. Motion passed unanimously.

Sharon J. Zondag
Board Secretary