

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

JUNE 8, 2017

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, June 8, 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 May 11, 2017 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics, private citizen
- Mr. Nate Jastremski, Bethlehem Press
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Robin Wildermuth, Authority Forester
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

There were no comments during Courtesy of the Floor.

CHAIRMAN

J. Tallarico reported that he crossed paths with Marco Calderon from PennEast. Mr. Calderon indicated PennEast will be responding to the Authority's letter and Maser Report. A call with the Executive Director was scheduled for June 12.

J. Tallarico also reported that he and D. Meixell met with members of the McMichaels Hunting Club (the Club). The Club currently leases 303 acres from the Authority and would like to lease additional land near Grass Lake. There are pros and cons to leasing the additional land. The yearly payment could increase to \$4,000 - \$5,000 (the Authority currently charges \$10 per acre or \$100 per member, whichever is higher), but one of the bigger issues is access to the property that would require use of an Authority road. The Club was asked to draw up exactly what they are interested in. That information was delivered to S. Repasch and he will circulate it to the Board.

EXECUTIVE DIRECTOR

Forestry Management.

PGC Project. S. Repasch reported that the planting of warm season grasses for a PGC project took place two weeks ago on the 14 acres removed from the Altemose lease. A fire buffer strip of clover and a strip of pollinators were also planted. The Authority Deputy Police Officer was on site during the planting.

Gypsy Moth Spraying. R. Wildermuth reported that 2017 was the third year of the gypsy moth outbreak. Populations usually peak then collapse from natural diseases or starvation. The Authority did targeted spraying in 2015 and 2016 with good results but the outbreak did not diminish completely. Spraying was recommended again for 2017 and took place May 12. It appears the spraying was successful as a lot of dead caterpillars were seen. Weather conditions have been optimal for natural diseases to spread as well. The canopy and foliage look good. He believes the outbreak is finally collapsing.

S. Zondag questioned when a decision will be made to spray next year. R. Wildermuth responded egg masses will be counted in August/September. If there are large amounts per acre, spraying will be considered.

Mr. Antalics questioned about the safety of Bt, since a visitor a few months ago was adamant the spray was harmful to humans. R. Wildermuth responded that Bt has some irritation warnings, but it is not harmful to humans. It is a biological spray made of proteins from bacterium. Only caterpillars that eat the leaves are exposed. Other water companies and the government were contacted about Bt and it is the safest to use.

Carbon Credits. To benefit the newest Board members, S. Repasch handed out and reviewed a history of how the Authority became involved in the Working Woodlands and carbon credits programs. The Authority's goal for entering into the program was FSC certification and a Forest Management Plan (FMP) developed by TNC. A portion of the carbon credits are used to pay back TNC for the costs of the FMP. The property is preserved for 60 years through a conservation easement, with carve outs for wind, solar, and mineral or gas exploration and extraction, if environmentally appropriate. Blue Source is the broker for the Authority's carbon and seeks the best price per tonne through the Voluntary Carbon Standard (VCS) market. We have a 10-year marketing agreement with Blue Source through 2021.

Also, following up on last month's meeting when it was reported carbon credits revenue would be less than half of the amount budgeted, the Authority Forester was asked to attend today's meeting to explain in more detail how the process works and how it will be handled going forward. A memo from R. Wildermuth about the carbon budget and credits calculation was handed out.

R. Wildermuth explained that initially, over 2,000 "temporary plots" were established. The trees were measured for a statistically sound estimate of green tonnes on the property for carbon calculation and to track growth over time. For more efficient tracking, it was determined that 244 random "permanent plots" were needed. This information was fed into the Forest Vegetation Simulator or model, developed by the US Forestry Service, to predict assumed growth. It is not really intended for carbon but serves best. Carbon modelling is a new field and complicated. We will not know how the model is tracking growth until after the 10-year period, when every tree in all 244 permanent plots is re-measured and the actual vs. predicted is trued-up with the model. There would be a plus/minus adjustment to the model at that time.

There was a substantial difference in the 2016 estimated versus actual carbon credits, and an extreme difference in carbon credits issued in 2016 versus 2015. After several phone calls with Blue Source and the modeler, we now have a better understanding of the carbon modelling process. He has suggested an interim step to check on the growth model would be to do a sub-sample of 10% of the plots (24) this winter, after the growing season, for internal calibration. Blue Source will run the model to see if we are tracking correctly. If there is any divergence, there are input variables to tweak the model and the modeler will adjust to make the model as accurate as possible at predicting growth. His cost to perform this work would be ~\$2,000.

Questions/Comments:

D. Domchek – To what extent is a plot represented to the total acres, because what happens in a plot is not proportionate to the total acres. R. Wildermuth responded one plot represents approximately 73 acres but is actually only 1/10 acre in size. If a plot is harvested, it is not proportional on a year-to-year basis, but will converge at the end of 10 years. The Authority's property is set up in the model with variables such as region, species, crowding, etc. to predict growth over time and is hoped to do a good job. The model underestimates the growth response from thinnings, which are the heart of the Authority's forest management plan to extend harvest rotation and keep the trees healthy.

V. Gower – We do not know how well the model is predicting because of other factors that cannot be controlled, such as weather, rainfall, gypsy moths, etc. R. Wildermuth responded those variables would also affect carbon credits. Now that we understand how the model is being used we can make sure we do not diverge on the harvest too much on an annual basis because we can keep plots proportionate to the acres. He can adjust where necessary and track better.

D Domchek – Does a tonne of growth provide more or less carbon credits than a tonne of harvest? R. Wildermuth responded a forest that is thinned properly over its lifetime captures more carbon than an unmanaged forest because dominant trees capture carbon faster. We are getting \$2 per tonne for pulpwood, and two tonnes of pulpwood equals one tonne of carbon. Carbon is worth three to four times the value of pulpwood. We are getting ~\$30 per tonne for oak logs plus credit for carbon capture. In his opinion, the right thing to do is manage the forest.

T. Donchez – There are a lot of moving parts, one being net revenue per gross tonne. It appears the expenses are getting lower and the price per tonne is getting higher. S. Repasch responded Disney's contract sets the rate per tonne through 2021. S. Zondag added Disney might not want this kind of variance from year to year because they will have to look elsewhere to make up the difference. This needs to be figured out with the modeler.

V. Gower – To smooth things out, it might be beneficial to plant more oak and cherry trees. They will be valuable 50 years from now. R. Wildermuth responded we are trying to do that through natural regeneration by favoring the highest value and healthiest trees. If he was encouraging tree planting, he would recommend Norway spruce. It is a good tree, fast growing and used as construction lumber. He is looking at next year's budget to do some re-planting in a pine stand and spruce would be the suitable species. Any vacant or ag land cannot be used if planted because the acreage footprint for the carbon project is fixed; however, acreage adjustments are being explored.

The Board thanked R. Wildermuth for his time and explanation of the carbon modeling.

PGC Access Agreement. S Repasch reported there is no access agreement to act on at this time. The PGC did not receive any bids for its timber sale and instead will try to negotiate a timber harvest agreement with a contractor. V. Gower questioned if this has any effect on the Authority's timbering. S. Repasch responded this particular stand was damaged by a wildfire several years ago and the PGC would like it cleaned up. Most of the wood is pulpwood or chips, and the market for those products is very low.

Wind Energy Project. S. Repasch reported the deemed approval of the project by Atlantic Wind has been challenged by two of the aggrieved parties, and more recently by Penn Forest Township. There will be an Executive Session to discuss the legal aspects related to the Authority as a result of the appeals.

UAV/GIS Update. S. Repasch reported he is still working through the certification waiver application for the UAV. The application will be submitted once outstanding questions are answered by our consultant next week. The UAV can be used for policing activities when the application is approved.

Most of the data has been inputted into the GIS platform. Data for Monroe and Carbon Counties is still needed. Monroe will gladly provide it; Carbon is being resistant and wants a one-to-one exchange of property information, or the Authority has to pay for the GIS data, which is improbable.

Upper Saucon Township Agreement. S. Repasch reported the draft copy of the Upper Saucon Township Agreement previously provided to the Board is essentially the same as the final Agreement presented for approval. The only minor change made by the Authority Solicitor was "City" owned property was changed to "Authority" owned property. D. Domchek questioned the long-term impact of the agreement on water sales to the township. E. Boscola responded the township is developing its own water system and expanding its wells. There are minimum sales requirements built into the agreement that diminish over 15 years. D. Domchek moved and V. Gower seconded to approve the Upper Saucon Township Agreement as discussed. Motion passed unanimously.

2017 Income and Expense Projections. S. Repasch reviewed the 2Q17 Income and Expense Projections as circulated and filed. The City operating funds payment is anticipated this month; the \$3,000 down payment was received on the new Altemose lease; a fair amount of legal fees to the Authority Solicitor's firm are related to obtaining the required easements for the Route 512 main extension project. Expenses related to the wind energy project have been submitted to the developer for reimbursement, which is anticipated by next month.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative as circulated and filed. Through May, 2017, operating revenues are 20% and expenses overall are 31% of budget. Gypsy moth spraying was over budget due to an increase in the acreage to spray. Capital/Reserve expenses are 24% of budget. V. Gower questioned the source of funds for the emergency alternate source water study and if it will happen this year or not. S. Repasch responded the Authority has the funds for the study. He is working on an RFP for review by next meeting.

J. Tallarico announced that S. Repasch was asked to participate at the City's next Climate Action Working Group meeting. S. Repasch said the City has been interested in having this type of committee. He felt it would be good for someone from the Authority represented on the committee since the Authority is involved in environmental climate-related projects.

TREASURER

Investment Summary. D. Domchek reported that investments are substantially the same as last month. \$62,000 in the BRIF money market account has since been invested in PLGIT at a current rate of .73%. Total money market funds are down ~\$400,000 due to the 2011 Bonds payment.

Saxon CD Program. D. Domchek reported he and S. Repasch discussed the Saxon CD program before today's meeting. Every six months the Authority must provide Saxon with investment parameters for the CDs. The current parameters are six and 12 months; they are recommending new CD parameters for the available principle to be 1/3 – 3 to 6 months; 1/3 – 6 to 12 months; 1/3 – 12 to 18 months. If interest rates rise, these CDs are negotiable so we can act accordingly. The Saxon CD program has worked out well this first year. The Board is agreeable to the new CD parameters as discussed.

Controller. J. Filipos's report for the month of May, 2017 was circulated and filed. He reported that the 2014 Bonds interest payment was made and the City paid the \$62,000 lease coverage, which passed into the BRIF. The draft of his year-end report was previously provided by email and he is available to answer any questions. The 2016 DCED report will be submitted by the June 30 deadline along with a letter explaining the 2016 audit will be provided when completed.

Resolution 407 – Approval of Expenses. J. Tallarico presented Resolution 407 to the Board for approval. The resolution totals \$77,251.32 for the payment of expenses from the General and Capital/Reserve accounts. S. Zondag moved and T. Donchez seconded to approve Resolution 407 as presented. Motion passed unanimously.

The Solicitor had no report except for the Executive Session.

CONSULTING ENGINEER

S. Repasch reported that he met with the Authority Engineer last Friday. The Annual Report will be finalized and provided to the Board before the July meeting.

SPECIAL POLICE

D. Meixell's report for June, 2017 was circulated and filed. His report noted that Atlantic Wind posted 33 notices about the zoning hearing on the Authority property line in Penn Forest Township. Approximately six signs have since been removed.

WATER REPORT

The Water Report for the month of May, 2017 was circulated and filed. The graph shows the reservoir levels are recovering and continue to climb.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

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

- Water Fund finances are in good shape.
- Investigating what is involved in the system-wide demand study.
- There are currently 80 – 100 customers on the AMR system, which will continue to grow.
- The Southside pump station contracts will be executed soon.
- The Goepp Street water main replacement is in progress.

- The new well pump station is in service on Shady Lane in East Allen Township.

S. Zondag questioned the equivalency between an inch of rain to gallons of water in the reservoir. E. Boscola said there is none because there are too many variables.

D. Domchek questioned the zero spending on some of the projects. E. Boscola responded it signifies either a bill has not been received or has not been paid.

OTHER BUSINESS

J. Tallarico commented he noticed air conditioners on the second floor of Illicks Mill. The Authority owns the mill, which is leased to the City. He was of the assumption that only the first floor was rented out to the Appalachian Mountain Club. S. Repasch responded that the Authority received an email complaint from a person that had a wedding there recently. The person felt they were not treated well by the City. That email was referred back to the City. E. Boscola responded that he has no knowledge of any activity at this site.

There were no comments during the second Courtesy of the Floor.

NEXT MEETING

The next Board meeting is scheduled for July 13, 2017.

ADJOURNMENT

J. Tallarico moved and T. Donchez seconded to adjourn the regular meeting and convene an Executive Session at 5:00 PM to discuss litigation matters.

Sharon J. Zondag
Board Secretary