

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

**JANUARY 14, 2016**

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, January 14, 2016 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA immediately following the adjournment of the reorganization meeting. The meeting was called to order by Mr. John Tallarico, Chairman. Also in attendance were:

- Ms. Laurie Hackett, Vice Chairwoman and Assistant Secretary/Treasurer
- Mr. Vaughn Gower, Secretary
- Mr. Mark Jobes, Treasurer
- Mr. Jack Abel
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administration Assistant
- Mr. Daniel Meixell, Special Police Officer

**APPROVAL OF MINUTES**

L. Hackett moved and V. Gower seconded to approve the minutes from the December 10, 2015 regular meeting. Motion passed unanimously.

**RECOGNITION OF VISITORS**

- Mr. Ron Madison, Maser Consulting Engineer and Consultant to the Authority on the PennEast Pipeline
- Mr. Dennis Domchek, Bethlehem, PA resident
- Mr. Nate Jastremski, Bethlehem Press
- Ms. Linda Christman, Lehigh, PA and Save Carbon County
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Steven Antalics, Bethlehem, PA resident
- Mr. Neal Kern, Barry Isett & Associates and Consulting Engineer to the Authority
- Mr. Harry Garman, Barry Isett & Associates Engineer
- Mr. George Yasso, City of Bethlehem Controller

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

**CHAIRMAN**

**PennEast Gas Pipeline.** J. Tallarico reported that the dialog with PennEast has been open and they have been cooperative and responsive to the Authority's concerns. The Authority's consultant, Mr. Ron Madison, has been supervising the exploratory drilling on the Authority's property and rights of way. Mr. Madison continued on to say that confident rock has been indicated from 15 to 175 feet at the first two drill holes completed. Early

indicators are favorable and there does not appear to be any potential vibratory or other damage to the water transmission line at 3 to 5 feet below surface near the drill holes. Vibratory reaction is monitored by equipment that sits on the ground to measure vibration, and the deeper below the surface, the more the vibration dissipates. The main purpose of the exploratory drilling is to better understand the rock formation, since PennEast's latest proposed route calls for a 6,000 foot long horizontal drilling at 117 to 120 feet underneath Beltzville Lake and the water transmission line. The fact that they reached bedrock as soon as they did and that it continued as far as it did is a good indication that PennEast's plan is workable. Upon completion of the drilling, Maser will review the results and make a recommendation to the Board.

J. Tallarico reported that he and Mayor Donchez signed a letter that was sent to the National Park Service (NPS), stating that the Authority supports PennEast's proposed eastern route over the Blue Mountain/Appalachian Trail, as the current route crosses over the water transmission line twice. The letter requests the NPS to reconsider PennEast's eastern route. V. Gower iterated that to him, the issue at the top of the mountain is not as big as the issue at the base of the mountain where the portal to the tunnel is located.

S. Repasch added that he and Mayor Donchez had met with U.S. Representative Charlie Dent in November, who is very aware of this issue. Our other State and U.S. Representatives have been copied on the NPS letter as well as previous Authority/City correspondence to PennEast and the Federal Energy Regulatory Commission. We are hopeful that the NPS will respond favorably to our request.

#### **EXECUTIVE DIRECTOR**

S. Repasch thanked the Board for their continued confidence in him as Executive Director.

**Maser Consulting Agreement.** S. Repasch presented an agreement with Maser Consulting for continued services as consultant and other activities for an undetermined amount of time on the PennEast Pipeline project. If the construction of this pipeline would occur in 2016 and the Authority needs additional consulting concerning land and right of way issues, the agreement covers that oversight as well. For the record, there has been zero cost to the Authority as the consulting fees are being paid by escrow funds received from PennEast.

V. Gower moved and J. Abel seconded to approve the Maser Consulting agreement as presented and discussed. Motion passed unanimously.

**McKeown Property Appraisal.** S. Repasch reported that six parcels of land the PennEast pipeline is proposed to traverse through need to be appraised. The parcels themselves are large, but the pipeline's temporary construction easement is ~80 acres with the final easement ~ 30 to 40 acres. He received two proposals for an appraisal to address market value before taking, after taking, and damages or just compensation:

- Henkelman Realty, \$15,000, two to three months, or longer, to complete
- Michael McKeown, Inc., \$12,000, approximately five weeks to complete

His recommendation is to award the appraisal to Michael McKeown, Inc., whose references were exceptional.

L. Hackett moved and J. Jobs seconded to approve Michael McKeown, Inc. to perform the appraisal of the Authority parcels in the amount of \$12,000. Motion passed unanimously.

**Long Pond Property Sale.** S. Repasch reported the Pocono Mountain Regional Police Department is currently under an agreement of sale to purchase a parcel of property in Long Pond. The Department intends to convert the property into a shooting range. He attended the Tunkhannock Township Planning Commission meeting where he raised the concerns that the property is in the Authority's watershed, which is under a conservation easement, and there is potential for lead contamination leeching into Long Pond, which is an Exceptional Value stream. Other issues include a right-of way to the property, setback, noise and other zoning requirements, and the meets and bounds of the property being sold. If a shooting range is permitted, the Authority needs to make certain the necessary management practices will be in place to deal with potential contamination. He plans to attend the Tunkhannock Township Supervisors meeting on January 29 where the special exception for the shooting range will be discussed.

**Forest Management Activities.** R. Wildermuth thanked the Board for the reappointment as Consulting Forester. He presented an update on forest management activities during 2015, the upcoming activities in 2016, and summarized the gypsy moth report. The Forest Management Plan serves as a guide as to what is appropriate to do in all areas of the watershed.

In 2015:

- Three stands thinned for continuing carbon accumulation.
- One regeneration cut.
- First use of prescribed fire to encourage oak stand regeneration.
- 245 acres in Wild Creek sprayed for gypsy moths.
- Budget fell short on dollars and tons – timber prices are market driven.
- Annual FSC report submitted this week.

In 2016:

- Accelerate projects as much as possible without affecting carbon tonnage.
- More thinnings and one release cut in a stand currently fenced.

Gypsy moth risk to the Wild Creek property this year and recommendations:

- Egg mass counts indicate pockets of forest will be significantly defoliated in 2016.
- Spray effort will be prioritized based on egg mass density, risk to water quality, and stress on the forest based on prior year's defoliation.
- Proposed targeted spray program of Foray (Bt) aerial application on 650 acres to protect forest health at a cost of \$32,000 (\$32,500 was budgeted).
- Spray program should take place early and by the third week in May, especially the stands closest to the reservoir that were completely defoliated last year.

- Monitor remaining areas and plan salvage efforts wherever mortality results.
- No cost-share funding available. State program cost slightly higher than what the Authority would pay on its own.

Mr. Antalics queried the amount of high value trees compared to total amount of trees in a stand; if defoliation has occurred in high value stands; and if black cherry is still the highest value tree. R. Wildermuth responded in PA, there is a large variation in value but probably 10% of the trees have 80% of the value; gypsy moths prefer oak, apple and aspen, and oak is a dominant tree on Authority property; and sugar maple is currently the most valuable local species.

**Investment Opportunities.** S. Repasch reported that The Bank of New York Mellon (BNYM) has agreed to allow the Authority to invest in the Embassy Bank Collateralized CD program. “After further discussions between the Executive Director, Financial Advisor, Bond Counsel, the BNYM Counsel agrees Embassy’s program satisfies the terms of the Trust Indenture that CDs, time deposits or similar arrangements issued by any bank or trust company have a combined capital and surplus of at least \$25 million in deposits which are fully secured by the Pooled Assets Act of PA (Act 72).” Embassy also supplied BNYM with a copy of an agreement relating to Act 72 compliance. The Authority now has the ability to invest more than \$250,000 with Embassy without waiving its investment policy. One option might be to invest the \$2 million BRIF minimum in the program for one year, since the BRIF is currently not needed. He presented an agreement with Embassy Bank and would like the Board to consider acting on it. The Authority Solicitor and Bond Counsel have reviewed it. The Authority Solicitor said the motion should be to approve the agreement with Embassy in substantially the form presented so it does not need to be brought before the Board again if it needs to be revised at a later date.

V. Gower said he would like the (101%) collateral pledge mentioned in the Financial Advisor’s memo to be specified and included in the agreement. He moved to approve the Embassy Bank agreement in substantially the form as presented with all modifications to it reported back to the Board. M. Jobs seconded. Motion passed unanimously.

**Delaware Valley Health Trust Resolution.** S. Repasch presented a resolution to participate in the Delaware Valley Health Trust to the Board for approval. He reported that the Authority joined the health trust in February, 2015 to help control health insurance costs for Authority employees. At that time, the health trust failed to provide the Authority with its resolution to participate. The Authority Solicitor reviewed the resolution and the only change was the removal of the term “Inter-Governmental Cooperation Act” since the Authority and the Trust do not fall under the definition in the Act.

L. Hackett moved and V. Gower seconded to approve the resolution to participate in the Delaware Valley Health Trust as presented. Motion passed unanimously.

**1Q16 Income/Expense Projections.** S. Repasch presented the 1Q16 Income/Expense Projections as circulated and filed. The window replacements at the security office are anticipated to be completed next week.

**Expense Budget Comparative.** S. Repasch presented the Expense Budget Comparative for the year 2015 as circulated and filed. He noted the following:

- Revenues – 103%. \$4,930 from reserves anticipated to cover the budget did not need to be transferred.
- Professional Services – 68%. Financial Advisor and Legal fees were less than anticipated. Audit services have not yet been paid as the City's audit is not yet complete. The Authority is a blended unit of the City. There is an upcoming arbitrage analysis due on the 2011 bonds, and more info will be forthcoming.
- Security and Property Expenses – 127%. Over budget primarily due to the gypsy moth spraying.
- Administrative Expenses – 104%. Primarily due to the repair and replacement of office equipment.
- Overall Expenses – 99%.
- Capital Reserve Expenses – 22%
- Pipeline Escrow Fund – \$24,000 of \$49,000 expended.

### **CONTROLLER**

J. Filipos thanked the Board for the reappointment of him and his firm Buckno Lisicky & Co. His report for the month ending December 31, 2015 was circulated and filed. The 2011 bonds principal (\$120,000) and interest (\$521,921.88) payments were made. He also reviewed the audit on the \$275,000 H2O PA grant for the various valve projects at the PA Avenue, South Mountain and 5<sup>th</sup> & William Street facilities. There were no issues found and the audit opinion is clean.

**Resolution 386 – Approval of Expenses.** J. Tallarico presented Resolution 386 to the Board for approval. The resolution totals \$175,271.81 for the payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Capital/Reserve Accounts.

J. Tallarico moved and L. Hackett seconded to approve Resolution 386 as presented. Motion passed unanimously.

### **SOLICITOR**

J. Broughal thanked the Board for the reappointment and continued support of his firm Broughal & DeVito. He had no report.

### **CONSULTING ENGINEER**

N. Kern thanked the Board for the reappointment of his firm Barry Isett & Associates. He will be retiring in February but will stay on at his firm as a consultant through the end of the year. He will be available to finish the Authority's Annual Report, after which time Mr. Harry Garman will take his place. The inspections are complete, the Annual Report is 90%

complete, the insurance certification was issued, and the budget certification will be issued next week. He will provide the inspections and recommendations portion of the Annual Report to the Board for their review next week.

On behalf of the Board, J. Tallarico thanked Neal for his help and expertise throughout his years as the Authority's Consulting Engineer and wished him a happy and healthy retirement.

### **SPECIAL POLICE**

D. Meixell's report for the month of January, 2016 was circulated and filed. He noted that the 2015 deer season was unusually quiet. Also he is dealing with a property north of the property Pocono Mountain Regional Police is interested in purchasing and currently surveying. Perhaps the survey work could be extended into this particular area. It would help with any enforcement issues that may arise since the boundary line is not marked.

### **WATER REPORT**

The Water Report for the month of December, 2015 was circulated and filed. The reservoirs are at 100.78% capacity.

### **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

E. Boscola's report on the financial status of the Water Fund, major initiatives and major plans was circulated and filed. There are still some expenses to be charged against 2015, but overall the Water Fund is very good shape.

- \$768,000 was transferred from the Operating Fund to the Water Capital Fund in January, 2016.
- There has not been much advancement of the PUC issues,
- The long-term infrastructure plan will be submitted soon,
- The Upper Saucon Twp. territory issue is still under review.
- A capital financing plan will be established for 2017 and beyond as the Construction Fund is anticipated to be depleted by the end of 2016.

J. Tallarico queried how long it would take to implement automatic meter reading throughout the entire customer base. E Boscola responded it would take at least 5 and up to 10 years, at a cost of \$10-\$15 million. The strategy is to do it in phases, with the larger industrial customers first.

***There was no Other Business.***

### **COURTESY OF THE FLOOR**

Ms. Linda Christman queried if the Authority's concern of the pipeline's proximity to the earthen dam is still an issue as indicated in the Maser Report. R. Madison responded that will be addressed in their final report after all geotechnical testing is complete and reviewed. V. Gower added that it is still a concern, but since the initial review was written in June, many concerns are lessened.

Ms. Christman also queried if a portion of the pipeline will be moved adjacent to Lovitt Road to reduce the taking of property and trees as was announced in December. That was not included in the last pipeline route change. S. Repasch responded yes, PennEast has agreed to use Lovitt Road. The re-draw of the pipeline route has not yet worked its way through the process.

**NEXT MEETING**

The next Board meeting is scheduled for February 11, 2016.

**ADJOURNMENT**

J. Abel moved and M. Jobs seconded to adjourn the meeting at 5:30 PM.

*Vaughn C. Gower, Secretary*