

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

MARCH 10, 2016

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, March 10, 2016 in Room B-504, 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:

- Ms. Laurie Hackett, Vice Chairwoman, Assistant Secretary/Treasurer
- Mr. Vaughn Gower, Secretary
- Mr. Dennis Domchek, Treasurer
- Mr. Jack Abel, Member
- Ms. Wendy Nicolosi, 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 J. Abel seconded to approve the minutes from the February 11, 2016 regular meeting. Motion passed unanimously.

RECOGNITION OF VISITORS

- Mr. Stephen Antalics
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Nate Jastremski, Bethlehem Press
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources

There were no comments during Courtesy of the Floor.

CHAIRMAN

PennEast Gas Pipeline. J. Tallarico reported that the Authority will be meeting with PennEast to discuss the issues and concerns on the proposed gas pipeline. S. Repasch said the meeting planned for next Friday is to discuss the geotechnical drilling and current pipeline route. New revised maps that include an up-to-date footprint of the pipeline and width of the temporary easement have been provided. PennEast still favors the eastern pipeline route over the Blue Mountain along a PPL right-of-way. However, because the processes involved with the National Park Service will be too lengthy, PennEast is moving forward with the current route that crosses the water transmission line in 2 areas. Sub-surface evaluation and testing of these areas will be discussed at the meeting.

There will be an additional meeting with PennEast before the April Board meeting to discuss and negotiate terms for use of the property for the pipeline. According to W. Nicolosi, a license agreement, as opposed to an easement, is not an actual interest in the property but rather a personal allowance to do something with the property. The Authority would have better control of the property through a license agreement and it is the preferred option. It was noted PennEast has a license agreement with the PA Game Commission.

EXECUTIVE DIRECTOR

Investment Opportunities.

Construction Fund. S. Repasch reported that bids were solicited from local banks for money market account products and interest rates for the Construction Fund, which has a current balance of \$2.5 million in a treasury fund earning .01%. Of the 4 submissions received, Peoples Security Bank & Trust offered the highest interest rate of 1.0% and also agreed to the Act 72 agreement. The money market account will be drawn upon monthly for the payment of water capital expenses until the funds are spent in their entirety.

D. Domchek moved and V. Gower seconded to approve opening a money market account for the Construction Fund with Peoples Security Bank & Trust as discussed. Motion passed unanimously.

Debt Service Reserve Fund. S. Repasch suggested the Board consider investing some of the monies in the Debt Service Reserve Fund with the Saxon Securities CD program. He shared the Authority's intentions with the City Business Administrator who is supportive. Upon further discussion, the Board decided to proceed slowly, get additional information about the process, and if acceptable, begin the process to invest \$1 million with Saxon Securities. Additional monies can be invested at a later time if the Board is satisfied with Saxon and the program is beneficial.

Wind Energy Project. For the benefit of the newest Board members, S. Repasch presented a brief history and summary about the proposed wind energy project with Atlantic Wind/Iberdrola Renewables.

- License Term – Executed on March 6, 2013 for a study period not to exceed 10 years. Studies include, but are not limited to: soil, wind using met towers, FAA, environmental including fish, mammal, birds in the Wild Creek/Penn Forest watershed.
- Developer applies for all required permits to insure compliance with all laws – local, State and Federal.
- Lease or Extended Term – Covers only portion of property designated for development (currently only Penn Forest Township). 25 years for developed and operational project, and renewable for additional 26 years.
- Financial Terms, License Period – Years 1 through 5, \$10,000/year; years 6 through 10, \$100,000/year for additional studies if project not developed. Authority reimbursed up to \$28,500 for consulting and advisory fees.

- Financial Terms, Lease Period – Authority receives \$1,000/installed turbine; annual payment during operation of project will be greater of \$100,000 or 3% of gross project revenues (currently estimated at \$8,000 to \$15,000/turbine).

A map of the current layout of the proposed turbines shows 38 on the Authority's property and 3 on the adjacent Lehighon Water Authority property. Iberdrola will be submitting the application to Penn Forest Township at the end of this month to develop the project. If all goes as planned, construction could begin in late 2017, with commercial operation by the end of 2018. It should be noted that Wild Creek (Towamensing Township) is a sensitive area and excluded from the project. However, it was suggested to find out if the license could be altered to permit development there in the event such development is considered appropriate in the future.

Environmental studies and impacts are done by Iberdrola and will be reviewed by State and Federal agencies and consultants hired by the Authority. Since there was a lot of concern voiced about the verification of Iberdrola's data used in its studies, S. Repasch will invite Iberdrola to a meeting so the Board can learn how studies are verified for other projects and any other questions it may have.

Property Appraisal. S. Repasch reported on the property appraisal being performed by McKeown Realty. Phase 1, the assumed value before disturbance, is complete. Phase 2, the assumed value after the pipeline is built, is in progress. D. Meixell developed a security plan that is believed to be needed if the pipeline takes the current proposed route through Authority property. That plan was shared with the appraiser.

Staff Evaluations. S. Repasch reported that staff evaluations have been completed and provided to the Chairman for his review. They will then be shared with the rest of the Board.

1Q16 Income/Expense Projections. S. Repasch reviewed the 1Q16 Income/Expense Projections as circulated and filed. Operating funds from the City are expected at the end of each quarter.

Expense Budget Comparative. S. Repasch reviewed the Expense Budget Comparative for the 2 months ended February 29, 2016. Overall expenses are at 11%.

CONTROLLER

J. Filipos's report for the month of February, 2016 was circulated and filed.

Resolution 389 – Approval of Expenses. J. Tallarico presented Resolution 389 to the Board for approval. The resolution totals \$94,583.21 for the payment of water capital expenses from the Construction Fund and administrative, professional and security/property expenses from the General and Capital Reserve Funds.

L. Hackett moved and J. Abel seconded to approve Resolution 389 as presented. Motion passed unanimously.

Ratification of CD Purchase. S. Repasch presented the following CD purchase approved by the Board via email for ratification:

- Embassy Bank, \$250,445.43 @ 1.00% APY for 12 months

J. Tallarico moved and D. Domchek seconded to ratify the email approval of the Embassy Bank CD purchase. Motion passed unanimously.

There was no Solicitor's Report.

CONSULTING ENGINEER

S. Repasch provided a draft of the Annual Report to the Board, and reported:

- The water data and tables provided by the City for the Annual Report will not be complete until mid-April.
- The City completed a Comprehensive Planning Study on the water system for the next 20+ years. It was used to develop a Long Term Infrastructure Improvement Plan (LTIIP) that will be included with the Distribution System Improvement Charge (DSIC) funding application to the PUC. If approved, there will be a surcharge added to all water bills to help pay for water distribution system upgrades.
- Some of the recommendations in the report might get accomplished in 2016.
- Capital projects are getting accomplished. Some daily or preventative maintenance items that are lagging will be addressed.

Questions or comments about the report should be sent to S. Repasch.

Additionally, E. Boscola commented his department is updating the 5 year capital plan to help develop a capital financing plan for 2017 and beyond. PFM, the City's financial advisor, will evaluate this information.

SPECIAL POLICE

D. Meixell's report for the month of March, 2016 was circulated and filed. In the past week, there have already been several (wild) fires due to the dry conditions from lack of snowpack/moisture this winter.

WATER REPORT

The Water Report for the month of February, 2016 was circulated and filed. The reservoirs are at 101.28%.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the Water Fund and major initiatives was circulated and filed.

- The financial condition of the Water Fund is good, and the available cash balance very good.

- The LTIP was submitted to the PUC in February, and the City has responded to some inquiries.
- DSIC submission to the PUC is anticipated in the next few months.
- The Revised Total Coliform Rule goes into effect April 1. Total coliform is a group of bacteria that is an indicator of viruses and bacteria that can (naturally) occur in the water. The original rule had been in effect for 25 years, but was revised by the EPA to require more sampling at more points throughout the distribution system.

Mr. Antalics queried the lead testing policy in Bethlehem. E. Boscola responded the City follows the lead and copper rule. Since the City's lead levels are consistently very low, it only has to test every 3 years. Sampling will take place this year since the last sampling was done in 2013. Samples are taken from 50 volunteer homeowners from a cross-section of the water system. The sample has to be a first draw from inside a home before water is used for anything else.

Mr. Antalics also queried the composition of the oldest pipes in the City's distribution system. E. Boscola responded the pipes are mostly cast or ductile iron, and most laterals are now copper. There are also some that could be PVC, asbestos and concrete.

There was no Other Business.

COURTESY OF THE FLOOR

L. Hackett queried if the lack of regular Authority meeting attendees today could be due to the meeting time change, to which J. Tallarico responded it was not.

NEXT MEETING

J. Tallarico announced the next meeting is April 14, 2016 at 3:30 PM.

ADJOURNMENT

J. Tallarico moved and L. Hackett seconded to adjourn the meeting at 4:45 PM. Motion passed unanimously.

Vaughn C. Gower, Secretary