

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

September 12, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on September 12, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Mr. Vaughn Gower, Chairman. The following were also in attendance:

- Mr. John J. Tallarico, Vice Chairman
- Mr. Richard Master, Secretary
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant

APPROVAL OF MINUTES OF AUGUST 8, 2013

V. Gower presented the minutes of the regular meeting held August 8, 2013 and R. Master moved for their approval. J. Tallarico seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

V. Gower recognized and welcomed the following visitors:

- Bethlehem Press
- Mr. Stephen Antalics, Bethlehem citizen
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Mark Sivak, City of Bethlehem Director of Budget and Finance
- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources

CHAIRMAN

Lehigh Valley Economic Development Corp. V. Gower reported that on September 10, he attended a focus group meeting along with 23 other political and business leaders chosen by LVEDC. The goal was to determine the strengths, weaknesses, opportunities and threats for development in the Lehigh Valley. The results will be part of the input to LVEDC's strategic plan on development. He was impressed by the group and felt the meeting was encouraging. There will be no additional meetings.

(M. Jobs entered the meeting at 3:33 PM)

Operating Authority. V. Gower reported there have been no meetings to focus on the operating authority. However, in the course of examining the operating authority, the Board needed to understand the future of the Water System based on the current structure. That has revealed a \$1 million per year deficit in three of the next five years in the Water Fund. The information was communicated to and shared with City Administration and the Board offered its assistance and advice. There is a plan forthcoming from D. Brong and the Board hopes to have discussions that will lead to a balanced Water Fund.

Potential New Board Member. V. Gower reported that Laurie Gostley-Hackett was nominated by the Mayor to City Council to serve on the Authority Board. Her appointment will be voted on at the next City Council meeting.

EXECUTIVE DIRECTOR

Wind Energy Project. S. Repasch reported that Atlantic Wind received the final approvals from Penn Forest Township to construct and install the met towers, which is anticipated to take place in the next several weeks.

Forest Management Activity. S. Repasch reported that the Wild Creek pine plantation timber sale was retired. Revenue was estimated to be \$10,000 and to date we have received \$9,000. There are a few loads of timber to be removed and sold yet. The Stands 24/25 Timber sale in Long Pond was retired. Revenue was estimated to be \$22,000 to \$24,000 and the actual revenue was \$26,500. Some activity encountered during this sale will be reported on by Officer Meixell. Timbering for this year is complete. There are several stands in the Long Pond area that will be bid at the end of this year for a winter harvest, which is a good time for timbering due to the frozen ground. The FSC audit will be on October 11. It is anticipated to hold that meeting in the new security office.

Wild Creek Property. S. Repasch reported the renovations to the new security office are complete for this year. It needs to be furnished with a meeting table, chairs and other items. The Board expressed interest in holding the November meeting there. J. Tallarico will assess the work necessary to be completed next year.

H2O PA Grant Project Audit. S. Repasch reported the H2O PA Grant project audit was completed and received. To summarize, there was a duplicate invoice from the City that was submitted to the State twice and reimbursed by the State twice. The Authority owes the State \$130,703. There is an additional \$66 discrepancy, and the State is not sure how it happened. They will decide on that issue after they receive the auditor's report. V. Gower said we need to be alert to the fact that the State could revoke the grant, and if that were to happen, we should seek the help of State Senator Boscola.

M. Jobes moved to accept the H2O PA Grant audit report and for the auditors to finalize it with a letter to the State. R. Master seconded. Motion passed unanimously.

Pension Plan. S. Repasch reported that the 2014 Minimum Municipal Obligation (MMO) requirement for the Authority's pension plan is \$7,466, which will be included in the Authority's 2014 budget. Act 205 compliance is to inform the governing body of the obligation before the end of September.

J. Tallarico moved to approve the 2014 MMO in the amount of \$7,466. M. Jobes seconded, but queried if the PMRS calculated cost changes from year to year. M. Sivak responded the Authority has its own pension plan, separate from the City. Actuarial valuations are done every two years. For the 2013 valuation, the guaranteed interest rate was reduced to 5.5% from 6%, which will cause a slight increase for 2015. Motion passed unanimously.

Additionally, S. Repasch reported the Authority received notification from PMRS that new IRS requirements will necessitate developing a new contract for the pension plan, a defined benefit plan. Some of the items on the checklist deal with part-time employees, compensation, etc. He is working on obtaining more information from PMRS. The biggest question of concern is if the Authority would offer the defined benefit plan to any new hires. If so, it will impact the contract. The City has changed its benefits structure for new hires going forward. New City employees are offered a defined contribution plan, which most municipalities are shifting toward. The Board reached a consensus that future hires would not likely be offered a defined benefit plan.

Salisbury Township Easement. S. Repasch reported the City intends to install a small booster pump station in a certain area in Salisbury Township that is water pressure challenged. A site was located on a corner property, approximately 900 square feet, and the Authority negotiated an easement with the property owner in the amount of \$1,000. D. Brong said this high elevation area of Salisbury Township has been a legacy for customer complaints. This project will benefit the current customers and potential future customers as well.

R. Master moved to approve the Salisbury Township easement agreement in the amount of \$1,000 as presented and discussed. J. Tallarico seconded. Motion passed unanimously.

Arbitrage Report. S. Repasch reported he spoke to the Authority's Financial Advisory, Steve Goldfield, and BNYMellon about the status of the arbitrage report on some of the Authority's bonds. The report should be complete for Board review by the end of September. There is an arbitrage fund with over \$200,000 in it, and it should be sufficient to cover any arbitrage that might be due.

3rd Quarter 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$123,915 (\$99,155 as of September 1)
- Projected Receivables – \$145,215
- Projected Expenses – \$144,580
- Total Projected Cash on Hand, End of Period – \$124,550

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$286,720
- Projected Receivables – \$55,210
- Projected Expenses – \$31,600
- Total Projected Cash on Hand, End of Period – \$310,330

- Total Cash on Hand, All Funds – \$434,880

Expense Budget Comparative. S. Repasch reported the following for the eight months ended August 31, 2013:

- Professional Services – 48%
- Security and Property Expenses – 55%
- Administrative Expenses – 68%
- Overall – 62%
- Capital Reserve Expenses – 73%. Operating Authority transition expenses are over budget. Reimbursement from Atlantic Wind is forthcoming for some of the legal and forestry expenses related to the wind project. Property improvements are at 79% of budget.

CONTROLLER

The Controller's Report for August 2013 was circulated and filed. V. Gower queried the \$680,000 decrease in the Revenue Fund. S. Reppert responded that amount represented the Emmaus Loan principal and interest payment made on August 1. She also reported that \$44,000+ of coverage on the Emmaus Loan was transferred from the Revenue Fund to the BRIF. That will be reflected in September's report.

Resolution 355 – Approval of Expenses. V. Gower presented Resolution 355 to the Board totaling \$43,463.20 from the general and reserve accounts for the payment of professional and administrative expenses. The Water Capital expenses for September are being paid by the City's Line of Credit and total \$356,000+. That information was just received today. The largest expense is \$261,000+ for the water main replacement project in Fountain Hill.

R. Master moved to approve Resolution 355 as presented. J. Tallarico seconded. Motion passed unanimously.

CD Investment. The results of the recent interest rate bid for a CD investment were circulated to the Board via email. The recommendation is to invest \$250,000 with Merchants Bank of Bangor at a rate of .40% for 12 months. This would be the first time the Authority does business with this bank, and they will waive all wire fees.

J. Tallarico moved to approve the CD investment with Merchants Bank of Bangor as presented. R. Master seconded. Motion passed unanimously.

SOLICITOR

No report.

CONSULTING ENGINEER

No report.

BETHLEHEM AUTHORITY SPECIAL POLICE

Officer D. Meixell's report for the month of September 2013 was circulated and filed. He and the deputy officer attended a seminar held by the PA Game Commission. The PGC presented the Authority with a framed snowshoe hare print for participating in the prescribed fire program, which is having a positive effect on the snowshoe hare's habitat. The City's Emergency Response Team held a successful exercise at the Penn Forest reservoir last week. There is talk of coordinating an exercise at the Water Treatment Plant in the future. The logger working in Stands 24/25 near Interstate 80 came upon a collection of stones, which Officer Meixell and Pocono Mountain Regional Police believed resembled a grave. An excavator was brought in to investigate further. Nothing was found after digging down six feet, and there is no explanation as to why this man-made pile of rocks was there.

WATER REPORT

The Water Report for August, 2013 was circulated and filed.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported the following:

Water Fund. As of August 31, invoicings total \$12.8 million, cash in bank totals \$2.2 million (\$200,000 less than last year) and revenue is 1% ahead of plan. The City recognized that there was going to be some pressure on cash and the ability to pay debt

service. A small borrowing was budgeted, which passed City Council's first reading, as well as the Finance Committee meeting last night. It is anticipated, at this point, that the City will be in good position for the November debt service payment.

Water Usage. Residential +1%, Commercial +10%, Industrial -4%.

Projects. The Delaware Avenue project is 80% complete. The City also extended the water system 800 feet and connected to the western-most development in the city, Central Park (previously serviced by Allentown's water system). A notable point is that this work was done by the City's crews and was a successful project.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

None.

NEXT MEETING

V. Gower announced the next regular meeting will be held on October 10, 2013.

ADJOURNMENT

R. Master moved and J. Tallarico seconded to adjourn the meeting at 4:10 PM. Motion passed unanimously.

Richard L. Master, Secretary