

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

JANUARY 8, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, January 8, 2015 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order immediately following the Reorganization Meeting by Mr. John Tallarico, Chairman. Also in attendance were:

- Mr. Vaughn Gower, Secretary
- Mr. Mark Jobes, Treasurer
- Mr. Jack Abel, 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 M. Jobes seconded to approve the minutes from the regular meeting held December 11, 2014. Motion passed unanimously.

RECOGNITION OF VISITORS

- Ms. Diane Connor, Towamensing Township, Carbon County, concerned citizen in opposition of the PennEast Pipeline
- Mr. William DePhillipo, Green Energy Partners
- Mr. Gage Kellogg, Green Energy Partners
- Mr. Nate Jastremski, Bethlehem Press
- A concerned citizen from Towamensing Township, Carbon County in opposition of the PennEast Pipeline (name was inaudible)
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Ron Madison, Bethlehem citizen
- Mr. Neal Kern, Barry Isett & Associates, Consulting Engineer
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Jeff Andrews, City of Bethlehem Superintendent of Water Supply and Treatment

COURTESY OF THE FLOOR

Ms. Diane Connor said that concerned residents approached the Towamensing Township Supervisors about creating a resolution to oppose the PennEast Pipeline, to submit the resolution to FERC, and to become an intervener in the process. The Supervisors requested the residents to form a five-person committee to work intimately with them to create a resolution that all would agree upon. The resolution should be

completed and signed by February so it can be sent to FERC. The township became aware that the Authority has three particular parcels that would be impacted by the pipeline. The committee is asking if the Authority would consider becoming an intervener in the FERC process as well as passing a resolution opposing the PennEast Pipeline.

CHAIRMAN

No report.

EXECUTIVE DIRECTOR

Water Filtration Plant Solar Project. Mr. Gage Kellogg and Mr. Bill DePhillipo of Green Energy Partners (Paoli, PA) presented a proposal for a solar project at the water filtration plant. In summary, the project is estimated to produce 895 megawatts per year, supply ~90% of the electricity used at the plant, and save ~\$587,000 over the lifetime of the project. The project is worth ~\$2.5 million and would be built at zero cost to the Authority but paid back through a 25-year power purchase agreement. The reason the megawatts produced by the project are less than 100% is because net metering is not allowed in Pennsylvania. There are some renewable energy credits available in the state, but they are not worth much compared to other markets/states. Green Energy is currently the only company building projects in the state. A copy of the presentation will be provided to the Executive Director to circulate to the Board.

Energy conservation and being a neutral carbon producer is of great interest to the Authority and the City. The Board thanked Green Energy and will be in touch after internal discussions are held.

Forestry Management Activity. S. Repasch presented a timber sale contract with Elite Timber Harvesting to thin a 43-acre conifer site in Tunkhannock Township near Grass Lake. The sale is estimated to net ~\$10,000 based on \$3/ton for softwood, \$2/ton for hardwood and the best rate possible for sawlogs. There is a two-acre area that the contractor has to avoid because of an endangered plant species. The Authority Solicitor reviewed the contract and finds it acceptable. The contractor can begin in mid-January.

J. Abel moved and M. Jobes seconded to approve the timber sale contract with Elite Timber Harvesting as presented and discussed. Motion passed unanimously.

Authority Forester Robin Wildermuth will attend next month's meeting to present current activities and a recommendation on the gypsy moth issue.

East Allen Township Water System Tax Refund. S. Repasch reported that the Authority paid total real estate taxes in 2014 of ~\$9,360 on the East Allen Township Water System properties acquired in May, 2013. After going through the exemption process, by the end of 2014, the Authority was refunded all but \$576, which is due from the Northampton Area School District. We expect to receive the money in February.

Bank of New York Mellon Issues.

BRIF Investment. S. Repasch informed the Board that BNY Mellon as Trustee will not allow the Authority to purchase CD's through the PLGIT program. Their reason is the money will be out of their control for a short period of time and there is no guarantee the money will flow safely. He is communicating with upper management at BNY Mellon, as is the Authority Financial Advisor. It is hoped this matter will be resolved in the coming weeks. The excess money remains uninvested.

Arbitrage Reports. S. Repasch reported that the arbitrage reports were just received and indicate the following:

- Series 2010 Water Revenue Bonds – no arbitrage payment due
- Series 2004 Water Revenue Bonds, final computation – \$1,174,015.81 arbitrage due (most of that amount is from the Wells Fargo investment termination of \$1,147,000)

Some questions that the Authority Financial Advisor had about the reports and tax issues related to the Wells Fargo investment termination were answered satisfactorily by Bond Counsel. IRS Form 8038T needs to be corrected yet. The Board has to accept the reports and approve the final payment. V. Gower commented that the arbitrage payment would have been necessary in the future if the 2004 Bonds were not refunded because of the high investment rate in the Debt Service Reserve Fund at the time of the initial bond transaction. Refinancing in 2014 simply accelerated the arbitrage payment.

V. Gower moved and J. Tallarico seconded to accept the arbitrage reports as presented and discussed, and to approve the arbitrage payment on the Series 2004 Bonds in the amount of \$1,174,015.81. Motion passed unanimously.

S. Repasch said that there is only ~\$40,000 remaining in the arbitrage fund. The Authority Financial Advisor will run a model to determine how much money we should start putting aside now for the 2019 arbitrage calculation and reported that Bond Counsel suggested developing a strategy that would minimize potential arbitrage payments in the future. V. Gower feels we should always go for the best investment rate and pay the arbitrage if necessary, as that will potentially prevent negative arbitrage from occurring.

1st Quarter 2015 Income and Expense Projections. The 1st Quarter 2015 Income and Expense Projections report was presented as circulated and filed. The contribution from the operating fund to the capital reserve fund is \$96,417. V. Gower mentioned that some of that money could be used to increase the arbitrage account mentioned previously, but that decision does not need to be made at this time.

Expense Budget Comparative. The Expense Budget Comparative for the year ended December 31, 2014 was presented as circulated and filed. An updated 2015 cash flow Budget using 2014 actual amounts, instead of projected, was also provided to the Board.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's monthly report on the financial status of the Water Fund and status of major projects was circulated and filed. There is an upcoming meeting with the developer on a new housing development on Rt. 512 north of Jandl Boulevard. Additionally, he had a meeting this morning with S. Repasch and J. Schnalzer regarding watershed management and security issues that need to be resolved. They have developed a plan of action.

CONTROLLER

J. Filipos's report for the month of December, 2014 was presented as circulated and filed. He noted that \$1,147,000 transferred from the Debt Service Reserve Fund to the Excess Investment Earnings Fund to fund the arbitrage rebate payment, and debt service in the amount of \$619,000 was paid on the Leaseback Bond.

Resolution 373. J. Tallarico presented Resolution 373 to the Board for approval. The resolution totals \$1,511,955.71 for the payment of water capital expenses from the Construction Fund, administrative, professional and security expenses from the General Account, and capital and arbitrage expenses from the Reserve Account.

V. Gower moved and J. Abel seconded to approve Resolution 373 as presented. Motion passed unanimously.

SOLICITOR

No report.

CONSULTING ENGINEER

N. Kern reported that the facilities inspections are complete, the insurance certification was completed and provided to S. Repasch today, and the annual report is two-thirds complete with budgetary issues remaining. It is planned to provide the Board with a draft report next month, without the appendix information, so that the most important parts of the report can be reviewed and questions and concerns addressed.

SPECIAL POLICE

Officer D. Meixell's report for the month of January was circulated and filed. The LIDAR unit was removed due to its data being "corrupted." It is unknown what impact that might have on the project. The LIDAR unit is used to verify the data being collected from the met towers. It will likely be re-installed in the Spring.

WATER

The water reports for November and December, 2014 were circulated and filed. The reservoirs are at 84% capacity.

OTHER BUSINESS

Regarding the solar project, J. Abel commented technology is tremendous and always changing. He would not want to be locked into a project for 25 years without the ability to upgrade. S. Repasch responded that upgrading technology when warranted would be a crucial part of any contract the Authority might enter into.

Regarding PennEast, J. Abel commented he is concerned about the pipeline and would like the Authority to have all the necessary assurances. S. Repasch responded there are now two proposals for a risk analysis, and we will probably seek one or two more.

V. Gower added that we need an engineer or related firm for guidance and expert advice on options, implications and mitigations concerning gas pipelines when the time is appropriate.

With regard to Ms. Connor's comments earlier about PennEast, J. Broughal recommended that the Authority enter an appearance with FERC at the appropriate time. The Authority would be part of the process and would have access to all that is happening with the project. It would not mean the Authority has taken a position one way or another. The Board supported this recommendation.

There were no comments during Courtesy of the Floor.

NEXT MEETING

The next Board meeting will be held on February 12, 2015.

ADJOURNMENT

V. Gower moved and J. Abel seconded to adjourn the meeting at 5:30 PM. Motion passed unanimously.

Vaughn C. Gower, Secretary