

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

APRIL 9, 2015

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on Thursday, April 9, 2015 in Room B504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 4:00 PM by Mr. John Tallarico, Chairman. Also in attendance were:

- Ms. Laurie Hackett, Vice Chairwoman
- Mr. Vaughn Gower, Secretary
- Mr. Jack Abel, Assistant Secretary/Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant

APPROVAL OF MINUTES

J. Abel moved and L. Hackett seconded to approve the minutes from the March 12, 2015 regular meeting. Motion passed unanimously.

Mr. Mark Jobes, Treasurer, entered the meeting.

RECOGNITION OF VISITORS

- Mr. Nate Jastremski, Bethlehem Press
- Mr. Stephen Antalics, Bethlehem resident
- Mr. Roy Christman, Lehighon, Towamensing Township resident
- Mr. Jeff Andrews, City of Bethlehem Superintendent of Water Supply and Treatment
- Mr. Ed Boscola, City of Bethlehem Director of Water and Sewer Resources
- Mr. Gene Auman, City of Bethlehem Deputy Controller
- Mr. Neal Kern, Authority Consulting Engineer (Barry Isett & Associates)
- Mr. Frank Baran (entered meeting at 4:05 PM)
- Mr. George Assad (entered meeting at 4:10 PM)

COURTESY OF THE FLOOR

Mr. Roy Christman congratulated the Authority on getting PennEast (PennEast) Pipeline to change part of its route through the watershed. He said it's his understanding that PennEast is going to pay for an environmental impact study. S. Repasch responded that the Authority hired a consultant to perform a risk analysis and requested PennEast to pay for all the Authority costs, but there has been no response to date.

CHAIRMAN

J. Tallarico commented on the WDIY program that interviewed S. Repasch and Mr. Josh Parrish from The Nature Conservancy about the Working Woodlands forest management program. He felt it was a very good job by all. It helped explain the long-term goals of the program and inform other large landowners who might be interested in the Working Woodland's Program.

EXECUTIVE DIRECTOR

Consulting Engineer's Annual Report. N. Kern spoke about the final draft of the Consulting Engineer's Annual Report which was provided to the Board. The report has been a work in progress since last September and comments from the City are included in the report. He highlighted the following:

- **Section 2.2 Water Rates.** It is documented that the City received a 4.7% water rate increase, effective July 2014.
- **Section 2.4 – Table 1.** The comparison between the 2013 and 2014 Water Fund budgets indicates there is a small surplus in both years.
- **Section 2.4 –** There are some edits and corrections that need to be done in this section. The 2014 bond refinancing and new money transaction was not mentioned as part of the financial plan and these transactions are vital components of the City's water budget and capital plan.
- **p. 27 – Master Planning.** The Master Plan for the water distribution system has been substantially completed. The plan is impressive, the details will be used for prioritizing and funding capital projects and it is a significant step toward managing the system in the future.
- **p. 32 – Recommendations (9).** It has been mentioned that the City needs to have a replacement program for its outdated water pipelines since the system is quite old. With the bond refinancing, the City can continue their replacement program at an elevated rate.
- **p. 33 – Recommendation (10).** The valve exercising program that began in 2013 continues and is an excellent tool for managing the system.

Overall, and based on the observations of the facilities, the system is in relatively good condition and will improve in the future with available funding.

V. Gower queried E. Boscola if he had any observations related to recommendations in the report and if anything can be disputed. E. Boscola responded no, but there a few challenges that have been in the report for several years (such as the mixing vane which requires the plant to be shut down) which are not currently a high priority. Many of the recommendations have been incorporated into current and planned projects. This year, approximately 6,000 feet of pipeline will be replaced.

L. Hackett mentioned it would be helpful for the report to make clear how long a recommendation has been noted, what has been done, and what the status is so the report can be as a tool to determine what recommendation was done or not done and for borrowing capital for future improvement projects.

J. Abel moved and V. Gower seconded to accept the Consulting Engineer's Annual Report on the Operation of the Authority's Water System by the City of Bethlehem conditioned upon proposed revisions to Section 2.4 as discussed. Motion passed unanimously.

PennEast Gas Pipeline. S. Repasch reported there is no update on the access and hold harmless agreement that was proposed to PennEast several weeks ago. PennEast cannot access the Authority's property until this is resolved. There is a kick-off meeting with Maser Consulting and Authority/City staff scheduled for April 17 at 10:00 AM in Room B504, after which there will be a site visit to the watershed to review the critical sites where the pipeline would have the most impact. Any Board member is welcome to join.

V. Gower queried if there is any doubt about the preciseness of the route. S. Repasch responded the route is an ongoing issue. We have not yet received definitive maps from PennEast, which was requested in the proposed agreement. There was a video conference call with PennEast last month where concerns were expressed about the watershed and the pipeline. It was then that PennEast understood they could change part of the route to minimize the impact to the transmission main. The vertical separation is now over 200 feet between the proposed pipeline and the water transmission main, which was previously approximately five feet.

Wind Energy Project. S. Repasch reported there will be surveyors on site next week to place markers for an aerial surveyor to determine proposed tower and road locations. Iberdrola would like to install at least two more temporary met towers, one of which may be approximately 300 feet tall with lights. They will need FAA and township approval.

Solar Project RFP Proposal. The solar project RFP is in working progress by Dayhill Group and we should have a draft in the next week or two.

PLGIT CD Investments. S. Repasch reported he's had several conversations with the Authority's Bond Counsel, the latest being today. Bond Counsel has had several conversations with BNY Mellon and PFM individually. This is not a trust indenture language issue but rather an issue with the process of how PLGIT funds are moved among the parties. Bond Counsel believes he can resolve this issue and is scheduling a conference call next week with all the parties.

Arbitrage Budget. S. Repasch previously circulated a report to the Board from the Authority's Financial Advisor. In summary, it will not be necessary for the Authority to set aside arbitrage rebate funds this year or next for the 1998 and 2014 bonds as no rebate payment is expected. Currently, there is approximately \$40,000 in the Excess Earnings Fund, and the money will remain in the Fund for now.

2nd Quarter 2015 Income and Expense Projections. S. Repasch presented the 2nd Quarter Income and Expense Projections report as circulated and filed. He noted the following:

- Half of the gypsy moth spraying cost is included in the expenses. The spraying will take place early May.
- There should be some reimbursements forthcoming for Consulting Engineer, Forester and Solicitor disbursements as they relate to the wind and pipeline projects.

Expense Budget Comparative. S. Repasch presented the Expense Budget Comparative for the three months ended March 31, 2015 as circulated and filed. He noted the following:

- Carbon credit revenue. The desk audit is anticipated to be submitted to VCS next week. If the process goes smoothly, we can expect our revenue by mid-May, and it looks to be slightly higher than budgeted.
- We are expecting two invoices from BNY Mellon for the final arbitrage calculations completed last year, which is why those funds still remain in the account. The invoices are anticipated to be paid by the end of this month.

CONTROLLER

J. Filipos's report for the month of March, 2015 was circulated and filed. The City paid the first quarter operating funds to the Authority and sent the money to the trustee for the Hirko debt service payment due April 1.

Resolution 377. J. Tallarico presented Resolution 377 to the Board for approval. The resolution totals \$127,424.10 for the payment of water capital expenses from the Construction Fund and administrative, professional and security expenses from the General Account. S. Repasch noted that a column was added to the water capital invoice to identify the project associated with each expense.

V. Gower moved and M. Jobs seconded to approve Resolution 377 as presented. Motion passed unanimously.

SOLICITOR

LVIP VII Easement Agreement. J. Broughal presented the finalized easement agreement between LVIP, Inc. and the Authority, where LVIP, Inc. is providing an area to replace a water line that is currently in the Route 412 reconstruction area.

V. Gower moved and J. Abel seconded to approve the Chairman and Secretary to execute the LVIP, Inc. Easement Agreement.

The Consulting Engineer's Report was discussed under the Executive Director's Report.

SPECIAL POLICE

Officer D. Meixell's report for the month of April, 2015 was circulated and filed.

WATER REPORT

The Water Report for the month of March, 2015 was circulated and filed. M. Jobes queried why the water level is down. S. Repasch responded that there was a drought watch issued by PA DEP last month for 27 counties, and Carbon and Monroe Counties are included. Soil moisture and ground water levels are below drought indices and windy conditions have been drying the forest floor. However, DEP's drought watch does not include surface waters. J. Andrews added the City keeps a reservoir water graph. Penn Forest is 78% full and increasing due to snow melt and precipitation. The reservoirs are in normal condition for this time of year and are not under a drought watch or warning. This situation will be closely monitored.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

E. Boscola's report on the financial status of the Water Fund and status of major projects was circulated and filed. Many major projects for this year are moving forward. The agreement to provide water service to the FedEx project is before Council for approval. It was queried what will happen to the agreement if the FedEx project doesn't move forward. E. Boscola responded the agreement with Northampton Borough Municipal Authority to provide water service is about water territory and is not project specific. The FedEx project is being developed by the Rockefeller Group and Pidcock is the engineering firm that will develop the site plans, road work and utilities. There is potential in the future to serve other facilities that may be built adjacent to the proposed FedEx project.

There was no Other Business.

COURTESY OF THE FLOOR

Mr. Stephen Antalics queried if the Authority, Administration or Council has the final say on the PennEast pipeline. J. Broughal responded the Authority is in the middle of an engagement with PennEast. What is best for the watershed is not disputed amongst the Authority, Administration and Council. They are all in consensus and would speak together on the different tactics to protect the watershed and delivery of the water source. J. Abel added the destruction of the protected lands and ecosystem is of utmost concern.

Mr. Frank Baran, 36 W. Spruce Street, Bethlehem stated he has been following this issue and would like some maps so he can understand where the pipeline corridor is in relation to the Authority's property lines. He is concerned about forest fragmentation and other environmental issues. He also said that roads proposed by PennEast to access its pipeline could be a danger to the Authority's land by opening it up to misuse by ATVs. S. Repasch responded he will provide some maps, and pointed out they are not very detailed. The Authority is extremely concerned and skeptical about PennEast's plan. That is why it has engaged Maser to prepare a risk analysis report. That report will discuss forest fragmentation issues as well as issues during construction and pipeline safety after construction. The Authority's Forester will also be addressing forest fragmentation as part of his report.

Mr. Baran also queried when the risk analysis by the Authority's consultant is anticipated to be complete. S. Repasch responded the risk analysis should be complete by mid to late June, and PennEast's environmental impact statement will not be complete until the end of this year. J. Broughal pointed out that PennEast still needs to negotiate an easement with the Authority if FERC approves the pipeline.

The risk analysis will greatly help the Board negotiate the terms under which any easement will be agreed to. Even if a right of way is achieved by condemnation, there may be risks that the Board wants to mitigate through the easement or some other mechanism since the Authority has a duty to protect the watershed. It is anticipated PennEast will start construction in early 2017 and the pipeline will be completed in nine months.

J. Abel queried how wide spread the trees are that are being killed by the gypsy moths. S. Repasch responded that information can be found in the forest management report.

NEXT MEETING

The next Board meeting is scheduled for May 14, 2015

ADJOURNMENT

J. Tallarico moved and V. Gower seconded to adjourn the meeting at 5:00 PM. Motion passed unanimously.

Vaughn C. Gower, Secretary