

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY (ORGANIZATION MEETING)

February 17, 2010

Minutes of the organization meeting of the **Pequannock River Basin Regional Sewerage Authority** held on February 17, 2010 in the Conference Room at the Butler Municipal Building, One Ace Road, Butler, New Jersey. The meeting was called to order at approximately 8:00 p.m.

ROLL CALL

On roll call:

PRESENT	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik
ABSENT	:	None
ALSO PRESENT	:	Christopher H. Falcon, Esq., Maraziti, Falcon & Healey and Daniel D. Kelly, P.E., Kelly Engineering

(Note: Commissioner Metcalfe joined the meeting in progress at 8:05 pm)

OPEN PUBLIC MEETING STATEMENT

Chairman Voorman introduced the "Open Public Meeting Statement" indicating that adequate notice of the Authority's regular meeting had been publicized in accordance with the law by posting notice on the bulletin board at the Butler Municipal Building, providing notice to the municipal clerks of Bloomingdale, Butler, Kinnelon and Riverdale and by providing notice to the official newspapers of the Authority.

TBSA APPOINTMENT

For the record, Chairman Voorman reported that Vice Chairman Verdonik was again appointed Chairman of the Two Bridges Sewerage Authority. The Board members congratulated TBSA Chairman Verdonik and wished him continued success in his leadership capacity.

ORGANIZATION MEETING

1. ELECTION OF OFFICERS

Committee Chairman Gall, on behalf of the other Committee Members, Commissioners Lampmann and Voorman, presented the following slate of officers for consideration:

Chairman:	Robert Voorman
Vice Chairman:	Raymond Verdonik
Secretary:	Edwin Howard
Treasurer:	E. J. Gall
Assistant Secretary:	E. J. Gall

Commissioner Verdonik moved to close the slate of officers as presented. That motion was seconded by Commissioner Lampmann and passed upon the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann and Verdonik.
NAYS	:	None
ABSTAIN	:	None
ABSENT	:	Commissioner Metcalfe

Commissioner Verdonik moved to approve the slate of officers as presented. That motion was seconded by Commissioner Lampmann and passed upon the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann and Verdonik.
NAYS	:	None
ABSENT	:	None
ABSENT	:	Commissioner Metcalfe

Note: Commissioner Metcalfe joined the meeting in progress at approximately 8:05 pm.

2. **CONSENT AGENDA**

Chairman Voorman recommended that the Authority consider approving the organization meeting resolutions by consent agenda, specifically, Resolutions No. R-10-2-1 through Resolution No. R-10-2-11 as follows:

- | | | |
|-----|--------------------------|--------------------------------------|
| 1. | Resolution No. R-10-2-1 | Open Public Meeting Act |
| 2. | Resolution No. R-10-2-2 | Official Depository |
| 3. | Resolution No. R-10-2-3 | Appointment of Auditor |
| 4. | Resolution No. R-10-2-4 | Appointment of General Counsel |
| 5. | Resolution No. R-10-2-5 | Appointment of Bond Counsel |
| 6. | Resolution No. R-10-2-6 | Appointment of Consulting Engineer |
| 7. | Resolution No. R-10-2-7 | Appointment of Financial Advisor |
| 8. | Resolution No. R-10-2-8 | Appointment of Investment Banker |
| 9. | Resolution No. R-10-2-9 | Trustee Incumbency Certificate |
| 10. | Resolution No. R-10-2-10 | Designate Affirmative Action (PACO) |
| 11. | Resolution No. R-10-2-11 | Approve Computer Consultant Contract |

Resolution No. R-10-2-1

WHEREAS, The Open Public Meetings Act, Chapter 231 of the Laws of 1975, and more specifically, N.J.S.A. 10:4-8, requires all public bodies at least once a year and within seven (7) days of the Annual Organization Meeting of such body to arrange for the posting of a schedule of the regular meetings of the public body to be held during the succeeding year;

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority as follows:

1. The schedule of regular meetings of the Authority hereinafter set forth is hereby adopted:

SCHEDULE

Regular Meetings of the Pequannock River Basin Regional Sewerage Authority are held at the Borough of Butler Municipal Building, One Ace Road, Butler, New Jersey, commencing at 7:30 p.m. unless otherwise noted:

2010

March 17
April 21
May 19
June 16
July 21
August 18
September 15
October 20
December 8

2011
January 19
February 16

2. The official newspapers of the Authority are:
 - A. Suburban Trends
 - B. North Jersey Herald and News
3. The Secretary is authorized to:
 - A. Post a copy of this Resolution on the bulletin board at the Authority's Office in the Butler Municipal Building.
 - B. Forward a copy of this Resolution to the Municipal Clerks of Butler, Bloomingdale and Kinnelon for posting in the public place in each community reserved for such notices.
 - C. Forward a copy of this Resolution to two newspapers, one of which shall be the official newspaper of the Authority.
4. This Resolution shall take effect as provided by law.

Resolution No. R-10-2-2

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter "Authority") proposes to designate official depositories for the funds of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 17th day of February, 2010, as follows:

1. The following are designated as the official depositories of the Authority and are directed to honor all withdrawals made by check or withdrawal document signed by the Chairman or Vice Chairman and Treasurer or Secretary/Assistant Secretary of the Authority:

NEW JERSEY CASH MANAGEMENT FUND
WACHOVIA BANK, N.A.
US BANK, N.A.

2. The Authority hereby authorizes the execution and delivery of such authorization and forms as may be required by Wachovia Bank, N.A. and US Bank, N.A., providing for deposits and payments as well as the filing of authenticated signatures of Authority officers and Consulting Engineer as official signatures.
3. This Resolution shall take effect as provided by law.

Resolution No. R-10-2-3

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") is authorized by N.J.S.A. 40:14A-1 et seq. to retain such professional and technical advisors and experts as it may require; and

WHEREAS, there is a need to appoint professional consultants and advisors to provide services to the Authority during the year 2010 and until the next reorganization meeting of the Authority; and

WHEREAS, funds are available for these services;

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the State of New Jersey on this 17th day of February, 2010, as follows:

The Authority does hereby name and designate Ferraioli, Wielkottz, Cerullo & Cuva, P.A. of Pompton Lakes, New Jersey as Authority Auditor to provide auditing services as required, and subject to the requirements of the Local Public Contracts Law, the Chairman is authorized to execute an agreement therewith for the provision of such service. This contract is awarded for the provision of professional services pursuant to N.J.S.A. 40A:11-5.

The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the appointment of the aforesaid auditor within ten (10) days of the date hereof. The aforesaid firm shall be paid from funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, the General Bond Resolution of July 15, 1986 and all supplements thereto, and other implementing resolutions of the Authority. An Agreement for services shall be on file and available for inspection by members of the public in accordance with law.

This Resolution shall take effect as provided by law.

Resolution No. R-10-2-4

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") is authorized by N.J.S.A. 40:14A-1 et seq. to retain such professional and technical advisors and experts as it may require; and

WHEREAS, there is a need to appoint professional consultants and advisors to provide services to the Authority during the year 2010 and until the next reorganization meeting of the Authority; and

WHEREAS, funds are available for these services;

WHEREAS, the foregoing services are "professional" services as in N.J.S.A. 40A:11-2(6) which are permitted to be contracted without public bidding as set forth in N.J.S.A. 40A:11-5(1) (a) and as a "non-fair and open" contract pursuant to the provisions of N.J.S.A. 19:44A-20.5; and

WHEREAS, the Authority has determined that the value of the professional services will exceed \$17,500; and,

WHEREAS, the professional consultant named below has completed and submitted a Business Entity Disclosure Certification, which certifies that the firm has not made any reportable contributions to a political or candidate committee represented by an Authority member in the previous one year, and that the contract will prohibit the firm from making any reportable contribution through the term of the contract and a C.271 Political Contribution Disclosure Form; and

WHEREAS, the Business Disclosure Entity Certification, the C.271 Political Contribution Disclosure Form, and the Determination of Value has been placed on file with this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the State of New Jersey on this 17th day of February, 2010, as follows:

The Authority does hereby name and designate Maraziti, Falcon & Healey, L.L.P., Short Hills, New Jersey as General Counsel to provide legal services as required in accordance with their proposal for these services and subject to the requirements of the Local Public Contracts Law, the Chairman is authorized to execute an agreement therewith for the provision of such service. This contract is awarded for the provision of professional services pursuant to N.J.S.A. 40A:11-5.

The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the appointment of the aforesaid General Counsel within ten (10) days of the date hereof. The aforesaid firm shall be paid from

funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, the General Bond Resolution of July 15, 1986 and all supplements thereto, and other implementing resolutions of the Authority. The agreement for services shall be on file and available for inspection by members of the public in accordance with law.

This Resolution shall take effect as provided by law.

Resolution No. R-10-2-5

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") is authorized by N.J.S.A. 40:14A-1 et seq. to retain such professional and technical advisors and experts as it may require; and

WHEREAS, there is a need to appoint professional consultants and advisors to provide services to the Authority during the year 2010 and until the next reorganization meeting of the Authority; and

WHEREAS, funds are available for these services;

WHEREAS, the foregoing services are "professional" services as in N.J.S.A. 40A:11-2(6) which are permitted to be contracted without public bidding as set forth in N.J.S.A 40A:11-5(1) (a) and as a "non-fair and open" contract pursuant to the provisions of N.J.S.A. 19:44A-20.5; and

WHEREAS, the Authority has determined that the value of the professional services will exceed \$17,500; and,

WHEREAS, the professional consultant named below has completed and submitted a Business Entity Disclosure Certification, which certifies that the firm has not made any reportable contributions to a political or candidate committee represented by an Authority member in the previous one year, and that the contract will prohibit the firm from making any reportable contribution through the term of the contract and a C.271 Political Contribution Disclosure Form; and

WHEREAS, the Business Disclosure Entity Certification, the C.271 Political Contribution Disclosure form and the Determination of Value has been placed on file with this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the State of New Jersey on this 17th day of February, 2010, as follows:

The Authority does hereby name and designate Hawkins, Delafield and Wood, Esq., Newark, New Jersey as Bond Counsel to provide legal services as required, and subject to the requirements of the Local Public Contracts Law, the Chairman is authorized to execute an agreement therewith for the provision of such service. This contract is awarded for the provision of professional services pursuant to N.J.S.A. 40A:11-5.

The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the appointment of the aforesaid counsel within ten (10) days of the date hereof. The aforesaid firm shall be paid from funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, the General Bond Resolution of July 15, 1986 and all supplements thereto, and other implementing resolutions of the Authority. The agreement for services shall be on file and available for inspection by members of the public in accordance with law.

This Resolution shall take effect as provided by law.

Resolution No. R-10-2-6

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") is authorized by N.J.S.A. 40:14A-1 et seq. to retain such professional and technical advisors and experts as it may require; and

WHEREAS, there is a need to appoint professional consultants and advisors to provide services to the Authority during the year 2010 and until the next reorganization meeting of the Authority; and

WHEREAS, funds are available for these services;

WHEREAS, the foregoing services are "professional" services as in N.J.S.A. 40A:11-2(6) which are permitted to be contracted without public bidding as set forth in N.J.S.A. 40A:11-5(1) (a) and as a "non-fair and open" contract pursuant to the provisions of N.J.S.A. 19:44A-20.5; and

WHEREAS, the Authority has determined that the value of the professional services will exceed \$17,500; and,

WHEREAS, the professional consultant named below has completed and submitted a Business Entity Disclosure Certification, which certifies that the firm has not made any reportable contributions to a political or candidate committee represented by an Authority member in the previous one year, and that the contract will prohibit the firm from making any reportable contribution through the term of the contract and a C.271 Political Contribution Disclosure Form; and

WHEREAS, the Business Disclosure Entity Certification, the C.271 Political Contribution Disclosure Form, and the Determination of Value has been placed on file with this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the State of New Jersey on this 17th day of February, 2010, as follows:

The Authority does hereby name and designate Kelly Engineering, New Vernon, New Jersey as Consulting Engineer to provide engineering services as required in accordance with its proposal to the Authority for these services, and subject to the requirements of the Local Public Contracts Law, the Chairman is authorized to execute an agreement therewith for the provision of such service. This contract is awarded for the provision of professional services pursuant to N.J.S.A. 40A:11-5.

The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the appointment of the aforesaid consultant within ten (10) days of the date hereof. The aforesaid firm shall be paid from funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, the General Bond Resolution of July 15, 1986 and all supplements thereto, and other implementing resolutions of the Authority. The agreement for services shall be on file and available for inspection by members of the public in accordance with law.

This Resolution shall take effect as provided by law.

Resolution No. R-10-2-7

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") is authorized by N.J.S.A. 40:14A-1 et seq. to retain such professional and technical advisors and experts as it may require; and

WHEREAS, there is a need to appoint professional consultants and advisors to provide services to the Authority during the year 2010 and until the next reorganization meeting of the Authority; and

WHEREAS, funds are available for these services;

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the State of New Jersey on this 17th day of February, 2010, as follows:

The Authority does hereby name and designate Stephanie Lewis of Municipal Capital Management, Princeton, New Jersey as Financial Advisor to provide financial advisor services as required and subject to the requirements of the Local Public Contracts Law, the Chairman is authorized to execute an agreement therewith for the provision of such service. This contract is awarded for the provision of extraordinary, unspecifiable services pursuant to N.J.S.A. 40A:11-5(1)(a)(ii).

The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the appointment of the aforesaid consultant within ten (10) days of the date hereof. The aforesaid firm shall be paid from funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, the General Bond Resolution of July 15, 1986 and all supplements thereto, and other implementing resolutions of the Authority. The agreement for services shall be on file and available for inspection by members of the public in accordance with law.

This Resolution shall take effect as provided by law.

Resolution No. 10-2-8

WHEREAS, the Sewerage Authorities Law provides at N.J.S.A. 40:14A-5(e) that every Sewerage Authority may appoint and employ such professional and technical advisors and experts as it may require; and

WHEREAS, the Pequannock River Basin Regional Sewerage Authority has engaged in various bond financings and related transactions since the date of its formation; and

WHEREAS, the Authority wishes to continue to have the benefit of the services of Mr. Brian Burke in connection with the administration of its ongoing financial obligations as well as any new financings which may occur in 2010/2011; and

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic on this 17th day of February 2010 as follows:

1. The Authority hereby engages in the services of Mr. Brian Burke of RBC Dain Rauscher as Investment Banker and Financial Consultant to the Authority for the balance of 2010 and until the reorganization meeting of February 2011 pursuant to N.J.S.A. 40A:11-5(1)(a)(ii) as an extraordinary unspecifiable service.
2. Compensation for the aforesaid services shall be determined if and when the Authority engages in a financing transaction on a future date and in accordance with law.
3. This Resolution shall take effect as provided by law.

Resolution No. R-10-2-9

BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic and State of New Jersey on this 17th day of February, 2010, as follows:

1. This Resolution is enacted to authorize the Authority's Officers to sign the Incumbency Certificate requested by US Bank, N.A. or its successor bank as Trustee under the General Bond Resolution of July 15, 1986, and Resolutions supplemental thereto.
2. The Authority's Officers and Consulting Engineer are authorized to sign the Incumbency Certificate.
3. The Secretary shall deliver an Incumbency Certificate if required and a certified copy of this Resolution to the Trustee.

4. This Resolution shall take effect immediately.

Resolution No. R-10-2-10

WHEREAS, there exists a need for the designation of an official or employee to serve as a Public Agency Compliance Officer (P.A.C.O.) pursuant to N.J.A.C. 17:27 for Pequannock River Basin Regional Sewerage Authority; and

WHEREAS, the P.A.C.O. is the liaison official for matters concerning Affirmative Action as set forth in P.L. 1975, c.127 (N.J.A.C. 17:27); and

WHEREAS, the Authority desires to comply with the Affirmative Action requirements and wishes to maintain appropriate contracting procedures for the Pequannock River Basin Regional Sewerage Authority;

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 17th day of February, 2010, as follows:

1. The Authority does hereby appoint the Consulting Engineer as the Public Agency Compliance Officer for the Pequannock River Basin Regional Sewerage Authority.
2. The P.A.C.O. shall act as the liaison between the Authority and the New Jersey Department of the Treasury, Affirmative Action Office and shall take appropriate actions to maintain compliance with the Agency's contracting procedures to comply with the Affirmative Action regulations cited at N.J.A.C. 17:27.
3. The Consulting Engineer is authorized and directed to complete the appropriate notification form designating the P.A.C.O. and to forward the same to the Department of the Treasury.
4. This Resolution shall take effect as provided by law.

Resolution No. R-10-2-11

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (the "Authority") requires computer consultation services to support its previously established electronic communications system (email); and

WHEREAS, the computer consultant Up & Running, of Randolph, New Jersey, has agreed to provide such general computer consultation services on an as needed basis; and

WHEREAS, the consultation services are estimated at two (2) hours per month for a total of 24 hours, and the consultant proposes to provide services at a not-to-exceed fee of \$1,800.00; and

WHEREAS, the consultant will submit periodic invoices not more frequently than monthly for work completed to be billed at \$75.00 per hour; and

WHEREAS, the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq. does not require public bidding in this situation because the contract would not exceed the bid threshold amount of \$21,000 for the contract year; and

WHEREAS, the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq. does not require that the Authority solicit at least two competitive quotations, as the agreed-on amount does not exceed 15% of the bid threshold, or \$3,150.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 17th day of February, 2010 as follows:

1. The Chairman is authorized and directed to sign an agreement in a form approved by the Authority Attorney providing for general computer consultation services on an as needed basis to support the previously established electronic communications system (email) being supplied by Intermedia, in accordance with the proposal of Up & Running at a not-to-exceed fee of \$1,800, billed at an hourly rate of \$75/hour.
2. This Resolution shall take effect as provided by law.

Following discussion on the consent agenda, Vice Chairman Verdonik moved approval of the above resolutions. That motion was seconded by Commissioner Lampmann and passed unanimously on the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSTAIN	:	None
ABSENT	:	None

MEETING MINUTES

1. Regular Meeting Minutes – January 20, 2010

Commissioner Lampmann moved acceptance of the meeting minutes of the January 20, 2010 regular meeting. That motion was seconded by Commissioner Howard and was passed on the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Howard, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSTAIN	:	Commissioner Gall
ABSENT	:	None

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

Referring to the Flow Report dated February 17, 2010 for the period ending January 31, 2010, Mr. Kelly observed that the average total system flow of 1.857 mgd remains relatively low for this time of year. He noted however that, with the recent snow storms and snow melt in combination with warmer weather and rain events, would be expected to trigger several major system responses as it has in past years.

The following reports were distributed to the Board for review:

- Flow Report for the period ending January 31, 2010
- Daily Flow Summary for January 2010
- Daily Flow Hydrograph for January 2010
- TBSA “Yearly Plant Operations Report” Table 4 for January 2010

Commenting on his analysis of the January 2010 TBSA flow data, Mr. Kelly indicated that to date the percentage share of the PRBRSA flows is running slightly higher than the budget estimates going into TBSA’s fiscal year. He explained, were that trend to continue, that the Authority be assessed an additional operational and maintenance charge (i.e., TBSA User Charge) at year-end.

1.2 **I/I Monitoring Program**

Mr. Kelly reported that the I/I monitoring program involving metering in both Bloomingdale and Butler is moving forward. In that regard he said he met with Commissioner Lampmann to review the monitoring locations and details of the program so that work should be able to be started shortly within Butler. On the Bloomingdale side, however, he mentioned several attempts to reach local officials had been unsuccessful thus far although Chairman Voorman and Commissioner Howard volunteered to assist in that regard if necessary.

1.3 **Boonton Avenue Interceptor**

On the Boonton Avenue Interceptor inspections, Mr. Kelly explained that the Authority's contractor Advance Plumbing & Drain Cleaning have had considerable difficulty with its CCTV inspection equipment and was further frustrated by recent inclement weather which delayed completion of the work. He said that as of last week the final inspections were completed although his office has not as yet received the inspection DVDs nor the inspection logs.

Mr. Kelly distributed a summary tabulation of the inspections completed thus far which exclude 1100 feet of the scheduled 1900 feet of line inspections.

1.4 **Sewer Line Repair/Replacement**

The work to repair and/or to replace portions of the Boonton Avenue Interceptor will be conducted as soon as the inspection information described above is available Mr. Kelly advised.

1.5 **TWA Applications and Connection Permits**

No change in status on these matters.

2. **TBSA Activities**

Chairman Voorman and Vice Chairman Verdonik reported on a series of activities at the Two Bridges Sewerage Authority as they affect Pequannock River Basin. Most notably they advised that both the ultraviolet (UV) disinfection project and the incinerator project are currently underway. They noted that both projects aggregate to approximately \$11 million in total construction costs. They further reported that TBSA received approximately \$3,300,000 in "principal forgiveness" monies through the ARRA Program which they explained is essentially a Grant for that amount.

As to the TBSA Capital Improvement Program, Mr. Kelly said that he has had a chance to preliminarily review the Black & Veatch report and has also evaluated the cost estimates provided by Mr. Bongiovanni. As to the costs, Mr.

Kelly distributed his February 17, 2010 letter along with various tabulations which summarize the costs for three treatment process alternatives for the plant at the current 7.50 mgd treatment plant capacity along with two process alternatives for plant upgrades at 8.20 mgd and 9.639 mgd (technically, 9.20 mgd per the WMP flow projections). Mr. Kelly said that he would like the opportunity to further brief the Board on the implications of the TBSA Capital Improvement Program particularly as it relates to the need for additional capacity and the related cost implications to the Authority and to the municipalities served by the Authority over the years. Since that discussion will be considerably more involved, Chairman Voorman deferred it to a future meeting date.

In discussing the next steps in the process, the Board considered the possibility of scheduling an upcoming Authority meeting at TBSA at which time Mr. Bongiovanni would be asked to brief the PRBRSA Board on the Plant Capital Improvement Program. At the same time there was discussion on the possibility of scheduling a tour of the treatment plant for the benefit of the Board members. Mr. Kelly said that he would reach out to Mr. Bongiovanni to discuss those plans a bit further.

2.1 Capital Reserve fund

In the course of discussing an increase of \$550,000 to the Capital Reserve Fund to be funded from surplus on hand (see also discussions on Non-Restricted/Designated Net Assets), Commissioner Howard requested preparation of a detailed analysis essentially overlaying the projected TBSA costs with those projected for PRBRSA revenues and projected rate increase over an extended (10 to 15 year) analysis period.

Mr. Kelly explained that we had actually begun that type of analysis but that it could not be completed until the cost data was received from Two Bridges and until the towns advised as to their interest or non-interest in securing additional reserve capacity.

The Board agreed that such an analysis would be appropriate. Commissioner Howard asked if the Authority's debt service will decrease significantly in future years. Mr. Kelly explained that the debt service will decline slightly over the next 5 to 6 years with a significant drop in FY 2017. Commissioner Lampmann made the point that at the same time the \$613,923 credit, which Two Bridges pays to PRBRSA annually, ends in FY 2017 and is reduced to approximately \$258,000 in FY 2016. Consequently, the loss of the credit would largely if not totally offset the reduced debt service payable in future years.

There was also discussion on the need to issue a letter to the municipalities advising of TBSA's current plan and again requesting an indication of their interest in acquiring additional reserve capacity. Commissioner Lampmann

commented that the letter would necessarily have to include a projection of the associated cost commitment that each town must make for that capacity.

FINANCIAL REPORT

1. Treasurer's Report

1.1 Treasurer's Report for the period ending January 31, 2010

Treasurer Gall presented the Treasurer's Report for the period ending January 31, 2010. Vice Chairman Verdonik moved acceptance of the Treasurer's Report as presented. Commissioner Lampmann seconded the motion which passed unanimously on the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSTAIN	:	None
ABSENT	:	None

2. Audit: FY 2009

Mr. Kelly noted a the of the draft FY 2009 Audit report has been circulated to the Board. He advised that the audit this year again contains a clean opinion. He noted as well that he has reviewed and commented on the draft report and asked that if any of the Commissioners have comments that they forward those to his office or to Mr. Cuva directly.

3. Arbitrage Rebate Reserve Fund

Consistent with prior authorization, Mr. Kelly requested that the Authority approve another \$10,000 contribution to the Arbitrage Rebate Reserve Fund bringing its balance from \$5,000 to \$15,000.

Following discussion, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-10-2-12**):

WHEREAS, On December 21, 2002 the Pequannock River Basin Regional Sewerage Authority (the "Authority") issued the 2002 Series M Sewer Revenue Refunding Bonds (the "2002 Series M Bonds") in the principal amount of \$10,400,000; and

WHEREAS, the 2002 Series M Bonds are subject to arbitrage rebate limitations in accordance with the rules and regulations of the Internal Revenue Service; and

WHEREAS, the Authority in 2002 entered into a Forward Delivery Form of Guaranteed Investment Contract with Wachovia Securities for investment of the proceeds of the 2002 Series M Bonds and the proceeds of “Prior Bonds” refunded by the 2002 Series M Bonds; and

WHEREAS, the permitted yield on the 2002 Series M Bonds is 4.822%; and

WHEREAS, the Guaranteed Investment Contract yields on the Bond Reserve Fund and the Bond Service Fund are 5.86% (net) and 6.54%, respectively; and

WHEREAS, the report of Bond Counsel dated January 16, 2008 has determined that the 2002 Series M Bonds earned positive arbitrage profits in the amount of \$21,476.83 as accrued from December 2, 2002 through December 1, 2007; and

WHEREAS, IRS regulations require periodic rebate of said arbitrage profits; and

WHEREAS, the future accrued liability on the 2002 Series M Bonds resulting from positive arbitrage is estimated at approximately \$5,000 annually over the next 3 years through the period of calculation ending December 1, 2010; and

WHEREAS, on January 16, 2008, by Resolution No. R-08-1-1, the Authority established an “Arbitrage Reserve Fund (2002 Series M Bonds)” as a subaccount of the Revenue Fund with an initial contribution of \$5000.00 for said purpose; and

WHEREAS, the Authority desires to further fund the annual accrued liability on the 2002 Series M Bonds ;

NOW THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the counties of Morris and Passaic in the State of New Jersey on this 17th day of February 2010 as follows:

1. The Treasurer and Consulting Engineer are hereby authorized and directed to transfer \$5000.00 or such amount as may be periodically calculated by Bond Counsel from the Revenue Fund into the Arbitrage Reserve Fund (2002 Series M Bonds) for Fiscal Year 2010 and for each year thereafter through the period of calculation ending as of December 1, 2012 which funds are to be used and applied to the accrued arbitrage rebate liability obligation due to the Internal Revenue Service, if any, as calculated for said five year period.
2. This Resolution shall take effect immediately.

Vice Chairman Verdonik seconded the motion which passed unanimously on the following roll call vote:

AYES : Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik

NAYS : None

ABSTAIN : None

ABSENT : None

4. **Fund Transfers**

Mr. Kelly advised that the Authority's Renewal and Replacement Fund as well as the Bond Reserve Fund have balances in excess of those required by the General Bond Resolution and requested authorization to transfer the surplus funds into the Revenue Fund. In order to authorize those transfers, Commissioner Metcalfe moved approval of the following resolution (**Resolution No. R-10-2-13**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter "the Authority") maintains certain funds in reserve in accordance with General Bond Resolution of July 15, 1986; and

WHEREAS, the Authority desires to transfer funds in excess of the required reserve requirements in certain accounts; and

WHEREAS, The Authority's Consulting Engineer has determined that there are funds available within the Bond Reserve Fund and the Renewal and Replacement Fund in excess of the reserve requirements set forth by the General Bond Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 17th day of February, 2010 as follows:

1. The Trustee is authorized and directed to transfer all funds in excess of the Bond Reserve Requirement for FY 2010 of \$923,812.00 within the Bond Reserve Fund (Account No. 2576011095) into the Revenue Fund (Account No. 2576006500) in accordance with Section 510(1) of the General Bond Resolution.
2. The Trustee is authorized and directed, in accordance with Section 511(3) of the General Bond Resolution, to transfer all funds in excess of the current \$50,000 System Reserve Requirement within the Renewal and Replacement Fund (Account No. 2576006476) into the Revenue Fund (Account No. 2576006500).
3. This Resolution shall serve as the Officer's Certificate pursuant to Section 511(3).
4. The Consulting Engineer is directed to forward this Resolution to the Trustee to effect such transfers.
5. The Resolution shall take effect immediately.

Commissioner Howard seconded the motion which passed unanimously on the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSTAIN	:	None
ABSENT	:	None

5. **Annual Budget: FY 2010**

For the record Mr. Kelly noted that the State's Division of Local Government Services for some reason has not as yet formally approved the final version of the Authority's FY 2010 Annual Budget. He explained that there is apparently a backlog at DLGS inasmuch as the Division has indicated that the budget has been approved internally.

At Treasurer Gall's request, Mr. Kelly said that his office would continue to press DLGS for the formal budget approval.

6. **Accountant's Certificate**

Referring to a series of communications with the Authority's counsel and auditor, Mr. Kelly advised that an Accountant's Certificate will be prepared for fiscal year 2009. He explained that the genesis of the need for the Accountant's Certificate related to reports that Riverdale would be retaining a forensic accountant to review the Authority's billing calculations and, possibly related to that review, had initially delayed payment of the first quarter Annual Charge payable as of January 15th. Accordingly, he reviewed the matter with counsel. Mr. Falcon said that the service contracts provide that the Authority's revised Annual Charge billing - which adjusts the current year bills based on prior year flows - must be accompanied by an Accountant's Certificate which has not been the practice over past years. To avoid the situation where Riverdale or any of the towns would delay payments in reliance on the lack of the Accountant's Certificate, Mr. Falcon recommended that one be prepared annually. Commenting further, Mr. Kelly said that Mr. Cuva advised that in his experience with a number of other authorities, none have asked the firm to prepare such a certificate.

In response to Treasurer Gall's question, Mr. Kelly advised that the Accountant's Certificate would contain three elements; first, certification that there is no operating deficit for the prior year operations inasmuch as if there were it would be billable and payable in the first quarterly payment for the current fiscal year; second, certification that the bills for the prior year have been paid and, if not, the amounts outstanding and due from each of the towns; and third, a mathematical verification of the billing calculations.

Again, in response to Treasurer Gall's question, Mr. Kelly advised that the first two items are typically performed as a part of the audit process itself although the specific certifications are not a part of that process nor is the preparation of the mathematical verification nor preparation of the Accountant's Certificate itself along with associated review of documents to be able to prepare such a certificate.

Following discussion including the auditor's \$1500 proposal on a cost reimbursement, not-to-exceed basis to complete this work, the Authority agreed that the Accountant's Certificate should be prepared annually.

7. Non-Restricted/Designated Reserves

Commissioner Howard made a number of observations prior to the passage of the resolution to ratify and confirm certain Non-Restricted yet designated Net Assets. Mr. Kelly had explained that the intent is to show within the audit report that certain funds, technically, Non-Restricted Net Assets, have been designated and therefore are not available as the audit would now suggest are "Non-Restricted/Non-Designated" Net Assets. The purpose of the resolution, he noted, is to provide to the auditor confirmation that these funds were previously designated, specifically, a total of \$816,245 as outlined by the resolution itself.

Commissioner Howard said that he takes no issue with the Authority setting aside certain reserves for various purposes yet would object if the reserves were all based on the assumption for what he termed the "worst case scenario" since it would be extremely improbable in his estimate that the worst case would occur for each of the individual line items. Replying, Vice Chairman Verdonik and Commissioner Lampmann commented on the extraordinary cost that PRBRSA will soon incur as a result of both the ongoing TBSA ultraviolet disinfection project and improvements to the original sludge incinerator equipment. In combination, they advised that that would involve an additional \$11,000,000 in capital costs for which debt service will soon be assessed by TBSA to the Authority. In addition they commented on the expected need to fund further capital improvements at the TBSA treatment plant with estimates ranging as high as \$71 million in initial capital costs. Vice Chairman Verdonik advised that not only will there be added capital costs but, for each of the new treatment processes, major escalations are projected for operation and maintenance costs as well that will result in significant overall annual cost impacts to Pequannock River Basin. Consequently, to avoid major rate increases to the towns from these projects, both Vice Chairman Verdonik and Commissioner Lampmann commented that retaining reserves to minimize those rate impacts is prudent fiscal management.

Building on that point, Chairman Voorman said that the Authority has and must continue to take necessary steps to set aside sufficient reserves for these purposes to protect the interests of the towns which would otherwise incur unprecedented rate increases down the road. He commented as well that the Authority has successfully managed its affairs to stabilize the rates and that the current action would further that objective in the best interest of the towns in the future.

Responding to Commissioner Metcalfe's questions, Mr. Kelly explained the individual line items that would be set aside as "Non-restricted/Designated" funds as set forth in the resolution. He also explained that certain other reserves are mandated by the General Bond Resolution and therefore are designated as "Restricted" funds within the draft FY 2009 audit report. Referring to the Treasurer's Report, Mr. Kelly further reviewed the individual reserves on a line-by-line basis.

Following further discussion, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-2-10-14**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") maintains certain funds in reserve in accordance with the General Bond Resolution of July 15, 1986; and

WHEREAS, in addition to the reserves required by the aforesaid General Bond Resolution (classified as "Restricted" Net Assets), the Authority has previously designated "Non-Restricted" Net Assets for specific fiscal reserve purposes; and

WHEREAS, the Authority wishes to ratify and confirm here its prior actions with respect to the "Non-Restricted/Discretionary" reserves; and

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 17th day of February, 2010 as follows:

6. The following reserves which have been recorded on the Authority's monthly Treasurer's Report and, in some cases have been approved by formal budget resolution annually, shall continue to be retained as "Non-Restricted/Discretionary" reserves within the Revenue Fund (Account No. 2576006500) as follows:

- a. **Operating Reserve:** In addition to the reserve for three (3) months of Operating Expenses in accordance with Section 507 of the General Bond Resolution, an Operating Reserve for cash flow and rate stabilization purposes has been designated.

Balance @ 10/31/09: \$550,245.00

- b. **Debt Service Reserve:** In compliance with Section 609(B)(2) of the General Bond Resolution, a Debt Service Reserve has been designated to satisfy the 110% debt service coverage requirement of Section 609(B)(2).

Balance @ 10/31/09: \$211,000.00

- c. **Insurance Reserve:** A reserve has been designated to allow higher insurance deductibles for the Authority's insurance coverages in order to reduce annual premiums.

Balance @ 10/31/09: \$20,000.00

- d. **Bond Reserve Requirement (1996 Series L Bonds):** A reserve has been designated for payment of the December 1 principal amount on the 1996 Series L Bonds in accordance with Section 507 of the General Bond Resolution.

Balance @ 10/31/09: \$30,000.00

- e. **Arbitrage Rebate Reserve Fund (2002 Series M Bonds):** A reserve has been designated to fund rebates required pursuant to the Internal Revenue Service arbitrage provisions as related to the 2002 Series M Bonds.

Balance @ 10/31/09: \$5,000.00

- f. **Capital Reserve Fund:** A reserve has been designated to fund anticipated Annual Charge increases projected for the Two Bridges Sewerage Authority capital improvement project and as may be required for future Authority capital projects.

Balance @ 10/31/09: \$400,000.00

7. The Consulting Engineer is directed to forward a copy of this resolution to the Authority Auditor.

8. The Resolution shall take effect immediately.

Vice Chairman Verdonik seconded the motion which passed unanimously on the following roll call vote:

AYES	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSTAIN	:	None
ABSENT	:	None

UNFINISHED BUSINESS

1. AEA Spring Conference

Mr. Kelly polled the Members to determine if any plan to attend the March 9 and March 10 AEA Spring Conference suggesting that if there are any plans to do so that the Commissioners contact his office directly.

OLD BUSINESS

1. Riverdale Billing Review

In response to Chairman Voorman's question, Mr. Kelly advised that he has not heard anything further on Riverdale's apparent plans to hire a forensic accountant.

NEW BUSINESS

1. AEA Initiatives

The Association of Environmental Authorities according to Mr. Kelly has been engaged in a public relations response to recent media accounts and direct attacks by Governor Christie on certain state agencies, most notably, the Passaic Valley Sewerage Commission. He referred to two letters issued by AEA to the new Lieutenant Governor and to NJDEP Commissioner, Bob Martin, inviting them to speak at the AEA March Conference and commenting more generally on the important business that water and sewer authorities efficiently and effectively and conduct throughout the state. He said this issue has gained considerable attention given the Governor's attack on the PVSC as well as several state level authorities. Locally, he commented that a number of authorities have come under scrutiny if not attack often related to the desire of local officials to secure surplus funds on hand as a onetime contribution to the municipal general fund. He observed that the dissolution process is typically accompanied by a superficial review of authority operations concluding that monies could be saved by a municipal takeover yet there has been no indication that such actions result in more efficient operations with associated cost savings to the public. In fact, there are indications to the contrary yet under the current strained economic climate the theme of authority dissolution seems to be playing out particularly in southern and central New Jersey.

Following discussion on the matter Mr. Kelly said that he would keep the Board advised as to AEA's progress on the PR front.

2. Email Backup

Commissioner Howard commented on a recent experience that he had with a School District that apparently lost all emails due to lack of a backup system. He strongly advised that the Authority maintain full backup of its electronic communications system. Agreeing, Mr. Kelly said that he would check with Sharon Meade of Up & Running to confirm that InterMedia does provide full backup to its email system in addition to the Message Mirror capability which is really an aggregation of the emails incoming and outgoing but not necessarily a separate backup compatibility.

PAYMENT OF BILLS

1. OPERATING ACCOUNT

1.1 Operating Request for Payment No. 275

Treasurer Gall presented the bills as listed on Operating Request for Payment No. 275 as follows:

The following bills have been reviewed and are recommended for approval for payment at the February 17, 2010 meeting:

Operating Request for Payment No. 275

The following bills have been reviewed and are recommended for approval for payment at the **February 17, 2010** meeting of the Authority from the Operating Account (Wachovia Bank Account 1425985).

	<u>PRBRSA</u>	<u>VOUCHER</u>	<u>VOUCHER</u>	<u>PAYMENT</u>	<u>CHECK PAYABLE TO</u>
	<u>ACCT. NO.</u>	<u>NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	
1)	33.01	OP-10-2-1	11/28/08 \$	2,240.00	Borough of Butler
2)	24.05	OP-10-2-2	3/14/08 \$	250.00	Borough of Butler
3)	24.07	OP-10-2-3	2/11/10 \$	62.49	North Jersey Media Group
4)	33.03	OP-10-2-4	2/11/10 \$	29.94	Verizon
5)	33.03	OP-10-2-5	2/11/10 \$	27.40	Verizon
6)	33.03	OP-10-2-6	2/8/10 \$	29.94	Verizon
7)	33.03	OP-10-2-7	1/28/10 \$	3.25	JCP&L
8)	22.05	OP-10-2-8	1/30/10 \$	95.00	Pete Serraon
9)	33.03	OP-10-2-9	2/2/10 \$	17.96	Borough of Butler-Electric
10)	24.04	OP-10-2-10	1/26/10 \$	97.35	Kelly Engineering
11)	22.01	OP-10-2-11	2/8/10 \$	3,671.00	Maraziti, Falcon & Healey
12)	22.03	OP-10-2-12	2/1/10 \$	10,400.00	Kelly Engineering
13)	32.02	OP-10-2-13	2/2/10 \$	6,501.16	Kelly Engineering

14) 33.03 OP-10-2-14

2/4/10 \$ 29.74

Verizon

TOTAL: \$ 23,455.23

Commissioner Gall moved approval of the bills as presented. Vice Chairman Verdonik seconded the motion which passed on the following roll call vote:

AYES : Chairman Voorman, Commissioners Gall, Howard, Lampmann Metcalfe and Verdonik

NAYS : None

ABSENT : None

OPEN MEETING FOR PUBLIC COMMENTS

Their being no members of the public present, Chairman Voorman dispensed with the public participation portion of the meeting.

ADJOURNMENT

Their being no further business, Commissioner Howard moved adjournment at approximately 9:15 p.m. That motion was seconded by Commissioner Lampmann which passed unanimously on voice vote.

At approximately 9:15 p.m., the meeting was adjourned.

Respectfully submitted,

Daniel D. Kelly, P.E.
Recording Secretary

Enclosures: Treasurer's Report for the period ending January 31, 2010

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