

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

August 18, 2010

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on August 18, 2010 in the Conference Room at the Butler Municipal Building, One Ace Road, Butler, New Jersey. Chairman Voorman called the meeting to order at approximately 7:30 p.m.

ROLL CALL

On roll call:

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

ABSENT : None

ALSO PRESENT : Andrew M. Brewer, Esq., Maraziti, Falcon & Healey; and Daniel D. Kelly, P.E., Kelly Engineering

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 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.

ADOPTION OF MINUTES

1. **Meeting Minutes: Regular Meeting – July 21, 2010**

Commissioner Metcalfe moved approval of the minutes of the Authority's July 21, 2010 regular meeting. That motion was seconded by Commissioner Lampmann and passed upon the following roll call vote:

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

NAYS : None

ABSENT : None

ABSTAIN : Commissioner Howard

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

Referring to the Flow Report for the period ending July 31, 2010 dated August 18, 2010, Mr. Kelly observed that the July flows remain at extraordinarily low levels, specifically, 1.427 mgd. The year-to-date average is 2.004 mgd.

Commenting further on the report of the Two Bridges Sewerage Authority titled “Yearly Plant Operations Report”, Mr. Kelly noted that his calculations indicate that the actual PRBRSA flow contribution to the TBSA system is, on a percentage basis, substantially less than that projected for the year, specifically, 1.61% less than the original projection of 33.44% based on a budgeted flow of 2.08 mgd.

The following reports were distributed to the Board for review:

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

1.2 I/I Monitoring Program

Referencing his technical memorandum dated August 5, 2010, Mr. Kelly reported on the temporary flow monitoring program currently underway. He advised that the results demonstrate that two of the four areas in each of the towns have significantly greater I/I contributions than the other areas being monitored. For example, he noted that in Bloomingdale, the highest levels of I/I, on a gross basis, have been recorded by Meters TBL-1 and TBL-2, predominantly the “flats” of Bloomingdale extending along Van Dam Avenue and Union Avenue and upstream of the lines within Reeve Avenue as well.

In Butler, Mr. Kelly advised that the area expected to have the highest extraneous flow conditions is that monitored by Meter TBU-3 which includes the lines extending along Main Street and the Pequannock River yet the monitoring program shows the greatest I/I contributions, again on a gross basis, are those monitored by Meter TBU-1 which are predominantly the lines tributary to the Boonton Avenue Interceptor and by Meter TBU-2 which monitors the lines tributary to the Kiel Avenue Interceptor. He said that the monitoring program will extend through the third week of September. When all the data is available, an engineering report will be prepared analyzing the results and summarizing the program's findings.

In response to Chairman Voorman's question, he said that the report should prove beneficial to Bloomingdale and Butler and therefore will be distributed to the towns on its completion.

1.3 Consulting Engineer's Report (Section 607)

For the record, Mr. Kelly advised that the Consulting Engineer's Report has been filed with US Bank in compliance with Section 607 of the General Bond Resolution and was previously distributed to the Board.

1.4 Consulting Engineer's Certificate (Section 614)

Also for the record, Mr. Kelly advised that the Consulting Engineer's Certificate has been filed issued to US Bank in compliance with Section 614 of the General Bond Resolution. He noted that the Certificate maintains the current level of funding, specifically, \$50,000 as the "System Reserve Requirement" within the Renewal and Replacement Fund. He said the reason that the renewal and replacement amount is relatively nominal is simply that the Authority's facilities have a 40 year service life meaning that renewals and replacements over their service life (technically, the limit of the bonding period) is not necessary with the exception of the metering equipment which the Authority does own.

2. TBSA Activities

2.1 TBSA FY 2011 Annual Budget

Vice Chairman Verdonik advised that TBSA approved a budget with an across-the-board rate increase of approximately 2%.

2.2 Notification to PRBRSA Participant/Customer Municipalities

In response to Commissioner Howard's question, Mr. Kelly advised that no replies have been received as yet to Chairman Voorman's June 29th letter to the municipalities requesting an indication of their future capacity needs for inclusion within the TBSA capital improvement program. Given the importance of the matter, Chairman Voorman suggested that Mr. Kelly issue a letter to the municipalities reminding them of the need to reply on or before September 1st.

3. TWA Applications and Connection Permits

3.1 TWA Application William Street Sewer Extension Borough of Riverdale

As indicated by his August 11, 2010 letter report, Mr. Kelly recommended approval of the TWA application filed by Trammel Crow Residential on behalf of the Borough of Riverdale for a sewer extension to serve six existing homes along William Street immediately south of Riverdale Road in Riverdale. Mr. Kelly explained that the Trammel Crow Residential Alexan project was approved subject to the developer's installation of this line. He noted as well that the application was originally approved as a dry sewer installation yet that approach was revised to the current application which makes no reference to dry sewers.

Following discussion on the application, Commissioner Gall moved approval of the following resolution (**Resolution No. R-10-8-1**):

WHEREAS, an application has been submitted by the Borough of Riverdale for review by the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") of a Treatment Works Approval for construction of a sewer extension in the Borough of Riverdale, as more particularly described in the TWA application heretofore filed with the Authority and made a part hereof; and

WHEREAS, the project is for the construction of 6 residential units within William Street in the Borough of Riverdale to serve Block 30 Lots 18, 20, 21, 25.01, 27.01 and 29.01, and would result in an increase of flow to the Authority system of 1,800 g.p.d.; and

WHEREAS, the Consulting Engineer of the Authority has reviewed the application and has determined said application to be in order; and

WHEREAS, the New Jersey Department of Environmental Protection (hereinafter the "NJDEP") presently requires the endorsement of the applicable Sewerage Agency pursuant to N.J.A.C. 7:14A-21 as to the proposed sewer extension and its conformance with the Authority's Wastewater Management Plan, the Northeast Water Quality Management Plan and the Rules and Regulations of the Authority; and

WHEREAS, the Authority concurs in the findings set forth in the August 11, 2010 report of the Consulting Engineer on the application;

NOW, THEREFORE, 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 18th day of August, 2010, as follows:

1. The Chairman is authorized and directed to execute Form WQM-003 entitled "Statements of Consent: thereby signifying the approval of the Authority.
2. This approval is subject to the following conditions:
 - A. GENERAL CONDITIONS
 - 1) Receipt of a copy of the Resolution adopted by the Borough of Riverdale approving the application on July 19, 2010.
 - 2) Revision of the projected flow by applicant from 1,350 g.p.d. to 1,800 g.p.d.
 - 3) Correction of USGS mapping (Location Plan)
 - B. CONDITIONS PRECEDENT TO CONSTRUCTION:
 - 1) Applicant must file with the Authority one copy of NJDEP Construction and Operating Permit (for TWA projects).
 - 2) Applicant must provide 72 hours prior notice before beginning work.
 - C. CONDITIONS PRECEDENT TO OPERATION:
 - 1) Applicant must file NJDEP WQM-005 form "Certification for Approval by Local Agency," with PRBRSA which form must be executed (signed and sealed) by New Jersey licensed professional engineer and must be executed by the municipality which "will own and operate the sewer system."
 - 2) Applicant must provide 72-hours prior notice prior to initiation of operations.
 - 3) Applicant must file two sets of record drawings signed and sealed by a New Jersey licensed professional engineer with PRBRSA.
 - 4) Applicant must file two sets of certified testing results with PRBRSA.

3. This Resolution shall take effect as provided by law.

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

ABSENT : None

ABSTAIN : None

FINANCIAL REPORT

1. Treasurer's Report

1.1. July 31, 2010 Treasurer's Report

Vice Chairman Verdonik moved acceptance of the Treasurer's Report for the period ending July 31, 2010. 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

ABSENT : None

ABSTAIN : None

1.2 Preliminary Annual Budget: FY 2011

Referring to his July 19, 2010 letter transmitting the proposed Annual Budget for fiscal year 2011 dated August 21, 2010, Mr. Kelly reviewed the proposed budget in considerable detail. To do that he referred to the Budget Summary which was also distributed to the Board at the meeting reporting that revenues and appropriations increased by only \$25,000 from \$5,475,000 to

\$5,500,000, a 0.5% increase over the prior year. As to the rate increase, he noted that the Annual Charges increase by \$75,000 from \$4,750,000 to \$4,825,000, a 1.5% rate increase.

He explained as well that the appropriations include another \$125,000 contribution to the "Capital Reserve Fund" as well as an additional \$150,000 line item for the "System Improvement" activities which largely pertain to the temporary flow monitoring and any remediation work that may be required resulting there-from. Further, he indicated that no net assets or surplus have been applied as revenues this year whereas, last year, \$50,000 surplus was applied.

On discussion of the proposed budget, the Board raised several questions concerning individual line items.

Chairman Voorman questioned line item 22.02 "Legal Services" which was budgeted in the current year at \$70,000 with a projection to completion of \$47,000. That being the case, he asked why the proposed budget would be maintained at current \$70,000 level? Replying, Mr. Kelly advised that the legal line item does anticipate some level of extraordinary legal expense acknowledging that fortunately such events have not unfolded over the last 2 or 3 years. He also explained that the broader budgeting philosophy is conservative in order to avoid the potential of incurring an operating deficit at year-end. That he said would create significant problems for the towns inasmuch as any operating deficit must be immediately raised in the first quarter of the ensuing budget year and would have an additive impact, particularly for any of the towns that may have prior year budget adjustments resulting from actual flows in excess with those budgeted going into the year. In almost 25 years, he reported that the Authority has never incurred an operating deficit. On that point Commissioner Metcalfe inquired as to the year-end projection for operations this year. Mr. Kelly said that current estimates are that the Authority will have a year-end surplus on the order of \$200,000 to \$240,000, possibly more. He also mentioned that for the past several years the operating surplus has ranged from approximately \$250,000 to almost \$400,000.

Following discussion, Vice Chairman Verdonik moved approval of the following resolution (**Resolution No. R-10-8-2**)

**2010 Authority Budget Resolution
(PRBRSA FY 2011)**

Pequannock River Basin Regional Sewerage Authority

(Name)

FISCAL YEAR: FROM November 1, 2010 TO October 31, 2011

WHEREAS, the Annual Budget and Capital Budget for the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2010 and ending, October 31, 2011 has been presented before the governing body of the Pequannock River Basin Regional Sewerage Authority at its open public meeting of August 18, 2010; and

WHEREAS, the Annual Budget as introduced reflects Total Revenues of \$5,500,000, Total Appropriations, including any Accumulated Deficit if any, of \$5,500,000 and Total Unreserved Retained Earnings utilized of \$0; and

WHEREAS, the Capital Budget as introduced reflects Total Capital Appropriations of \$125,000 and Total Unreserved Retained Earnings planned to be utilized as funding thereof, of \$0; and

WHEREAS, the schedule of rates, fees and other charges in effect will produce sufficient revenues, together with all other anticipated revenues to satisfy all obligations to the holders of bonds of the Authority, to meet operating expenses, capital outlays, debt service requirements, and to provide for such reserves, all as may be required by law, regulation or terms of contracts and agreements; and

WHEREAS, the Capital Budget/Program, pursuant to N.J.A.C. 5:31-2, does not confer any authorization to raise or expend funds; rather it is a document to be used as part of the said Authority's planning and management objectives. Specific authorization to expend funds for the purposes described in this section of the budget, must be granted elsewhere; by bond resolution, by a project financing agreement, by resolution appropriating funds from the Renewal and Replacement Reserve or other means provided by law.

NOW, THEREFORE BE IT RESOLVED, by the governing body of the Pequannock River Basin Regional Sewerage Authority, at an open public meeting held on August 18, 2010 that the Annual Budget, including appended Supplemental Schedules, and the Capital Budget/Program of the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2010 and ending, October 31, 2011 is hereby approved; and

BE IT FURTHER RESOLVED, that the anticipated revenues as reflected in the Annual Budget are of sufficient amount to meet all proposed expenditures/expenses and all covenants, terms and provisions as stipulated in the said Authority's outstanding debt obligations, capital lease arrangements, service contracts, and other pledged agreements; and

BE IT FURTHER RESOLVED, that the governing body of the Pequannock River Basin Regional Sewerage Authority will consider the Annual Budget and Capital Budget/Program for adoption on October 20, 2010.

Treasurer Gall seconded the motion which passed unanimously on the following roll call vote:

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

NAYS : None

ABSENT : None

ABSTAIN : None

1.3 Financial Plan

As part of the discussion on the proposed FY 2011 Annual Budget, Commissioner Metcalfe inquired us to the amount of surplus on hand. Explaining, Mr. Kelly said that the total surplus exceeds \$1,600,000 as reported in the DLGS (page SS-9) budget for FY 2010 (as of November 1, 2009) which includes unrestricted and undesignated funds. He noted that calculation differs from the amount of Net Assets reported on the FY 2009 audit balance sheet for Unrestricted Net Assets, designated and undesignated.

Commenting on his budgeting philosophy, Commissioner Howard suggested that it may not be appropriate that the Authority retain that much surplus on hand. He acknowledged that would depend on the Authority's long term financial needs. He further suggested, in the absence of specific plans for use of surplus in the near term, that the Authority could be criticized for retaining surplus amounts in excess of what is needed for immediate needs. On that point, Mr. Kelly explained that in addition to the TBSA capital improvement program, which will have budget implications beginning as early as FY 2016, the Authority will lose approximately \$614,000 in revenues in FY 2015 and FY 2016. He said the TBSA debt service credit in that amount drops to \$256,000 in FY 2015 and to \$0 in FY 2016 and future years. That he stated would have the effect of raising the rates almost 13%, approximately 5.3% in the first year and 7.4% in the second year in order to raise the level of revenues sufficiently going forward to make up for the \$614,000 revenue loss. Consequently, reserves will be essential to the Authority's ability to minimize future rate increases.

In addition to the TBSA debt service credit, Mr. Kelly explained that the 2% budget cap being considered by the state will likely have a profound effect in upcoming years. Commissioner Lampmann advised that right now the proposed budget cap would include all service contract payments including debt service payments. Effectively then he said that any increase in the Authority's charges to the towns would produce corresponding reductions at the local level in order to stay under the 2% cap.

In addition to those considerations, Vice Chairman Verdonik and Chairman Voorman noted that the Two Bridges ultraviolet disinfection project debt service will hit the Participants' budgets in FY 2012.

Commissioner Lampmann suggested that it may be better for the Authority to retain currently available surplus on hand rather than attempt to go back to the towns at a later date with sharp rate increases in order to raise the funds necessary to meet current obligations. Commissioner Howard disagreed stating that if the Authority may not have immediate, specific needs for the funds and, if not, that the surplus or some portion thereof should be credited back to the towns as may be appropriate. At the same time, however, he acknowledged that if there is a demonstrated need to retain the funds presently on hand that he would support that approach.

Following further discussion, Mr. Kelly said that he would prepare a long term financial plan taking into account the many factors that affect current and future rates along with the amount of surplus or net assets to be retained and then applied in future years. Chairman Voorman suggested that any such financial plans should account for available discretionary reserves and how they would be applied to offset future rate increases.

UNFINISHED BUSINESS

1. PRBRSA Website

Mr. Kelly advised that the Authority's computer consultant, Up & Running, has initiated work on the website update. As soon as there is any significant progress to report on that he said he will advise the Authority accordingly.

Commissioner Metcalfe asked if the website will have the ability to track the number of hits and gather other information on those who view the website. Mr. Kelly said that he will suggest investigating that type of capability with Sharon Meade of Up & Running and, if it is feasible, will incorporate some degree of monitoring for that purpose.

NEW BUSINESS

1. Proposed Sewerage Authorities Law Amendment

Referring to several communications on AEA's "Pro-Authority" legislation initiative, specifically, Assembly Bill A-3088, Mr. Kelly asked for the Board's support of the bill. He explained that it would serve to make the process of dissolving authorities a more open and reasoned process meaning that if any town does propose to

dissolve an authority that it would be required to conduct hearings on the dissolution and its implications to the ratepayers and taxpayers before doing so.

On discussing the proposed bill, Commissioner Lampmann said that he would not support it, primarily because the bill would introduce additional bureaucratic hurdles in the process of dissolving an authority. Philosophically he observed that if a town creates an authority it should then have the ability to dissolve it without interference from the state. On discussion, several Board members agreed and also noted that the issues of concern largely do not affect regional authorities such as Pequannock River Basin and Two Bridges.

Chairman Voorman called for a vote on the matter. Commissioner Metcalfe moved approval of the following resolution:

WHEREAS, there is presently pending in the Legislature, Assembly Bill No. 3088 introduced by Assemblyman John F. McKeon; and

WHEREAS, the legislation process that the procedure utilized to dissolve environmental authorities be reformed so as to be more transparent for affected ratepayers and to provide adequate time for the consideration of the financial impacts of a dissolution on ratepayers and taxpayers; and

WHEREAS, the legislation is further designed to assure the availability of funds to maintain and protect essential infrastructure which funds have been fully paid in by the ratepayers over time for this purpose so as to avoid the need to suddenly raise funds to deal with repairs and replacements of an Authority's infrastructure on an unplanned basis; and

WHEREAS, the Pequannock River Basin Regional Sewerage Authority finds that it is in the public interest that this legislation be adopted.

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 18th day of August, 2010 as follows:

3. The Chairman is authorized to forward correspondence to area legislators in both the General Assembly and the State Senate urging the adoption of A-3088.
4. The Authority Secretary shall cause copies of this Resolution as well as the correspondence referred to in Section 1, to the Boroughs of Bloomingdale, Butler, Kinnelon and Riverdale and to request the adoption of similar resolutions of support by the Governing Bodies of each.
5. This Resolution shall take effect as provided by law.

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Commissioner Gall seconded the motion which was defeated on the following roll call vote:

AYES : Commissioners Gall and Metcalfe

NAYS : Chairman Voorman, Commissioners Howard, Lampmann and Verdonik

ABSENT : None

ABSTAIN : None

PAYMENT OF BILLS

1. Operating Budget

1.1 Operating Request for Payment No. 281 (July)

Treasurer Gall presented the following bills as listed on Operating Request for Payment No. 281 were presented for approval:

Operating Request for Payment No. 281

The following bills have been reviewed and are recommended for approval for payment at the **August 18, 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-10-8-1	11/28/08	\$ 2,240.00	Borough of Butler
2)	24.05	OP-10-8-2	3/17/10	\$ 250.00	Borough of Butler
3)	33.03	OP-10-8-3	7/20/10	\$ 3.25	JCP&L
4)	22.01	OP-10-8-4	8/12/10	\$ 3,378.51	Maraziti, Falcon & Healey
5)	22.03	OP-10-8-5	8/13/10	\$ 10,400.00	Kelly Engineering
6)	32.02	OP-10-8-6	07/13/10	\$ 2,958.02	Kelly Engineering
7)	24.07	OP-10-8-7	07/01/10	\$ 174.95	Kelly Engineering
8)	33.16	OP-10-8-8	07/15/10	\$ 2,599.60	ADS LLC
9)	33.17	OP-10-8-9	07/07/10	\$ 7,264.80	ADS LLC
10)	33.03	OP-10-8-10	8/4/10	\$ 30.90	Verizon

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11) 33.03 OP-10-8-11 7/28/10 \$ 30.75 Verizon

TOTAL: \$ 29,330.78

Treasurer Gall moved approval of the bills as presented. 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

ABSENT : None

ABSTAIN : None

OPEN MEETING FOR PUBLIC COMMENT

Their being no members of the public present, Chairman Voorman indicated that there would be no need to open the meeting for public comment.

ADJOURNMENT

At approximately 8:35 pm, Commissioner Lampmann moved for adjournment. That motion was seconded by Commissioner Metcalfe and was approved unanimously on voice vote.

At approximately 8:35 pm, the meeting was adjourned.

Respectfully submitted,

Daniel D. Kelly, P.E.
Recording Secretary

Enclosure: Treasurer's Report for the period ending July 31, 2010

DDK/ja (001)

:BusDoc/word/minutes/Minutes-August 2010