

## MEETING MINUTES

### PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

April 20, 2011

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on April 20, 2011 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, Metcalfe and Verdonik

**ABSENT** : Commissioner Lampmann

**ALSO PRESENT** : Christopher H. Falcon, 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 – March 16, 2011**

Commissioner Metcalfe moved approval of the minutes of the Authority's March 16, 2011 regular meeting. That motion was seconded by Vice Chairman Verdonik and approved unanimously on the following roll call vote:

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

**NAYS** : None  
**ABSENT** Commissioner Lampmann  
**ABSTAIN** : None

## **OPERATIONAL REPORT**

### **1. System Operations**

#### **1.1 Flow Report**

Commenting on the draft Flow Report dated April 20, 2011 for the period through March 31<sup>st</sup>, 2011, Mr. Kelly noted that the flows in March were significantly elevated at 3.463 mgd, more than double the average daily flow for the prior four months and an increase of 1.543 mgd over February. Referring to the March 2011 flow hydrograph, he observed that it clearly shows two peak periods, one occurring on March 7<sup>th</sup> at approximately 6.8 mgd total system flow and the other on March 11<sup>th</sup> when the system flows peaked at 9.424 mgd.

While flows throughout the system were substantially elevated due to the extreme rain events in early to mid March, Mr. Kelly indicated that the increase between Meters P-2A and P-4 was extraordinary, increasing from approximately 0.5 to 0.6 mgd over the first few days of the month to 3.236 mgd on March 11<sup>th</sup>.

The following reports were distributed to the Board for review:

- Flow Report dated April 20, 2011 for the period ending March 31, 2011
- Daily Flow Summary for March 2011
- Daily flow hydrograph for March 2011
- TBSA "Yearly Plant Operations Report", Table 4 for March 2011 (w/ calculations)

On the last item, Mr. Kelly advised that the Two Bridges Sewerage Authority "Yearly Plant Operations Report" for March 2011 includes an estimated flow for six days when the TBSA meters were flooded. As indicated by his calculations on the Operations Report, the PRBRSA flows are approximately 1.71% less than those projected and billed by Two Bridges at the beginning of the year.

**1.2 I/I Monitoring Program**

Mr. Kelly advised that the Borough of Butler is currently assembling the water meter data for one or two I/I monitoring subflow areas which will be incorporated into the temporary flow monitoring program to establish as to crosscheck essentially the base flow, that is, the sewage flow absent any infiltration or inflow.

**2. TBSA Activities**

**2.1 Status Update**

Vice Chairman Verdonik reported on the status of the construction projects noting that the ultraviolet disinfection system is now online and working well. He advised also that the incinerator project is virtually complete and, although the instrumentation work remains in progress, that the system can be operated in manual mode if necessary. In addition, he also provided a copy of TBSA's recently adopted Mission Statement.

Vice Chairman Verdonik advised that TBSA is in the process of evaluating a new treatment technology one that combines membrane technology with biological treatment capability. He said the new technology has the potentials to substantially reduce both the capital and operating costs of the MBR system and therefore Two Bridges has asked Black & Veatch to study the potential application of the new process in lieu of either the A20 or the MBR systems.

Chairman Voorman said that Two Bridges is also considering a new type of sludge treatment. Commenting on that, Vice Chairman Verdonik said that the system under consideration does not utilize chlorine and therefore chlorination byproducts do not need to be removed making it a more efficient process.

**2.2 Capital Improvement Program**

No change in status on this matter.

**3. Bloomingtondale Subflow Matter**

Vice Chairman Verdonik indicated that both towns are currently in discussions/negotiations to resolve the Bloomingtondale Subflow payment matter.

**4. TWA Application and Connection Permits**

**4.1 Non-Residential Connection  
BESTEPE BP Gas Station  
Borough of Riverdale**

No change in status on this matter.

**4.2 Proposed Service Rules Amendment**

Mr. Falcon distributed copies of the resolution by which the Authority would amend the Service Rules to require that municipalities 1) consent to any applications for Authority approvals and 2) are fully current as to any payments due to the Authority, as a precondition to action by the Authority on such applications. He noted that the revised resolution incorporates the change requested by Commissioner Lampmann at the March 18<sup>th</sup> meeting. In terms of process, Mr. Kelly advised that the towns were noticed in advance on the proposed Service Rule Amendment and that it was duly advertised in the local newspapers.

Following further discussion, Vice Chairman Verdonik moved approval of the following resolution (**Resolution No. R-11-4-1**).

**RESOLUTION TO AUTHORIZE AMENDMENT TO THE SERVICE RULES OF THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY**

**WHEREAS**, the Pequannock River Basin Regional Sewerage Authority (hereinafter “the Authority”) owns and operates a regional system for the collection and transmission of wastewater pursuant to the Sewerage Authorities Law (N.J.S.A. 40:14A-1, et seq.), the New Jersey Water Pollution Control Act (N.J.S.A. 58:10A-1, et seq.) and applicable regulations of agencies of the State of New Jersey;

**WHEREAS**, the Authority was created in 1974 by the Boroughs of Bloomingdale, Butler, and Kinnelon in order to provide for the implementation of a Public Authority Sewerage System; and

**WHEREAS**, the Authority entered into service agreements with Butler, Bloomingdale, and Kinnelon in 1985 and 1990 and with the Borough of Riverdale in 1987 all as amended from time to time; and

**WHEREAS**, the respective service agreements between the Authority and the Municipalities served by the Authority provide in pertinent part that “in addition to the rules and regulations of the Authority heretofore enacted, the validity of which is unaffected by this 1990 Amendment, the Authority may at any time promulgate, issue, publish and from time to time

amend, supplement and enforce, all such rules and regulations concerning the System or the business and affairs of the Authority as may be permitted by law, including but not limited to rules and regulations (herein sometimes called "Service Rules") regulating the making of connections direct or indirect, to the System or the use or services of the System ..."; and

**WHEREAS**, the Authority is authorized by the provisions of N.J.S.A. 40:14A-7 to:

- i) To make and enforce bylaws or rules and regulations for the management and regulation of its business and affairs and for the use, maintenance and operation of the sewerage system and any other of its properties, and to amend the same;
- ii) To enter into any and all contracts, execute any and all instruments, and do and perform any and all acts or things necessary, convenient or desirable for the purpose of the sewerage authority or to carry out any power expressly given in this act subject to the "Local Public Contracts Law," P.L. 1971, c.198 (C.40A:11-1 et seq.); and

**WHEREAS**, the Authority has adopted Service Rules dated August 1987, as amended from time to time, in order to govern the operation of the Authority in the public interest; and

**WHEREAS**, in furtherance of the legal authority conferred upon the Authority by law, as aforesaid, and in the interest of providing for the efficient and effective use of the System of the Authority in a fair and equitable manner designed to enable all parties concerned to observe the obligations set forth in the respective service agreements; and

**WHEREAS**, the Authority desires to amend the Service Rules of the Authority to

:

- a. encourage consistency between the issuance of Authority approvals, endorsements and permits with Municipal actions; and
- b. provide assurance that all Municipal and/or property owner charges are current before taking any actions with respect to approvals, endorsement and permits.

**WHEREAS**, the Authority has provided notice of this proposed amendment in accordance with Section 12.3 of the Service Rules to the Municipalities served by the Authority;

**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 20th day of April, 2011, as follows:

1. The Service Rules of the Authority are amended at Article VII thereof entitled "Terms and Conditions for the Issuance of Permits" by the addition of a new Section 7.8 which shall provide:

Section 7.8 Permit Defined; Consistency and Payment

Meeting Minutes  
April 20, 2011 Regular Meeting

- a) The term "Permit" as used herein shall include those hereinbefore enumerated in this Section VII and Treatment Works Approvals, (TWA) endorsement and/or approval of every nature and description authorized to be issued by the Authority pursuant to these Service Rules, the Federal Act, the Sewerage Authorities Law, the New Jersey Water Pollution Control Act and applicable regulations of agencies of the State of New Jersey to regulate, control or authorize the use of or connections to the System of the Authority.
  - b) Prior to the approval and issuance of any Permit, the Authority shall obtain written confirmation from the Municipality in which the property for which a Permit sought, whether public or private property, that the Municipality consents to such Authority action. The Municipality's consent shall signify that the approval sought from the Authority is consistent with the Municipality's applicable governing ordinances and/or regulatory requirements and policies.
  - c) Prior to providing any service in connection with the prospective issuance of a Permit, the Authority shall first receive a statement from the Authority Treasurer or his designee that all outstanding charges, fees and/or financial obligations of every nature and description which are due from the property owner and/or the Municipality wherein the public or private property affected by such Permit is located, have been fully paid and satisfied. Services include, but are not limited to, plan and feasibility review, review of new or additional sewer line extensions and connections, and review and processing of any connection, discharge or other Permit for which a request or application has been made.
2. This Resolution shall take effect as provided by law.

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

|                |   |   |
|----------------|---|---|
| <b>AYES</b>    | : | Chairman Voorman, Commissioners Gall, Howard, Metcalfe and Verdonik |
| <b>NAYS</b>    | : | None  |
| <b>ABSENT</b>  | : | Commissioner Lampmann   |
| <b>ABSTAIN</b> | : | None  |

## **FINANCIAL REPORT**

### **1. Treasurer's Report**

#### **1.1. Treasurer's Report for the Period Ending March 31, 2011**

Treasurer Gall presented the Treasurer's Report for the period ending March 31, 2011. Vice Chairman Verdonik moved acceptance of the Treasurer's Report as presented. Commissioner Metcalfe seconded the motion which passed unanimously on the following roll call vote:

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

**NAYS** : None

**ABSENT** : Commissioner Lampmann

**ABSTAIN** : None

#### **1.2 Financial Plan**

Mr. Kelly briefed the Board on the status of the financial plan. He reviewed the primary considerations in its preparation, namely, the original question raised by Commissioner Howard as to the level of restricted and non-restricted net assets and, related to that, what level of reserves, essentially unrestricted/undesignated net assets, should be reasonably retained? In addition he outlined several rate scenarios projected over the next 20 years with zero increases for the first, 2 percent increases for both PRBRS and TBSA, operation, maintenance and administrative costs for the second and, the third, a 2 percent increase for Pequannock River Basin's variable expenses with 5 percent for TBSA's variable expenses, again, the operation, maintenance and administrative costs excluding debt service. He explained the net effect of each scenario noting that they would all be manageable yet exclude the capital and elevated O&M expense projected on TBSA's completion of the capital program.

As to TBSA's capital program, Mr. Kelly advised that the analyses suggest that it will not be possible to gradually increase reserves to sufficiently offset the rate increase. Simply he said the magnitude of the additional debt service and O&M charges for either the A20 process and certainly the MBR process are such that rate increases would likely be on

Meeting Minutes  
April 20, 2011 Regular Meeting

the order of 30% to as much as 50% to bring revenues in line with appropriations on completion of such projects.

Continuing on the TBSA capital program, Mr. Kelly referred to discussions that he had had earlier in the day with Mr. Bongiovanni related to the capital program options, related permit issues, timing of implementation, process selection and other matters. In order to conclude those discussions he said that he has arranged a meeting with Mr. Bongiovanni on April 28<sup>th</sup>. He also noted the need to update the debt service schedules inasmuch as Pequannock River Basin pays more than a third of TBSA's annual debt service costs.

Commenting on the 2% local property tax cap, Mr. Kelly said that the Authority's cost increases will most likely allow compliance yet, given escalation in electrical energy and chemical costs beyond TBSA's control, it may not be possible for Two Bridges to limit its annual increases to stay within the 2% cap.

As to future debt service, Mr. Kelly also observed that the Authority's debt service will decline substantially in FY 2017 and, by FY 2022 (December 1, 2021), all debt would be retired. He explained at that point the Authority would be free and clear of the restrictive bond covenants imposed by the 1986 General Bond Resolution unless additional debt is issued beyond that date. He explained as well that TBSA's debt service also drops beginning in FY 2016, decreasing by approximately \$2,100,000 from present levels. Therefore, TBSA's major capital program expenses are expected to be delayed until at least 2016 if not beyond.

He further commented on the implications of the TBSA debt service credit which annually yields \$613,923 yet declines in FY 2016 to \$256,588 and to zero thereafter. He said the loss of that credit, while significant, would be offset by declines in PRBRSA's direct debt service along with additional debt reductions resulting from similar declines in TBSA's current debt service obligations.

As to the PRBRSA capital program, Mr. Kelly said that he anticipates the construction costs will be on the order of \$1,100,000 and has projected several ways to finance the project including an additional 20 year sewer revenue bond issue (or a comparable financing through the State of New Jersey Environmental Infrastructure Trust program); a 10 year sewer revenue bond or NJEIT funding (to avoid extending the present debt service schedule term) and, lastly funding the project internally - in part or in whole - from available reserves. He noted that the Authority presently has \$1,425,000 set aside in the Capital Reserve Fund which could be applied to the Authority's capital project if not applied to offset the future



expense of TBSA's capital program. He also explained that the Authority retains some \$175,000 in Construction Fund reserves which could be used to initiate the program with the balance of the financing to be derived through other funding sources.

On discussing the financial implications to the towns and users, Commissioner Howard suggested that it would be helpful to include essentially the time value of money to show the true cost in current dollars of future expenditures. He said that may not be done initially but would be helpful for a clearer understanding of the implications of future cost projections. Agreeing, Mr. Kelly said that he would be able to prepare a present worth or present value type analysis to accomplish that purpose. He said one of the issues there, however, is the selection of an appropriate discount rate, noting that the present interest rate environment could be totally different than what it would be a few years from now or certainly going out the full 20 years as projected by the plan.

Vice Chairman Verdonik inquired as to the service life of the Authority's PRBRSA Interceptor. Mr. Kelly advised that, while the interceptor lines are being depreciated over a 40 year life, in actuality, the PRBRSA Interceptor would likely have a 100 year service life or longer. Mr. Kelly further indicated that, as he recalled, TBSA depreciates its interceptors over a 60 year service life. [Note: As indicated by the FY 2010 audit report, Note 2E, TBSA is depreciating the "Sewer mains and interceptors" over a 75 year amortization period].

### **1.3 TBSA Debt Service Credit Obligation**

Regarding his recent email to counsel and memorandum on the topic, Mr. Kelly explained that there appears to be a conflict between the schedule contained in the October 11, 1995 Settlement Agreement with the Two Bridge Sewerage Authority as compared to the recently completed PRBRSA amortization schedule for amortization of the principal amount of the remaining debt service credit payable by TBSA to PRBRSA. He said he is in the process of reviewing that matter and, if an issue does arise, will discuss it further with counsel.

## **UNFINISHED BUSINESS**

### **1. PRBRSA Website**

Referring to his March 16, 2011 memorandum as discussed at the Board meeting that evening, Mr. Kelly referred to his notes on each of the items that the Authority has the option to include within the website. He recommended inclusion of all of the items with the possible exception of the meeting agenda.

Commenting on that, Mr. Falcon said that public agencies commonly publish meeting agendas prior to the meeting yet are not constrained to rigorously follow the agenda inasmuch as the agency will commonly note that items may be added or deleted prior to the meeting and that other items can be raised under the New Business portion of the meeting.

On discussion of the various items to be included, Commissioner Howard inquired if it would be reasonable or appropriate to include various contracts such as service agreements within the website. Responding to that, Mr. Falcon advised that contracts are not on the State Controller's list of items to be included. In discussing that point, the other Board Members agreed that information need not be published on the website.

Following further discussion on additional materials to be included within the website, Commissioner Howard moved that the items noted by Mr. Kelly's March 16, 2011 memorandum be included to the extent practical. Commissioner Metcalfe seconded the motion which passed unanimously on the following roll call vote:

|                |   |  |
|----------------|---|--|
| <b>AYES</b>    | : | Chairman Voorman, Commissioners Gall,<br>Howard, Metcalfe and Verdonik |
| <b>NAYS</b>    | : | None   |
| <b>ABSENT</b>  | : | Commissioner Lampmann  |
| <b>ABSTAIN</b> | : | None   |

**2. Proposed Legislation (Mayor Veto of Authority Minutes – S2427)**

Referring to the letter issued by the Southeast Morris County Municipal Utilities Authority to Senator Anthony Bucco, Mr. Kelly observed that it reinforces a number of points that the Authority has discussed in connection with this legislation including the extraordinary difficulties associated with its application to a regional authority such as Pequannock River Basin. He further advised that indications are that this legislation will be passed although possibly with amendments that would make it more manageable than its present form.

**NEW BUSINESS**

**1. 2011 Financial Disclosure Forms**

For the record, Mr. Kelly advised that all of the Financial Disclosure Forms have now been filed with his office and therefore will be forwarded along to the Local Finance Board.

**PAYMENT OF BILLS**

**1. Operating Budget**

**1.1 Operating Request for Payment No. 289 (April 2011)**

Treasurer Gall presented the bills as listed on Operating Request for Payment No. 289 and moved approval of the bills as listed on Operating Request for Payment No. 289 as follows:

**Operating Request for Payment No. 289**

The following bills have been reviewed and are recommended for approval for payment at the **April 20, 2011** 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>ACCT. NO.</u> | <u>NO.</u>     | <u>DATE</u>    | <u>AMOUNT</u>   | <u>CHECK PAYABLE TO</u>                                    |
| 1)  | 33.01            | OP-11-4-1      | 9/10/10        | \$ 2,307.00     | Borough of Butler  |
| 2)  | 24.04            | OP-11-4-2      | 3/17/10        | \$ 250.00       | Borough of Butler  |
| 3)  | 24.07            | OP-11-4-3      | 03/04/11       | \$ 525.00       | Marathon Computer Svs                                      |
| 4)  | 33.16            | OP-11-4-4      | 3/18/11        | \$ 2,703.54     | ADS LLC  |
| 5)  | 33.16            | OP-11-4-5      | 3/18/11        | \$ 2,703.54     | ADS LLC  |
| 6)  | 24.07            | OP-11-4-6      | 3/15/11        | \$ 978.64       | North Jersey Media Group                                   |
| 7)  | 22.03            | OP-11-4-7      | 4/7/11         | \$ 10,400.00    | Kelly Engineering  |
| 8)  | 32.02            | OP-11-4-8      | 4/12/11        | \$ 3,974.72     | Kelly Engineering  |
| 9)  | 22.01            | OP-11-4-9      | 4/7/11         | \$ 4,210.00     | Maraziti, Falcon & Healey                                  |
| 10) | 24.07            | OP-11-4-10     | 4/12/11        | \$ 189.00       | Kelly Engineering  |
| 11) | 24.07            | OP-11-4-11     | 4/4/11         | \$ 174.95       | Kelly Engineering  |
| 12) | 33.03            | OP-11-4-12     | 4/4/11         | \$ 32.54        | Verizon  |
| 13) | 33.03            | OP-11-4-13     | 4/11/11        | \$ 32.47        | Verizon  |
| 14) | 33.03            | OP-11-4-14     | 3/14/11        | \$ 32.54        | Verizon  |
| 15) | 33.03            | OP-11-4-15     | 3/21/11        | \$ 3.25         | JCP&L  |
| 16) | *                | OP-11-4-16     | 4/15/11        | \$ 667,143.00   | Pequannock, Lincoln Park &<br>Fairfield Sewerage Authority |
| 17) | 25.03**          | OP-11-1-26     | 12/31/2010     | \$ 4,000.00     | Association of Environmental Authorities                   |
| 18) | 33.03            | OP-11-4-17     | 3/28/11        | \$ 32.54        | Verizon  |
| 19) | 33.03            | OP-11-4-18     | 3/23/11        | \$ 28.84        | Verizon  |
| 20) | 24.07            | OP-11-4-19     | 4/1/11         | \$ 54.46        | North Jersey Media Group                                   |
| 21) | 33.03            | OP-11-4-20     | 4/15/11        | \$ <u>17.96</u> | Borough of Butler-Electric Department                      |

Meeting Minutes  
April 20, 2011 Regular Meeting

**TOTAL:        \$ 699,793.99**

|        |    |                     |                     |
|--------|----|---------------------|---------------------|
| *27.00 | \$ | 52,908.00           | Admin               |
| 13.00  | \$ | 237,645.00          | D/S                 |
| 35.00  | \$ | 530,071.00          | User Charge         |
| Less:  | \$ | <u>(153,481.00)</u> | Debt Service Credit |
|        | \$ | <u>667,143.00</u>   |                     |

\*\* As approved at 1 19 11 meeting - Check #6303 voided (lost check)

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

|                |   |  |
|----------------|---|--|
| <b>AYES</b>    | : | Chairman Voorman, Commissioners Gall,<br>Howard, Metcalfe and Verdonik |
| <b>NAYS</b>    | : | None   |
| <b>ABSENT</b>  | : | Commissioner Lampmann  |
| <b>ABSTAIN</b> | : | None   |

**OPEN MEETING FOR PUBLIC COMMENT**


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

**ADJOURNMENT**

At approximately 8:35 pm, Commissioner Metcalfe moved for adjournment. That motion was seconded by Commissioner Howard 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 March 31, 2011