

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

August 17, 2011

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on July 27, 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, Lampmann, Metcalfe and Verdonik

ABSENT : Commissioner Howard

ALSO PRESENT : Andrew 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 27, 2011**

On discussion, Chairman Voorman noted a minor change to correct a statement on Page 8. Commissioner Metcalfe moved approval of the July 27, 2011 regular meeting minutes as revised.

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

AYES : Chairman Voorman, Commissioners Gall, Metcalfe and Verdonik

NAYS : None

ABSENT Commissioner Howard

ABSTAIN : Commissioner Lampmann

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

Commenting on the Flow Report for the period ending July 31, 2011, Mr. Kelly noted two issues with the flow metering. The first he said is the relative relationship between Meter P-1A and Meter P-2A. The flow monitors that determine the relative balance of the flows between Bloomingdale and Butler. He said the current readings suggest that Bloomingdale's flows, presently recorded at 0.360 mgd (0.300 mgd without the Bloomingdale Subflow) are less than half Butler's flows at 0.788 mgd for July 2011. He noted that relationship is inconsistent with historical readings that typically show a closer balance between flows monitored by each meter. On that point, Commissioner Lampmann said that he believes that there are issues with the meters. Explaining further, he said that the Borough of Butler continues to perform extensive remediation work on its system, work that he believes has successfully reduced the levels of infiltration and inflow yet the flow metering is recording higher flows for Butler. Commenting further, he said that he has long considered the possibility that the Authority's contractor may be conforming the data to a predetermined baseline and questioned ADS' editing process. He suggested that it would be helpful to have analysis of the raw data plotted against the edited data. On the editing process, Mr. Kelly indicated that to his knowledge, based on discussion on the issues raised by Commissioner Lampmann, that ADS' editing is limited to correcting anomalies in the data such as spikes that would otherwise distort the results.

On discussing the matter further, Mr. Kelly said that he would again raise the flow distribution patterns with ADS to have them review the present data to assure that it is as accurate as possible and would also request, in that process, the data plots suggested by Commissioner Lampmann.

The other issue noted by Mr. Kelly relates to the flows recorded by Meters P-4 and P-2A for the flows attributable to the Borough of Riverdale. He said the total system flows have reduced to near record lows at 1.570 mgd in July yet Riverdale's flows remain relatively elevated at approximately 0.359 mgd, also for July. The year-to-date average is 0.420 mgd which exceeds the Borough 0.409 mgd capacity allocation. Commenting on that, Commissioner Metcalfe inquired if the Authority is obligated to notify Riverdale in such situations. Mr. Brewer advised, since he understood that the flow information is routinely forwarded to the towns, that effectively provides notification inasmuch it is the individual town's responsibility to review the data and its implications.

On discussing that point further, Commissioner Metcalfe suggested that it would nonetheless be a good idea to issue a letter to Riverdale calling attention to the current conditions.

The following reports were distributed to the Board for review:

- Flow Report dated August 17, 2011 for the period ending July 31, 2011
- Daily Flow Summary for July 2011
- Daily Flow Hydrograph for July 2011
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for July 2011

Commenting on the TBSA "Yearly Plant Operations Report," as indicated by Mr. Kelly's August 17th calculations, the Authority's actual flows continued to be less than those budgeted by TBSA for the year by approximately 1.53% .

1.2 I/I Monitoring Program

No change in status on this matter.

2. TBSA Activities

2.1 Status Update

Chairman Voorman and Vice Chairman Verdonik commented on several matters concerning the Two Bridges Sewerage Authority as they affect Pequannock River Basin. Most notably, they advised that the Rockaway Valley Sewerage Authority, which had been contributing three quarters of the total outside sludge treated by TBSA's incinerator, did not extend its current contract. With the loss of that customer and associated revenues, they explained that Two Bridges may idle the recently upgraded incinerator, a project that has been tested and found to be

running at high levels of efficiency yet may not be sufficiently efficient to justify or warrant continuing the sludge incineration operation. They said that if TBSA idles the incinerator that it would most likely contract with the Passaic Valley Sewerage Commission and would incur cost increases preliminary projected at \$300,000 annually. They stressed that Two Bridges will carefully evaluate the efficiency of the recently upgraded incinerator before making a final determination on continuing or discontinuing the current sludge incineration operations.

On other matters, they advised that the ultraviolet disinfection project equipment has been tested but not accepted, and, therefore, at this point is not running.

Lastly, they advised that TBSA is considering several changes to its preliminary FY 2012 budget which may impact the rates to the Participants including Pequannock River Basin.

3. TWA Application and Connection Permits

**3.1 TWA Application
Bloomingdale Knolls Project (BLC One)
Borough of Bloomingdale**

For the record, Mr. Kelly advised that the TWA application for the Bloomingdale Knolls project proposed by BLC One has been approved by Two Bridges

4. Bloomingdale Subflow Matter

On discussing the Bloomingdale Subflow matter, Commissioners Lampmann and Verdonik indicated that the Borough of Bloomingdale is presently considering approval of an agreement that would resolve the billing dispute. Commissioner Lampmann indicated that the Authority's billing to Bloomingdale does not include debt service for the portion of the flow that Bloomingdale contributes to the Butler system. Agreeing, Mr. Kelly said that the Authority's billing procedure is that required by the service contract. Mr. Lampmann disagreed stating that the Authority follows the 1991 Bloomingdale/Butler contract formula for the O&M component yet not for the debt service component. He added that the Authority's billing procedure for the Kinnelon flows connected to Butler's system does attribute the flow to Kinnelon for the debt service calculation. Mr. Kelly explained that the Borough of Kinnelon debt service is billed, as is that for Bloomingdale, on the basis of the service contract. Explaining further, he said that the Authority does prepare, at the end of each fiscal year, an accounting of the flows to track the reserve capacity allocation for both towns which tracking procedure does not affect the Kinnelon/Butler debt service billing.

Commissioner Lampmann advised that if Bloomingdale does not act soon to approve the agreement reached between both towns that Butler may initiate litigation and, if so, the Authority would likely be named.

Following further discussion, Commissioner Gall suggested and the Board agreed that the Authority's attorney should review the matter to advise on the most appropriate course of action under the present circumstances.

FINANCIAL REPORT

1. Treasurer's Report

1.1. Treasurer's Report for the Period Ending July 31, 2011

Treasurer Gall presented the Treasurer's Report for the period ending July 31, 2011. Commissioner Metcalfe moved acceptance of the Treasurer's Report as presented. Chairman Voorman 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 : Commissioner Howard

ABSTAIN : Commissioner Lampmann

1.2 Annual Budget: FY 2012

Chairman Voorman indicated that the Authority will consider the introduction and approval of the annual budget for fiscal year 2012.

In accordance with state regulations, the budget must be approved by the Board for submittal to the Division of Local Government Services no later than 60 days prior to the beginning of the fiscal year which starts on November 1st. Therefore, the budget for FY 2012 must be approved and filed with the DLGS by the end of August.

On approval by the DLGS, the Authority will consider the budget again – at a budget hearing scheduled for the October 19th regular meeting. At any time prior to final adoption, the budget may be modified at the

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Board's discretion. On adoption, the budget must again be filed with the DLGS for final certification prior to the beginning for the fiscal year.

Copies of the budget are available on the table for any member of the public in two formats. One is the format as filed with the Division of Local Government Services, the DLGS budget. The second is the PRBRSA format. Also available are copies of a summary of the budget dated today.

Last year, the total revenues and appropriations amounted to \$5,500,000. This year an increase of 2.3% or \$125,000 is proposed bringing the total revenues and appropriations to \$5,625,000.

To recover the cost of service, sewer user charges – called Annual Charges – are billed to each of the four towns served by the Authority.

In setting the sewer rates for the upcoming year, the Board considered the impacts of the 2% property tax cap at the local level, a primary factor in the preparation of the FY 2012 budget. Accordingly, the Annual Charge increase this year is proposed at 2.0% - \$95,000 over the prior year from \$4,825,000 in FY 2011 to \$4,920,000 this year.

With that introduction, Chairman Voorman invited the Board Members to offer any comments or questions they may have before voting on the proposed budget.

Chairman Voorman said that he would like to reduce several line items to be able to eliminate the need to draw on reserve funds, that is, application of surplus (net assets) as currently budgeted at \$30,000.

On further discussion of the budget, Commissioner Lampmann, in the context of the ongoing issue between Bloomingdale and Butler on the Bloomingdale Subflow matter, indicated that the debt service distribution calculated on Page 4 of the budget is calculated incorrectly. He added that the debt service is calculated inequitably. Mr. Kelly said that he would record that noting, as had previously been discussed under the Bloomingdale Subflow matter, that the calculations shown on Page 4 of the budget are, to his knowledge, in strict accordance with the service contract requirements.

Following discussion including recommendations on certain line item revisions primarily offered by Chairman Voorman and Commissioner Lampmann, Chairman Voorman called for a vote on the budget as submitted. Treasurer Gall moved approval of the following resolution (**Resolution No. R-11-8-1**):

**2010 Authority Budget Resolution
(PRBRSA FY 2012)**

**Pequannock River Basin Regional Sewerage
Authority**

FISCAL YEAR: FROM November 1, 2011 TO October 31, 2012

WHEREAS, the Annual Budget and Capital Budget for the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2011 and ending, October 31, 2012 has been presented before the governing body of the Pequannock River Basin Regional Sewerage Authority at its open public meeting of August 17, 2011; and

WHEREAS, the Annual Budget as introduced reflects Total Revenues of \$5,595,000, Total Appropriations, including any Accumulated Deficit if any, of \$5,625,000 and Total Unrestricted Net Assets utilized of \$30,000; and

WHEREAS, the Capital Budget as introduced reflects Total Capital Appropriations of \$125,000 and Total Unrestricted Net Assets 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 17, 2011 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, 2011 and ending, October 31, 2012 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 19, 2011.

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

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

Noting that the vote was 3 to 2, Mr. Kelly said that he recalled that the Authority's Bylaws may require a two thirds majority for budget approval. Mr. Brewer said that he would review that and advise accordingly.

1.3 Arbitrage Rebate Calculations (1996 Series L Bonds)

For the record, Mr. Kelly advised that his office retrieved bank account statements going back five years. All documents were scanned for electronic transmittal to Bond Counsel. At this point, he said that Hawkins Delafield & Wood's office is preparing the arbitrage rebate and yield restriction calculations to finalize the mandatory report on the Authority's 1996 Series L Bond Series.

1.4 Financial Plan

Mr. Kelly distributed an Executive Summary of the Financial Plan and reviewed the substance of that. He emphasized the implications of two critical factors on the Authority's future cost of service and sewer user charges to the towns, namely, the effects of inflation, notably, inflation on TBSA's variable costs (operation, maintenance and administrative expenses) which the report indicates have increased by 6.3% to 7.8% from 1999 through 2011 and 2006 through 2011, respectively.

Referring to the graphs within the report, Mr. Kelly advised that the budget, presently at \$5,500,000, would actually decrease to \$3,000,000 absent any inflation. More realistically, he said that at 2% inflation for both PRBRSA and TBSA variable costs, the present budget would still decline, to slightly more than \$4,00,000 by the end of the 20-year planning period in FY 2030. He said the most realistic projection is based on a 2% annual increase for PRBRSA's operation, maintenance and administrative expenses and 5% escalation on TBSA's comparable variable costs. At the 2% PRBRSA/5% TBSA level, he explained that the \$5,500,000 budget would increase to approximately \$7,200,000, a compound rate of 1.5% over the 20 year period.

Factoring in the Two Bridges Capital Improvement Program for the membrane bioreactor (MBR) process at 8.5 mgd (including the \$8.3 million headworks project and the \$1.5 million PRBRSA Capital Improvement Program as well) also at the 2% PRBRSA/5% TBSA most probable escalation rates would increase the budget by almost 84%, from \$5,500,000 to more than \$10,000,000. That is a compound rate of 3.3% with a step increase of 35%-40% projected at FY 2017 or later depending upon the actual timing of the TBSA plant upgrade and expansion project.

Summarizing other aspects of the report, Mr. Kelly said that the bottom line is simply that the Authority's future cost structure is largely dependent on Two Bridges, both in terms of inflationary effects on variable costs and on the timing and scope/cost of the plant improvement project. Those two factors he explained will affect the distribution of revenues and appropriations such that TBSA's service contract payments may well comprise 90% of the Authority's budget by FY 2030 as compared with 40% in 1999 and 61% presently.

On discussion, Commissioner Lampmann inquired if improvements to the Boonton Avenue Interceptor were included in the cost projections. Responding, Mr. Kelly discussed Section 5 of the report which summarizes the cost of the proposed improvements along with several

funding options to finance the project at a projected cost of \$1,500,000. He noted that those costs are included within all of the projections for capital improvements and are specifically included in the MBR process costs within the Executive Summary.

On discussing the Financial Plan, the emphasis turned to moving ahead with the PRBRSA Capital Improvement Program related to the Boonton Avenue Interceptor.

1.5 PRBRSA Capital Improvement Program

Related to the Financial Plan discussions, the Board then considered the PRBRSA Capital Improvement Program and related capital expenditures.

On discussing the proposed improvements to the Boonton Avenue Interceptor, Commissioner Metcalfe questioned whether or not the entire line would be replaced. Mr. Kelly explained that the downstream sections of the line were replaced in the early 1990s yet everything upstream from Boonton Avenue through Brook Street into Valley Road and south across Route 23 to the terminus at Kakeout Road were not upgraded. He further explained that the lines upstream of Valley Road consist primarily of 8-inch diameter vitrified clay pipe, some of which is believed to have been installed in the 1930s as a WPA project. He noted that the need to replace the upper sections, that is, upstream of Valley Road, is not clear at this point so would need to be evaluated further.

The sections that clearly must be replaced, as Mr. Kelly explained, are the sewer segments that have experienced root intrusion problems primarily along Brook Street into lower Boonton Avenue as well as the temporary line installed beneath the Valley Road bridge structure. Finally, the portion of the sewer within Park Place extending underneath the railroad will most likely require replacement.

On discussing the engineering procurement process for the project, Commissioner Lampmann observed, correctly so, while the work is not as complicated as, for example, designing a sewage treatment plant, that it is not necessarily a straightforward project. Agreeing, Mr. Kelly said that the work will involve evaluation of the existing lines in terms of their structural and hydraulic integrity, evaluation of the easement issues along Brook Street where lines may be installed within private property, evaluation of the best methods to upgrade or replace the lines using either no-dig technologies or traditional trenching (i.e., dig and lay). Responding to Commissioner Metcalfe's questions on the no-dig technologies, Vice Chairman Verdonik explained that there are two common techniques including pipe lining and pipe bursting, noting that both procedures must

be carefully evaluated in terms of their feasibility and cost effectiveness. On that point, Commissioner Lampmann said that the Borough of Butler has actually found, with current competition in the marketplace, that it is cheaper to replace lines than to use a no-dig technology approach. He also commented that bypass pumping can prove to be problematic and expensive.

As to the engineering services procurement process, Mr. Kelly said that the Authority may elect to could proceed with a Request for Proposal, a process that could be directed towards individual firms, typically to three or four specific firms, or advertised more generally. On discussing the pros and cons of the RFP process, Commissioner Lampmann suggested that the Authority may want to use a prequalification process to prequalify firms before going out on an RFP. On discussing that, the Board Members agreed that the prequalification process would be preferable.

Following further discussion, Vice Chairman Verdonik moved to authorize the Consulting Engineer to prepare a Request For Qualifications for engineering firms to perform the engineering and related activities including survey and preliminary hydraulic/structural investigations to repair and/or replace portions of the existing Boonton Avenue Interceptor lines. Commissioner Lampmann seconded the motion which passed unanimously on the following roll call vote:

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

Following the vote, Commissioner Lampmann mentioned that the Borough of Butler has secured extensive survey information on utilities throughout the Borough including the PRBRSA-owned lines noting that he is not certain the areas in question are fully surveyed. He added that there may be advantages to using a survey firm that has performed the work thus far for Butler which could save considerable amounts in that aspect of the work. Mr. Kelly said that he would certainly make the engineering firms aware of the baseline survey data available to take advantage of that during the RFP stage.

UNFINISHED BUSINESS

1. PRBRSA Website

No change in status on this matter

NEW BUSINESS

1. Class Action Suit – Insurance Claims

Mr. Kelly advised of another class action suit, this one involving a \$41 million settlement reached against Marsh & McLennan and other insurance brokers. Based on his discussions with Mr. Falcon on the matter, Mr. Kelly said that this action, although the Authority is included, would likely produce minimal if any damages.

PAYMENT OF BILLS

1. Operating Budget

1.1 Operating Request for Payment No. 293 (August 2011)

Treasurer Gall presented the bills as listed on Operating Request for Payment No. 293. Vice Chairman Verdonik moved approval of the bills as presented on Operating Request for Payment No. 293 as follows:

The following bills have been reviewed and are recommended for approval for payment at the **August 17, 2011** meeting of the Authority from the Operating Account (Wells Fargo 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-11-8-1	9/10/10	\$ 2,307.00	Borough of Butler
2)	24.05	OP-11-8-2	3/17/10	\$ 250.00	Borough of Butler
3)	33.03	OP-11-8-3	6/23/11	\$ 28.78	Verizon
4)	33.03	OP-11-8-4	6/28/11	\$ 32.48	Verizon
5)	22.03	OP-11-8-5	8/9/11	\$ 10,400.00	Kelly Engineering
6)	24.07	OP-11-8-6	8/1/11	\$ 174.95	Kelly Engineering
7)	33.16	OP-11-8-7	8/3/11	\$ 2,703.54	ADS LLC
8)	33.03	OP-11-8-8	7/1/11	\$ 17.96	Borough of Butler-Electric Dept.
9)	33.03	OP-11-8-9	7/18/11	\$ 3.25	JCP&L
10)	24.07	OP-11-8-10	7/1/11	\$ 149.53	North Jersey Media Group

