

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

January 18, 2012

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on January 18, 2012 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 : 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 by 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 – December 7, 2011

Commissioner Metcalfe moved acceptance of the minutes of the Authority's December 7, 2011 regular meeting.

That motion was seconded by Commissioner Lampmann and approved upon the following roll call vote:

AYES : Chairman Voorman, Commissioners
Lampmann, Metcalfe and Verdonik

NAYS : None

ABSENT Commissioner Howard

ABSTAIN : Commissioner Gall

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

FY 2011 Final Flow Report

Mr. Kelly presented the final Flow report for FY 2011 dated December 30, 2011 which he noted was used for calculating the year-end flow adjustments which modify the Annual Charges payable in FY 2012.

Related to the FY 2011 year-end Flow Report, Mr. Kelly advised that he prepared and distributed to the Board prior to the meeting his January 6, 2012 report highlighting the engineering analyses that he prepared which resulted in relatively minor adjustments to the readings for Meter P-1A and Meter P-2A for FY 2011.

November 2011 & December 2011 Flow Reports

Referring to the draft Flow Reports dated January 6, 2012 and January 17, 2012 for November and December 2011, respectively, Mr. Kelly observed that the total annual flow for the year-to-date remains extremely high at 2.212 mgd.

The following reports were distributed to the Board for review:

November 2011

- Flow Report dated January 6, 2012 for the period ending November 30, 2011
- Daily Flow Summary for November 2011
- Daily Flow Hydrograph for November 2011

- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for November 2011

December 2011

- Flow Report dated January 17, 2012 for the period ending December 31, 2011
- Daily Flow Summary for December 2011
- Daily Flow Hydrograph for December 2011
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for December 2011

Meter P-4/TBSA Meter M-15 Comparison

Mr. Kelly also explained, referring to the above referenced hydrographs for November and December 2011, that the Authority's Meter P-4 and TBSA's Meter M-15 continue to correlate extremely well. noting that for, December 2011, the M-15 monthly reading was 2.320 mgd for P-4, while the corresponding M-15 reading was 2.300 mgd, less than a 1% difference.

2. TBSA Activities

2.1 Status Update

Chairman Voorman and Vice Chairman Verdonik reported on a number of matters at Two Bridges as they affect Pequannock River Basin. First, Vice Chairman Verdonik advised that Two Bridges has entered into an electrical co-op contract which is projected to save 20% or \$200,000 annually. He noted, as did Chairman Voorman, that the projected \$200,000 reduction will lessen the impact of the recent loss of sludge revenues resulting from the fact that the Rockaway Valley Sewerage Authority has not renewed its sludge disposal contract. They both further advised that regulations proposed by USEPA will have a significant impact on sludge incinerator operations, placing into question the economic viability of continuing to operate the two sludge incinerators particularly in view of the competitive pricing of the Parsippany-Troy Hills sludge facility and that of the PVSC as well. They further advised that Two Bridges is currently analyzing the economics of continuing to operate the sludge incinerators and may determine that it is better to halt operations, at least temporarily.

In response to Commissioner Lampmann's question, Vice Chairman Verdonik indicated that, while there was some \$1,400,000 expended on

the incinerator upgrades and repairs, recent USEPA air quality regulatory changes were unknown at the time the upgrades were made.

Lastly, they advised that Two Bridges has decided to step down the budgeted flows for Pequannock River Basin to 2.03 mgd over several years inasmuch as the flow reduction will have the net effect of increasing the Annual Charges payable by the other three TBSA Participants.

2.2 TBSA Budgeted Flow Analysis

Referring to a series of communications on his analyses of the impacts of reduction of the TBSA budgeted flow for PRBRSA, Mr. Kelly recommended accepting a reduced flow of 2.03 mgd with a corresponding minimum flow share of 32.90%.

Commissioner Lampmann moved adoption of the following resolution (**Resolution No. R-12-1-1**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") has received a request from the Pequannock, Lincoln Park and Fairfield Sewerage Authority (hereinafter "Two Bridges" or "TBSA") for a reduction of the present 2.08 mgd flow used by Two Bridges for distribution of the TBSA operation and maintenance component of the TBSA Annual Charges (the "User Charges"); and

WHEREAS, the Authority has considered the analysis prepared by its Consulting Engineer on the implications of said budgeted flow reduction; and

WHEREAS, the Authority has determined that some additional risk of incurring a User Charge year-end increase will result on acceptance of a reduction of the TBSA budgeted flow as requested; and

WHEREAS, the Consulting Engineer has recommended accepting a reduction of the present 2.08 mgd budgeted flow to a flow of not less than 2.03 mgd [or not less than 32.90% of the total TBSA budgeted flow].

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 18^h day of January, 2012 as follows:

1. The Authority accepts the recommendations of its Consulting Engineer as hereinabove set forth.

2. The Consulting Engineer is authorized and directed to forward this resolution to Two Bridges advising of its consent to the levels set forth above
3. This Resolution shall take effect immediately.

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

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

2.3 Hurricane Irene Response Commendation

Before considering the resolution commending Two Bridges, Mr. Kelly distributed copies of TBSA's Power Point presentation evidencing the extraordinary flooding conditions during Hurricane Irene.

In order to commend Two Bridges on its efforts, Commissioner Gall moved approval of the following resolution (**Resolution No. R-12-1-2**):

RESOLUTION TO COMMEND TWO BRIDGES SEWERAGE AUTHORITY ON ITS EXTRAORDINARY EFFORTS TO ANTICIPATE AND PREPARE FOR THE FLOOD EVENT OCCASIONED BY HURRICANE IRENE AND TROPICAL STORM LEE

WHEREAS, the Pequannock River Basin Regional Sewerage Authority is a Participant in the Two Bridges Sewerage Authority; and

WHEREAS, Hurricane Irene and Tropical Storm Lee of August and September 2011 significantly disrupted the East Coast and Morris and Passaic Counties in New Jersey due to extreme flooding; and

WHEREAS, the Two Bridges Sewerage Authority successfully anticipated, prepared for and responded to these extraordinary events for the benefit of the public safety and welfare, and the environment at large; and

WHEREAS, before, during and after each flood event the Two Bridges Sewerage Authority Staff worked professionally and with unparalleled dedication in successfully handling these most unprecedented circumstances; 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 18th day of January, 2012 as follows:

1. The Pequannock River Basin Regional Sewerage Authority desires to acknowledge the accomplishments of the Two Bridges Sewerage Authority and its staff for its thoughtful preparation and extraordinary response to the Hurricane Irene Storm Event and Tropical Storm Lee.
2. The Secretary shall cause a certified copy of this resolution to be delivered to the Two Bridges Sewerage Authority as an acknowledgment of the Authority's appreciation of these accomplishments.
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, Lampmann, Metcalfe and Verdonik
NAYS	:	None
ABSENT	:	Commissioner Howard
ABSTAIN	:	None

3. Bloomingdale Subflow Matter

As explained by his January 12, 2012 letter to Bloomingdale Borough Administrator Ehrenberg and Butler Borough Administrator Lampmann. Mr. Kelly reviewed his pro forma analyses on the FY 2011 Debt Service Charge adjustment resulting from the Bloomingdale Subflow that he said would result in an additional charge to Bloomingdale \$55,160 with a commensurate credit refund to Butler. He also referred to his January 4, 2012 letter to Mr. Falcon transmitting the joint letter from both municipalities dated November 28, 2011 as distributed to the Board then.

On review of the form of resolution, Commissioner Lampmann had a number of questions and comments, primarily on the process and the practicality of the

towns preparing a “mutually agreed upon” calculation of the Bloomingdale Subflow. Commissioner Lampmann stated that the Authority has prepared estimates in the past and therefore should continue to estimate the Bloomingdale Subflow. Replying, Mr. Kelly indicated that the Authority has no basis upon which to estimate the flows which, in accordance with the 1991 Agreement, are to be based primarily on water meter readings plus the I/I Allowance.

More fundamentally, Commissioner Lampmann maintained that the 1991 Agreement effectively provides that the Authority will bill not only for the Operating Charge but for the Debt Service Charge as well. On that point he indicated that the borough attorneys for both towns concluded that the 1991 Agreement is sufficiently ambiguous as to allow such an interpretation. While not disagreeing on the ambiguity, Mr. Kelly noted that the 1991 Agreement is strictly between the two towns, not with the Authority. He also indicated that it is important from the Authority’s standpoint that PRBRSA not become involved in any potential disputes between Bloomingdale and Butler as to the Bloomingdale Subflow quantity.

Following further discussion, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-12-1-3**):

RESOLUTION APPROVING MODIFICATION TO PRBRSA BILLING PRACTICES GOVERNING BLOOMINGDALE AND BUTLER RELEVANT TO CERTAIN FLOWS EMANATING IN BLOOMINGDALE AND WEST MILFORD

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (Authority or PRBRSA) operates a regional sewerage transmission facility interconnecting areas of Bloomingdale, Butler, Kinnelon and Riverdale with the Pequannock, Lincoln Park and Fairfield Sewerage Authority system for the purpose of sewage conveyance, treatment and disposal; and

WHEREAS, the costs incurred in the construction, operation and maintenance of the sewerage transmission facilities are borne by those served thereby, consistent with the 1990 Amendment to the 1985 Service Contract, and 2008 Amendment to the same; and

WHEREAS, as the PRBRSA interceptor system is presently configured, subflows from the Macopin Road line, which originates in West Milford and extends through Bloomingdale, enter the Butler sewer system unmetered at the Butler trunkline along the Pequannock River, and from there the subflows are conveyed via the Butler sewers to PRBRSA’s Main Street Interceptor located at Main Street and Park Avenue in Butler; and

WHEREAS, the Macopin Road subflows (consisting of flows from Camp Vacamas in West Milford, residential connections along Macopin Road, Treetop Apartments and Waterfall Village within Bloomingdale, and including such other connections to the affected area of the

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sewerage system as may occur after the date of this Resolution - collectively, the "Bloomingdale Subflow") are not specifically addressed in the 1990 Amendment to the 1985 Service Contract, and 2008 Amendment to the same, and accordingly an Agreement was executed between Bloomingdale and Butler dated May 7, 1991 to regulate and establish billing procedures relevant to the Bloomingdale Subflows (hereinafter the "1991 Agreement"); and

WHEREAS, by prior agreement, PRBRSA has made adjustments to the Operating Charge assessed to Butler and Bloomingdale relevant to the Bloomingdale Subflow, based upon flows emanating in each town as a component of the sewer usage portion contained in the Annual Charge billing transmitted to the respective boroughs, consistent with the report entitled, "Report on PRBRSA Annual Charge Billing for Bloomingdale Subflow;" and

WHEREAS, this adjustment has only been applicable to the Operating Charge (flow based) portion of the Annual Charges levied, and does not include any adjustment to the Debt Service Charge (reserve capacity based) portion assessed to each town; and

WHEREAS, by letter dated November 28, 2011 (attached hereto and made a part hereof) the Boroughs of Bloomingdale and Butler have jointly requested that modified billing procedures be developed regarding the Bloomingdale Subflow, which charges shall also include charges for the Debt Service Charge of the Annual Charges for the Bloomingdale Subflow; and

WHEREAS, Bloomingdale and Butler have further requested that, for ease in billing, the prior years' flows and allowance for infiltration & inflow (I/I Allowance) included in the May 1991 Agreement between Butler and Bloomingdale be used to calculate the appropriate Debt Service Charge that is to be credited to Butler for the 2012 billing, with prior years' Debt Service Charges to be resolved between the Boroughs of Butler and Bloomingdale outside of the Authority; and

WHEREAS, the Authority has by letter of January 12, 2012 attached hereto and made a part hereof, prepared and filed with the Boroughs of Bloomingdale and Butler, a Pro Forma calculation of the estimated FY 2011 Debt Service Charges to be charged to and credited against the Annual Charges payable in the Authority's FY 2012; and

WHEREAS, PRBRSA agrees that it is appropriate, upon receipt of Bloomingdale Subflow information from Butler and Bloomingdale to, through the issuance of a separate billing, increase the amount of Debt Service Charge due from the Borough of Bloomingdale relevant to the Bloomingdale Subflow with a corresponding reduction in the amount due from the Borough of Butler; and

WHEREAS, PRBRSA, in consultation with both Participants has determined that this modification to its billing procedures will reasonably distribute charges for services provided by Butler on behalf of Bloomingdale for the Bloomingdale Subflow; and

WHEREAS, the implementation of such a billing system is not inconsistent with the 1990 Amendment to the 1985 Service Contract, and 2008 Amendment to the same, and will not require further amendment of the Service Contract between PRBRSA and its constituent municipalities.

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

1. The Authority's FY 2011 billing practices and future billing practices shall be as follows:
 - a. The Consulting Engineer is hereby authorized and directed to calculate the Debt Service Charge portion of the FY 2011 Annual Charge in the manner prescribed by the 1990 Amendment to the 1985 Service Contract and the 2008 Amendment thereto, and by mutual agreement of the Boroughs of Bloomingdale and Butler, calculate a separate Debt Service Charge billing relevant to the Bloomingdale Subflow. Neither said separate billing for the Bloomingdale Subflow Debt Service Charges – nor the Operating Charge billing related thereto – alter the legal obligations of the Boroughs of Bloomingdale and Butler for Annual Charge payments due under the 1990 Amendment to the 1985 Service Contract and the 2008 Amendment thereto.
 - b. For FY 2011, the Debt Service Charge shall be based upon the Bloomingdale Subflow as previously billed to the towns for FY 2011 at 60,000 gallons per day (gpd).
 - c. As set forth in 1(a) and 1(b) above, by separate billing, the FY 2011 Debt Service Charge so calculated shall be charged to the Borough of Bloomingdale with a corresponding credit due to the Borough of Butler for the Bloomingdale Subflow for the Annual Charges payable to the Authority in FY 2012.
 - d. The separate FY 2011 Debt Service Charge billing shall be charged (for Bloomingdale) and credited (for Butler) to the last three (3) quarterly Annual Charge payments due in FY 2012.
 - e. The separate FY 2011 Debt Service Charge billing shall be payable in accordance with the 1990 Amendment to the 1985 Service Contract
 - f. For FY 2012 and future years, the Boroughs of Bloomingdale and Butler shall submit to the Authority, no later than November 15th of each year, a mutually agreed upon calculation of the Bloomingdale Subflow inclusive

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of the I/I Allowance as set forth by the 1991 Agreement referenced hereinabove.

- g. For FY 2012 and future years, upon receipt of the mutually agreed upon Bloomingdale Subflow calculation from the Boroughs of Bloomingdale and Butler, the Consulting Engineer is authorized and directed to prepare a separate calculation and to issue, by separate billing to both towns in the manner set forth above for FY 2011, the Debt Service Charge for the year.
 - h. If, on or before November 15th of each year, the Authority is not in receipt of the mutually agreed upon Bloomingdale Subflow calculation as set forth above, the Bloomingdale Subflow will be billed on the basis of 60,000 gpd (inclusive of the I/I Allowance per the 1991 Agreement).
 - i. The Boroughs of Bloomingdale and Butler shall have thirty (30) days from receipt of the Bloomingdale Subflow billing statement to challenge the charges, otherwise the Boroughs of Bloomingdale and Butler shall waive the right to challenge the same and the charges shall be conclusively deemed to have been prescribed, adopted and made in accordance with this resolution and to be fully authorized, due and payable quarterly as prescribed by the 1990 Amendment to the 1985 Service Contract, except as may be provided by final judgment on a court of competent jurisdiction in an action begun by either Bloomingdale or Butler within such period.
- 2. The Consulting Engineer is hereby authorized and directed to file this Resolution with the Boroughs of Bloomingdale and Butler.
 - 3. This Resolution shall take effect as provided by law.

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

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

4. TWA Application and Connection Permits

**4.1. Salvation Army/Star Lake Camp
Borough of Bloomingdale**

In response to a request from the Borough of Bloomingdale as well as Star Lake Camp, Mr. Kelly said he provided a letter indicating the Authority's willingness to accept an incremental flow from the proposed Star Lake Camp project of 800 gpd. He noted that is an extremely minor flow increase and would typically not require any action by PRBRSA yet, in this case apparently in connection with the Highlands Act, the Department is requiring letters from the Authority as well as the Two Bridges Sewerage Authority in support of a Highland's waiver.

Commissioner Lampmann inquired where the Star Lake Camp flows connect to the Bloomingdale system? Chairman Voorman and Mr. Kelly indicated that to their knowledge the connection is to the Bloomingdale sewer within Star Lake Road as opposed to the Macopin Road line where the Camp flows would not be metered.

5. Boonton Avenue Interceptor Project

5.1 Sewer Line Cleaning and CCTV-Inspection

As a result of monitoring the system flows, Mr. Kelly said that he has notified Oswald Enterprises that the flows have declined yet not sufficiently as to allow the work to proceed. He indicated that the recent rains have again elevated the flows to the point that the inspection work may not be practical and, consequently, indicated that his office will continue to review the flow conditions in order to have the work performed as soon as possible.

5.2 Engineering Procurement RFP

No change in status on this matter.

FINANCIAL REPORT

1. Treasurer's Report

1.1. Treasurer's Report (Period Ending November 30, 2011)

Treasurer Gall presented the Treasurer's Report for the period ending November 30, 2011. Commissioner Metcalfe moved acceptance of the Treasurer's Report as presented. Commissioner Lampmann seconded the motion which passed upon the following roll call vote:

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

1.2 Treasurers Report (December 31, 2011)

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

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

2. Annual Budget: FY 2012

For the record, Mr. Kelly noted that the State's Division of Local Government Services approved the FY 2012 budget as adopted on October 19, 2011.

Also for the record, Mr. Kelly advised that the revised Annual Charge Certifications with the prior year flow adjustments were issued to the municipalities on December 30, 2011.

3. 2002 Series M and 1996 Series L Bond Refunding

As explained in considerable detail by his letter of December 10th and the accompanying analyses prepared by Brian Burke of RBC Dain Rauscher. Mr. Kelly indicated that current market conditions are extremely favorable to the proposed refunding. He said the earliest date for the bond closing would be the day following Labor Day, Tuesday, September 3rd, yet the process should begin in April. At that time, the Authority's authorization to prepare and file with the State's Local Finance Board the required LFB application for the refunding should be considered for approval.

Explaining further, Mr. Kelly advised that under current market conditions the refunding would return almost 6.7% or \$300,000 in net present value (NPV) savings, substantially in excess of the 3% minimum NPV savings required by the LFB. Consequently, he said that while market conditions may well deteriorate between now and September, that it remains likely that the refunding will still meet the LFB's minimum 3% NPV savings test.

4. Moody's Rating

Chairman Voorman reported that there was a recent downgrade of the Borough of Bloomingdale's credit rating by Moody's from Aa3 to A-1. In response to Treasurer Gall's questions on Bloomingdale's lowered credit rating, Mr. Kelly indicated that it is not clear if the Authority's current rating, which was also lowered to A-1, was the direct result of the Bloomingdale downgrade. Chairman Voorman noted that the "weakest link" theory would typically apply so that the Authority's rating would likely be equal to the lowest rating of any of the Participants. At the same time, however, he noted that the RBC Dain Rauscher analysis was prepared on the basis of the current (i.e., lower) credit rating.

5. Audit: FY 2011

Mr. Kelly reported that the draft audit report was received and distributed to the Board for review. He noted that Chairman Voorman, on review of the draft audit, raised a question on the substantial reduction in interest from FY 2010 to FY 2011. On review of that point, Mr. Kelly said that the reduction primarily resulted from the approximate \$125,000 in the debt service credit interest receivable from Two Bridges.

6. Capital Reserve Fund

In order to increase the Capital Reserve Fund by approximately the amount of the FY 2011 operational surplus, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-12-1-4**):

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, the Authority has previously established the Capital Reserve Fund to minimize future rate impacts anticipated on implementation of the Two Bridges Sewerage Authority capital improvement program and Authority capital projects; and

WHEREAS, the Authority's auditor has confirmed that FY 2011 operations resulted in an operational surplus of \$361,527; and

WHEREAS, the Authority desires to increase the reserve amount within the Capital Reserve Fund.

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 January, 2012 as follows:

1. An amount of \$350,000.00 of unrestricted/undesignated net assets currently within the Revenue Fund shall be designated as a reserve within the Capital Reserve Fund.
2. Said designation shall increase the unrestricted/designated net assets within the Capital Reserve Fund from \$1,425,000.00 to \$1,775,000.00.
3. The Capital Reserve Fund shall be retained as a subaccount with the Revenue Fund (Account No. 2576006500).
4. The Consulting Engineer is directed to forward a copy of this resolution to the Authority's auditor.
5. This Resolution shall take effect immediately.

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

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

7. TBSA User Charge Refund

In order to authorize a \$150,000 refund to the four towns on the Annual Charges due in FY 2012 resulting from the prior year TBSA credit, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-12-1-5**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") has received notification of certain credits to be received from the Pequannock, Lincoln Park and Fairfield Sewerage Authority (hereinafter "Two Bridges" or "TBSA") for adjustment to the fiscal year 2012 Annual Charges payable by the Authority to TBSA; and

WHEREAS, the total TBSA credits for fiscal year 2011 flow adjustments and application of surplus equal \$247,708; and

WHEREAS, the Authority desires to refund a portion of said TBSA credits in the amount of \$150,000 to the municipalities served by the Authority to reduce Annual Charges payable in FY 2012; and

WHEREAS, the Authority further desires to retain the balance of the aggregate \$247,708 FY 2011 refund (\$97,708) in reserve to be applied to future TBSA year-end User Charge increases; and

WHEREAS, the Authority has or will establish a "TBSA User Charge Reserve" for such purposes; and

WHEREAS, the total FY 2011 administrative and operation and maintenance Annual Charges assessed to the Authority's municipalities amounts to \$2,425,000; and

WHEREAS, the FY 2011 Annual Charge flow-related adjustments for the municipalities are as follows:

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Borough of Bloomingdale	(\$ 49,490)
Borough of Butler	(\$ 25,520)
Borough of Kinnelon	(\$ 52,840)
Borough of Riverdale	<u>\$ 127,850</u>
Total	<u>\$ 0</u>

WHEREAS, the TBSA credit refund of \$150,000 is to be distributed to the municipalities in proportion to each town's FY 2011 flow contribution in accordance with the service contract provisions as follows:

Borough of Bloomingdale	(\$ 51,180)
Borough of Butler	(\$ 67,440)
Borough of Kinnelon	(\$ 5,880)
Borough of Riverdale	<u>(\$ 25,500)</u>
TBSA Refund:	<u>(\$150,000)</u>

WHEREAS, based on the above, the net FY 2011 credits and charges the Annual Charges to be assessed to the municipalities in FY 2012 are as follows:

Borough of Bloomingdale	(\$100,670)
Borough of Butler	(\$ 92,960)
Borough of Kinnelon	(\$ 58,720)
Borough of Riverdale	<u>\$ 102,350</u>
Total:	<u>(\$150,000)</u>

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 January 2012 as follows:

1. A refund of \$150,000.00 of the total FY 2011 TBSA refund of \$247,708 shall be credited to the municipalities as herein above calculated.
2. The Consulting Engineer shall issue the Second Revised Annual Charge Certifications for FY 2012 in accordance with the service contract provisions accounting for the Two Bridges prior year credits to be refunded to the municipalities as set forth herein.
3. The Consulting Engineer is directed to forward a copy of this resolution to the Boroughs of Bloomingdale, Butler, Kinnelon and Riverdale and to the Authority auditor.

4. This resolution shall take effect immediately.

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

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

NAYS : None

ABSENT : Commissioner Howard

ABSTAIN : None

8. Fund Balance Transfers & Affirmation

8.1. Authorize Transfer from Renewal and Replace Fund and Bond Reserve Fund

In order to authorize transfers from the Renewal and Replacement Fund and the Bond Reserve Fund, Treasurer Gall moved approval of the following resolution (**Resolution No. R-12-1-6**):

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 20th day of October, 2010 as follows:

1. The Trustee is authorized and directed to transfer all funds in excess of the Bond Reserve Requirement for FY 2012 of \$836,956 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 as set forth by the Consulting Engineer's Certificate dated November 2011 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 Lampmann seconded the motion which passed upon the following roll call vote:

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

8.2. Affirm FY 2012 Discretionary Fund Balances

In order to affirm the balances within each of the Discretionary funds established by the Authority, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-12-1-7**):

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 "Unrestricted" 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 as previously approved.

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 January 2012 as follows:

1. 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 "Unrestricted/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 @ 10/31/11: \$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 @ 10/31/11: \$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 @ 10/31/11: \$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 @ 10/31/11: \$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 @ 10/31/11: \$15,000.00

- 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 @ 10/31/11: \$1,775,000

2. The Consulting Engineer is directed to forward a copy of this resolution to the Authority Auditor.
3. The Resolution shall take effect immediately.

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

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

4. TBSA User Charge Reserve

In order to authorize the creation of a new reserve termed the "TBSA User Charge Reserve" and to simultaneously set aside the reserve into sub-accounts for the amounts earned in FY 2011 by each of the municipalities, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-12-1-8**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") has received from the Pequannock, Lincoln Park and Fairfield Sewerage Authority (hereinafter "Two Bridges" or "TBSA") a credit refund for Fiscal Year 2011 in the amount of \$247,708 for prior year flow adjustments and application of surplus; and

WHEREAS, the Authority has determined to credit \$150,000 of said amount to the Participants and to the Borough of Riverdale as a credit against the Annual Charges due in FY 2012 and to establish a reserve for the \$97,708 remainder; and

WHEREAS, this Authority has or will consent to a reduction of the current 2.03 mgd TBSA budgeted flow to 2.03 mgd [but not less than 32.90% of the total TBSA budgeted flow]; and

WHEREAS, said flow reduction will to some degree increase the risk of a year-end TBSA User Charge increase to the Authority; and

WHEREAS, to hedge against said risk the Authority desires to establish a new reserve termed the "TBSA User Charge Reserve" in the amount set forth above, namely, \$97,708; and

WHEREAS, that Authority also desires to dedicate the TBSA User Charge Reserve to each Participant and to the Borough of Riverdale based upon the FY 2011 pro-rata flows as contributed by each municipality to the Authority's System in Fiscal Year 2011.

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 18^h day of January, 2012 as follows:

1. A reserve termed the "TBSA User Charge Reserve" shall be created in the initial amount of \$97,708 retained as a sub-account of the Authority's Revenue Fund (Account No. 2576006500).
2. Within said TBSA User Charge Reserve account, the following sub-accounts shall be credited to each of the Participants and the Borough of Riverdale:

<u>Municipality</u>	<u>TBSA User Charge Reserve Sub-account</u>
Borough of Bloomingdale	\$33,318
Borough of Butler	\$43,930
Borough of Kinnelon	\$ 3,830
Borough of Riverdale	\$16,630
Total	\$97,708

3. The Authority, at its sole discretion, may periodically allocate, by means of a credit refund against Annual Charge payments due, all or a portion of the TBSA User Charge Reserve to each Participant and to the Borough of Riverdale in direct proportion to the amount set aside for each of the municipalities as set forth hereinabove.
4. The Authority may consider future credits to the TBSA User Charge Reserve upon receipt from Two Bridges of TBSA surplus distributions.

Future year-end TBSA User Charge adjustments will not be credited to the municipalities.

5. The Consulting Engineer is directed to forward a copy of this resolution to the Authority's auditor.
6. This Resolution shall take effect immediately.

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

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

7. **Transfers from Revenue Fund to General Fund**

On discussion of the new TBSA User Charge Reserve, Mr. Kelly advised that Board Counsel recommended that the Authority consider transferring surplus funds, primarily the discretionary funds presently retained in the Revenue Fund, to the General Fund. He explained that Bob Beinfeld advised that, on such transfer, the revenue pledge and bondholder liens be less restrictive than they would if the funds were retained within the Revenue Fund. Further, Mr. Kelly said that board counsel also indicated that the Authority may wish to transfer the funds completely "outside the 1986 Resolution" where they would no longer be subject to the restrictive covenants under the 1986 Resolution.

On discussing the transfer of funds, the Board consensus was that the funds should be retained under Trustee control within the General Fund. In accordance with his letter of January 17, 2012 to the Board, Mr. Kelly said that a resolution to that effect will be available for consideration at the Board's February 15th meeting.

UNFINISHED BUSINESS

1. PRBRSA Website

No change in status on this matter.

NEW BUSINESS

1. PRBRSA Appointment to Two Bridges Sewerage Authority

Mr. Kelly advised that Chairman Voorman's term as a Member of the Two Bridges Sewerage Authority as PRBRSA's representative there expires effective January 31, 2012

On discussing the appointment, Vice Chairman Verdonik acknowledged Chairman Voorman's efforts and inquired if he would be interested in serving another term. Following Chairman Voorman's affirmative reply, the Board similarly expressed their appreciation to Chairman Voorman for his dedicated service on Two Bridges over the last five years.

In order to re-appoint Robert Voorman as the PRBRSA representative as a Member of the Two Bridges Sewerage Authority, Commissioner Metcalfe moved approval of the following resolution (**Resolution No. R-12-1-9**):

WHEREAS, the Sewerage Authorities Law, and specifically N.J.S.A. 40:14A-4(o), provides for the appointment of Members to a contiguous sewerage authority where a service agreement between them provides for the same; and

WHEREAS, the Pequannock Lincoln Park and Fairfield Sewerage Authority ("TBSA") and the Pequannock River Basin Regional Sewerage Authority ("PRBRSA") entered into a Service Agreement dated December 20, 1985 providing for such appointments; and

WHEREAS, the Pequannock River Basin Regional Sewerage Authority wishes to appoint Robert Voorman to serve as a representative of PRBRSA to TBSA:

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 January, 2012, as follows:

1. Robert Voorman is hereby appointed to represent the Pequannock River Basin Regional Sewerage Authority as aforesaid commencing on the date hereof and

ending January 31, 2017 or on the completion of his term on PRBRSA, whichever occurs earlier.

2. This Resolution shall take effect immediately and a certified copy hereof shall be filed in the Office of the Secretary of State, the Office of the Pequannock Lincoln Park and Fairfield Sewerage Authority as well as with the Municipal Clerks of Butler, Bloomingdale, Kinnelon and Riverdale.

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

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

PAYMENT OF BILLS

1. Operating Budget

1.1 Operating Request for Payment No. 299 (January 2012)

Treasurer Gall presented the Bills as listed on Operating Request for Payment No. 298 for payment as follows:

Operating Request for Payment No. 298

The following bills have been reviewed and are recommended for approval for payment at the **January 18, 2012** 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>ACCT. NO.</u>	<u>NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>CHECK PAYABLE TO</u>
1)	33.01	OP-12-1-1	9/10/10	\$ 2,376.00	Borough of Butler
2)	33.01	OP-12-1-2	3/17/10	\$ 2,376.00	Borough of Butler
3)	24.05	OP-12-1-3	3/17/10	\$ 250.00	Borough of Butler
4)	33.03	OP-12-1-4	12/28/11	\$ 32.59	Verizon

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5)	33.03	OP-12-1-5	12/23/11	\$ 32.59	Verizon
6)	33.03	OP-12-1-6	1/4/12	\$ 28.89	Verizon
7)	33.03	OP-12-1-7	12/28/11	\$ 32.59	Verizon
8)	33.03	OP-12-1-8	11/23/11	\$ 28.89	Verizon
9)	33.03	OP-12-1-9	11/28/11	\$ 32.59	Verizon
10)	33.03	OP-12-1-10	1/5/12	\$ 3.25	JCP&L
11)	22.01	OP-12-1-11	1/10/12	\$ 3,559.50	Maraziti, Falcon & Healey
12)	22.03	OP-12-1-12	1/4/12	\$ 10,400.00	Kelly Engineering
13)	32.02	OP-12-1-13	1/11/12	\$ 5,534.81	Kelly Engineering
14)	32.02	OP-12-1-14	1/13/12	\$ 4,880.69	Kelly Engineering
15)	24.07	OP-12-1-15	1/3/12	\$ 174.95	Kelly Engineering
16)	26.05	OP-12-1-16	12/19/11	\$ 945.00	US Bank
17)	26.04	OP-12-1-17	1/6/12	\$ 2,317.50	US Bank
18)	26.01	OP-12-1-18	12/6/11	\$ 2,500.00	US Bank
19)	26.02	OP-12-1-19	1/6/12	\$ 4,255.75	US Bank
20)	*	OP-12-1-20	1/15/12	\$ 436,663.00	Pequannock, Lincoln Park & Fairfield Sewerage Authority
21)	33.03	OP-12-1-21	12/8/11	\$ 17.96	Borough of Butler-Electric Dept.
22)	33.03	OP-12-1-22	1/4/12	\$ 17.96	Borough of Butler-Electric Dept.
23)	24.04	OP-12-1-23	1/6/12	\$ 706.26	The TAB Group
24)	33.03	OP-12-1-24	1/4/12	\$ <u>32.93</u>	Verizon

TOTAL: \$ 477,199.70

* Breakdown

27.00	\$ 54,654.00
13.00	\$ 270,107.00
35.00	\$ 513,091.00
35.00	\$ (247,708.00)
18.00	\$ (153,481.00)
	<u>\$ 436,663.00</u>

Commissioner Lampmann moved payment of the bills as presented. Treasurer Gall seconded the motion which passed unanimously on the following roll call vote:

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

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NAYS : None
ABSENT : Commissioner Howard
ABSTAIN : None

OPEN MEETING FOR PUBLIC COMMENT

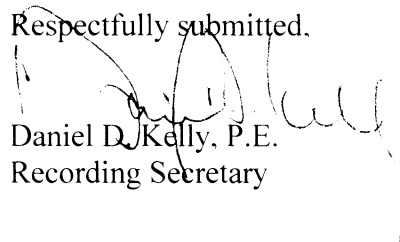
There being no members of the public present. Chairman Voorman dispensed with the public participation portion of the meeting.

ADJOURNMENT

Commissioner Metcalfe moved for adjournment at approximately 8:30 pm. That motion was seconded by Commissioner Lampmann and approved unanimously on voice vote.

At approximately 8:30 pm, the meeting was adjourned.

Respectfully submitted,



Daniel D. Kelly, P.E.
Recording Secretary

Enclosures: Treasurer's Report for the period ending November 30, 2011
Treasurer's Report for the period ending December 31, 2011