

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

August 20, 2014

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on August 20, 2014 in the Conference Room at the Butler Municipal Building, One Ace Road, Butler, New Jersey. Vice Chairman Verdonik called the meeting to order at approximately 7:30 p.m.

ROLL CALL

On roll call:

PRESENT : Vice Chairman Verdonik, Commissioners Gall, Howard, and Metcalfe

ABSENT : Chairman Voorman and Commissioner Lampmann

ALSO PRESENT : Robert H. Beinfield, Esq., Hawkins, Delafield & Wood (Mr. Beinfield left the meeting in progress at approximately 8:45 PM); Christopher H. Falcon, Esq., Maraziti, Falcon & Healey; and Daniel D. Kelly, P.E., Kelly Engineering

OPEN PUBLIC MEETING STATEMENT

Vice Chairman Verdonik 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.

ORDER OF BUSINESS

Vice Chairman Verdonik suggested and the Board agreed to consider the two matters that Mr. Beinfield was prepared to address, namely, the subordinate bond issue for the Boonton Avenue Interceptor project under the NJEIT Loan Program and the SEC Municipal Continuing Disclosure Cooperative Initiative matter.

With that introduction Mr. Beinfield addressed both matters as follows:

1. NJEIT Financing

Mr. Beinfield reviewed the upcoming financing through the New Jersey Environmental Infrastructure Trust Program. He explained that the Local Finance Board approved the Authority's application for funding not to exceed \$2,700,000, funding that is anticipated

at 0% interest rate for 75% of the loan (The State Fund Bonds) with the 25% balance issued through bonds sold by the NJEIT (the Trust Bonds) at prevailing market rates. The projected blended rate is conservatively estimated at 1.25%.

Mr. Beinfield reviewed the particulars of the proposed form of resolution authorizing the issuance of a maximum of \$2,700,000 of subordinate bonds. He explained that the bonds will be subordinate to the Authority's currently outstanding public debt. Effectively he said the Authority will then no longer be subject to the covenants under the July 15, 1986 General Bond Resolution inasmuch as the debt will be issued to the State of New Jersey and to the New Jersey Environmental Infrastructure Trust.

Mr. Beinfield continued explaining that the NJEIT program bond closing is scheduled for May 2016 noting that there is the possibility of obtaining a bridge loan through the NJEIT Interim Loan Program if that were to be necessary. He further noted that the resolution approves a not-to-exceed 7% bond interest rate which again is estimated conservatively high. Nonetheless, he said if market conditions were to change such that the anticipated bond offering would exceed that rate, the Authority would have the option to increase the maximum bond interest rate as presently stipulated.

On discussion, Commissioner Metcalfe advised, that as a registered representative of a broker/dealer, his approval of the resolution may be construed as an endorsement of the issue which would be contrary to SEC regulations. Mr. Beinfield emphasized that the bond issues are subordinate bonds being issued through the state itself and under the NJEIT program, technically, through the New Jersey Environmental Infrastructure Trust for the Trust Bonds and the State of New Jersey for the Fund Bond portion. Therefore Mr. Beinfield advised there is no issue with Commissioner Metcalfe's position.

Following further discussion, Commissioner Gall moved approval of the following Resolution (**Resolution No. R-14-8-2**):

Resolution No. R-14-8-2 is attached.

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

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

2. SEC Municipal Continuing Disclosure Compliance Cooperative Initiative

Referring to a number of documents that had previously been distributed to the Board, Mr. Beinfield reported extensively on the SEC's recent initiative to compel compliance by both issuers and underwriters related to their respective continuing disclosure obligations. He explained that the SEC initiative arose on the failure of a particular issuer to comply, assurances to the SEC notwithstanding, that it had complied with continuing disclosure regulations. Following that he said that the SEC has taken a heavy hand its compliance initiative yet at the same time has allowed issuers to review their compliance activities and, if infirmities are found, to self-report to the SEC by December 1, 2014. By self-reporting during the amnesty period, potential SEC enforcement actions would be averted. He further explained that the filing deadline had been September 10th for both issuers and underwriters yet has been extended for the issuers alone. He explained that plays to the Authority's advantage in that PRBRSA's underwriter, RBC Capital Markets, will be reporting by the September 10th deadline. In response to Commissioner Howard's question, he said that that information will be made available to the Authority based on his communications with Brian Burke of RBC.

Following extensive discussion, Mr. Beinfield presented and explained a form of resolution (Resolution No. R-14-8-4) his office prepared authorizing various actions relating to the SEC Municipal Continuing Disclosure Cooperative Initiative.

On discussion of the resolution, Commissioner Howard objected to its form stating that he would not consent to an omnibus approval as he interpreted Section 2 would provide. Mr. Beinfield agreed as did Mr. Falcon indicating that the resolution would be modified so that the Authority would have the opportunity, prior to any filing or any decision not to file by December 1st, to revisit the matter sometime following September 10th and upon issuance of the final report by Public Financial Management based on the advice of bond counsel and counsel.

Continuing, Mr. Beinfield reviewed a draft report filed by PFM on August 19th, a copy of which was made available to the Board that evening and was the subject of a conference among the professionals earlier in the day. He said, on balance, the Authority has done extremely well in its compliance, particularly its primary obligations with respect to the recently issued 2012 Series N Sewer Revenue Refunding Bond issue. He explained that while the Authority had not filed disclosure information in the five years prior to that issuance, that fact was acknowledged in its Official Statement and, retroactively, those filings were made. Following the Series N Bond issuance, Mr. Kelly reported, consistent with PFM's findings, that the disclosures have been made annually on the EMMA website by the Authority's auditor. Mr. Beinfield noted there was one minor issue with a July 31, 2012 rating change but preliminarily did not believe that that would be considered material. Mr. Falcon agreed noting that the Authority had never received any notice from the rating agency, Moody's, on the rating change back in 2012 which was only discovered as a product of the Authority's due diligence investigations in preparation of the Official Statement prior to issuance of the 2012 Series N Bonds.

On related matter, Mr. Beinfield explained that the Authority also has an obligation under a 2003 Continuing Disclosure Agreement with the Two Bridges Sewerage Authority. That obligation, however, does not extend to PRBRSA's publication of information on the EMMA website. Instead the Authority committed to file its financial report and budget annually with Two Bridges such that the continuing disclosure obligation rests with TBSA and its Dissemination Agent, not with Pequannock River Basin.

Explaining the evolving nature of the SEC regulatory actions in compelling compliance, Mr. Beinfield said that bond counsel firms throughout the state and across the country are necessarily taking a cautious line in their analysis due to the fact that the SEC has provided virtually no guidance or specifics on what would constitute as a material breach of the disclosure obligations. Again, he noted the fact that the Authority's underwriter, RBC, will be reporting well in advance of the Authority should prove beneficial, noting also that he has learned from RBC that the PRBRSA 2012 Series N Bond Issuance will not be on their list of issues which they believe need to be self-reported by December 1st. Nonetheless, he stated that the potential consequences are such that bond issuers must thoroughly analyze their disclosure reporting and filings before making final determinations on the need to self-report. Commenting on that, Mr. Falcon said that he believes it would be in the Authority's best interest to take full advantage of the amnesty period such that, if there are any questions on particular infirmities, to self-report them to the SEC rather than take the chance that the SEC would find issues after the fact and initiate enforcement actions including fines and penalties.

Mr. Falcon and Mr. Beinfield modified Section 2 of the resolution to recognize the Board's comments, particularly those of Commissioner Howard, to require that, following issuance of Public Financial Management's final report and on the advice of its professionals, that the matter would be returned to the Board to decide to either self-report with the SEC or not.

Following further discussion, Commissioner Howard moved the following resolution (**Resolution No. R-14-8-4**) in its revised form at Section 2:

**RESOLUTION OF THE PEQUANNOCK RIVER BASIN
REGIONAL SEWERAGE AUTHORITY RELATING TO
CONTINUING DISCLOSURE MATTERS APPLICABLE TO
BONDS AND NOTES OF THE AUTHORITY AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION
THEREWITH.**

WHEREAS, the Pequannock River Basin Regional Sewerage Authority, New Jersey (the "Authority") has previously issued its bonds, bond anticipation notes and/or other debt obligations (the "Bonds") and

WHEREAS, in connection with the issuance of certain of the Bonds and for purposes of assisting underwriters to comply with Rule 15c-12 under the Securities Exchange Act of 1934, the Authority has covenanted and/or entered into one or more undertakings or agreements to provide continuing disclosure (the "Continuing Disclosure Obligation") to the public marketplace; and

WHEREAS, in general the Continuing Disclosure Obligation requires the Authority to file certain financial information and notice of certain events in specified places and at specified times; and

WHEREAS, in connection with the sale of certain of the Bonds, the Authority issued one or more official statements that, among other things, described the Authority's Continuing Disclosure Obligation and whether or not the Authority had previously complied with its Continuing Disclosure Obligation in all material respects; and

WHEREAS, the Division of Enforcement (the "Enforcement Division") of the U.S. Securities and Exchange Commission (the "SEC") announced its Municipalities Continuing Disclosure Cooperation Initiative (the "Initiative") to address potentially materially inaccurate descriptions in official statements (made innocently, inadvertently or otherwise) of prior compliance with continuing disclosure obligations; and

WHEREAS, pursuant to the terms of the Initiative, the Enforcement Division will recommend "favorable settlement terms" for underwriters and issuers that self-report by 12:00 a.m., eastern standard time, on September 10, 2014 (for underwriters) and December 1, 2014 (for issuers), possible materially inaccurate statements in official statements in the last five years relating to prior compliance with continuing disclosure obligations by submitting a specified questionnaire (the "Questionnaire") to the Enforcement Division; and

WHEREAS, the Authority has been provided with a copy of the Initiative, a copy of an advisory prepared by bond counsel to the Authority describing the Initiative and a copy of the Questionnaire released by the Enforcement Division; and

WHEREAS, if an issuer takes advantage of the Initiative by self-reporting possible materially inaccurate statements and if any of such statements are determined to be materially inaccurate by the Enforcement Division, the Enforcement Division will recommend to the SEC a settlement in which (i) the issuer consents to a cease-and-desist order, (ii) the issuer neither admits nor denies the findings of the SEC and (iii) there is no payment of any civil penalty by the issuer; and

WHEREAS, any such settlement will require the issuer (i) to establish appropriate policies and procedures and training regarding continuing disclosure obligations within 180 days, (ii) comply with existing continuing disclosure undertakings, including updating past delinquent filings within 180 days, (iii) cooperate with any subsequent investigation by the Enforcement Division regarding the false statement(s), including the roles of individuals and/or other parties involved, (iv) disclose in a clear and conspicuous fashion the settlement terms in any final official statement for an offering by the issuer for five years and (v) provide the SEC staff with a compliance certification regarding the applicable undertakings by the issuer in one year; and

WHEREAS, the Initiative cautions that if an issuer does not take advantage of the Initiative by submitting a Questionnaire identifying any possible materially inaccurate statement with respect to prior compliance with a continuing disclosure obligation and the Enforcement Division later determines that such a materially inaccurate statement was made, then the Enforcement Division will likely recommend and seek financial sanctions against the issuer; and

WHEREAS, the New Jersey Division of Local Government Services issued Local Finance Notice 2014-9, dated July 23, 2014 (the "LFN"), which among other things strongly recommends that local government officials proactively take steps to self-identify their own levels of compliance with continuing disclosure obligations in order to determine if it is advisable to participate in the Initiative; and

WHEREAS, the LFN advises that the failure to live up to continuing disclosure requirements, in addition to having potential consequences under federal law, could have consequences for various State of New Jersey matters including, in particular, (i) the denial or deferral of applications made to the Local Finance Board and (ii) decreased scores on future "Best Practices Questionnaires" that could trigger a withholding of a portion of State aid; and

WHEREAS, in light of the foregoing, the Authority is desirous of retaining a professional firm that specializes in continuing disclosure matters to examine the Authority's Continuing Disclosure Obligation and previous continuing disclosure filings and to report to the Authority any noncompliance with its Continuing Disclosure Obligation; and

WHEREAS, upon receipt of such report from the continuing disclosure specialist, the Authority will review such report with its professionals, including particularly its bond counsel, its auditor, its general counsel, its consulting engineer and its other finance professionals (the "Authority Professionals"); and

WHEREAS, as a result of such review, it may be desirable for the Authority to take advantage of the Initiative by submitting one or more Questionnaires to the Enforcement Division identifying a statement with respect to prior compliance with its Continuing Disclosure Obligation that is potentially materially inaccurate; and

WHEREAS, the Authority is desirous of authorizing the submission of one or more Questionnaires to the Enforcement Division if deemed advisable by the Authority Chairman, Vice-Chairman or Treasurer (the "Authority Officials") after consultation with the Authority Professionals;

NOW, THEREFORE, BE IT RESOLVED BY THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY, and the commissioners thereof, AS FOLLOWS:

Section 1. Authorization to Retain a Continuing Disclosure Specialist. The Authority Officials are each hereby authorized and directed to retain a firm that specializes in continuing disclosure matters (a) to examine the Authority's Continuing Disclosure Obligation and previous continuing disclosure filings, (b) to report to the Authority any noncompliance with its Continuing Disclosure Obligation and (c) to otherwise assist the Authority and the Authority Professionals with respect to the Initiative, the Questionnaire and the provision of continuing disclosure materials to the public marketplace.

Section 2. Authorization to Submit Questionnaire. After examining the report of the Continuing Disclosure Specialist, consulting with the Authority Professionals and receiving Authority approval therefor, the Authority Officials are each hereby authorized to take advantage of the Initiative by submitting one or more Questionnaires to the Enforcement Division by the December 1, 2014 deadline established by the Initiative.

Section 3. Various Incidental Actions. The Authority Officials are hereby authorized to execute and deliver all documents and instruments and to do all matters and things as may be necessary, useful, convenient or desirable in connection with the foregoing.

Section 4. Prior Action. All action heretofore taken by the Authority Officials and the Authority Professionals relating to the foregoing is hereby ratified, confirmed, adopted and approved, including without limitation soliciting and/or engaging a professional firm that specializes in continuing disclosure matters to undertake the continuing disclosure review described in this resolution.

Section 5. Capitalized Terms. All capitalized words and terms used by not defined in this resolution shall have the meanings ascribed to such words and terms, respectively, in this resolution.

Section 6. Effective Date. This resolution shall take effect immediately.

Commissioner Metcalfe seconded the motion which passed unanimously at an all call vote:

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

Note: Mr. Beinfield left the meeting in progress at approximately 8:45 pm.

ADOPTION OF MINUTES

1. Meeting Minutes: Regular Meeting – July 16, 2014

Commissioner Metcalfe moved approval of the minutes of the Authority's July 16, 2014 regular meeting. That motion was seconded by Commissioner Howard and passed unanimously on the following roll call vote:

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

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

Mr. Kelly presented the Flow Report dated August 14, 2014 (Rev. 8/19/14) for the period ending July 31, 2014.

The following supplemental reports were distributed to the Board in the meeting file folders:

- Daily Flow Summary for July 2014
- Daily Flow Hydrograph for July 2014
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for July 2014
- TBSA Budgeted vs. Actual Flow for July 2014

1.2 TBSA Actual vs. Budgeted Flow Analysis

Mr. Kelly presented his August 20, 2014 memorandum comparing the Two Bridges Sewerage Authority estimated flow for FY 2014 to the actual flows recorded by the Authority's system through July 31, 2014.

1.3 ADS Flow Monitoring System Evaluations

Mr. Kelly reported that Kleinfelder is presently evaluating ADS flow data along with the information by the Borough of Butler, water metering data, along with other relevant information.

Mr. Kelly said that he understands that Kleinfelder will issue a draft report by the end of the month.

2. TBSA Activities

2.1 Status Update

No report.

3. TWA Applications and Connection Permits

**3.1 TWA Application
Meer Track (Meer Bloomingdale Project)
Borough of Bloomingdale**

Reporting on the above referenced application for a 360 unit residential project in Bloomingdale, Mr. Kelly said that it had originally been approved by the Authority in 2008 but the Treatment Works Approval permit has since expired. Consequently, he said that the project will be refiled for review and approval.

4. Boonton Avenue Interceptor Project

4.1 Status Report

Mr. Kelly referred to his August 20, 2014 memorandum summarizing the status of the Boonton Avenue Interceptor Project based on his conference with Suburban Consulting Engineers.

He reviewed in particular the issues presented by the findings of the supplemental geotechnical investigations which seem to confirm the original findings showing the presence of cobbles, boulders, if not ledge rock in the vicinity of Main Street and Park Place. He said, due to the proposed type of construction, a tunneling operation using a bore and jack technique, boulders and ledge rock would prove extremely problematic. Accordingly, he said Suburban is evaluating the geotechnical findings further and will advise on the construction techniques and related costs by the end of the month.

4.2 NJEIT Loan Program

Concerning the NJEIT Loan Program, Mr. Kelly said the project is moving forward with indications that the Treatment Works Application will be approved and a permit issued sometime in September. He noted that the present expectation is that the authorization to advertise the contracts, Contract No. I-4A and Contract No. I-4B, will be issued the following month.

4.3 Geotechnical Investigations

Continuing on the findings of the supplemental geotechnical investigations, Mr. Kelly said that there may be a need to conduct further investigations in order to provide the construction contractor with the best information available on soil conditions in the work area. He said the current findings are such that, in bidding the project, any contractor would necessarily need to anticipate the presence of at least boulders which would drive the cost considerably higher than the tunneling cost absent such conditions. Based on the Borough of Butler's experience and that of PRBRSA also in constructing facilities in the same area, at depths comparable to that necessary to build a new line along Park Place under the railroad to connect to the existing line within Main Street, Mr. Kelly said that there were no reports of any boulders or rock conditions, although expensive dewatering was required in all cases.

Vice Chairman Verdonik commented that further geotechnical investigations may be warranted to assure that the contractor has the best information possible for bidding as well as for construction purposes. Mr. Kelly said that he would also check on inspection reports prepared by the Authority's engineer in the early to mid-1990s and will also check with Butler's engineer on its sanitary sewer installation within Main Street and the more recent water main construction in Park Place.

FINANCIAL REPORT

1. Treasurer's Report

1.1 Acceptance of July, 31 2014 Treasurer's Report

Commissioner Gall moved acceptance of the Treasurer's Report for the period ending July 31, 2014 as presented. Commissioner Howard seconded that motion which passed unanimously upon the following roll call vote:

AYES : Vice Chairman Verdonik,
Commissioners Gall, Howard and
Metcalfé

NAYS : None

ABSENT : Chairman Voorman and Commissioner
Lampmann

ABSTAIN : None

1.2 Annual Budget: FY 2015

Referring to his August 15, 2014 letter to Treasurer Lampmann transmitting the Annual Budget for fiscal year 2015 along with the Annual Budget Summary, all dated August 20, 2014, Mr. Kelly advised that the budget to be considered for approval is the same as that presented at the Board's June 18th meeting. He noted that the budget includes a 1.8% increase in Revenues and Appropriations over the prior year along with a 2% rate or Annual Charge increase of \$100,000 to the municipalities along with a \$500,000 contribution to the Capital Reserve Fund.

Following discussion, Commissioner Gall moved approval of the following resolution (**Resolution No. R-14-8-1**):

**2014 Authority Budget Resolution
(PRBRSA FY 2015)**

Pequannock River Basin Regional Sewerage Authority
(Name)

FISCAL YEAR: FROM November 1, 2014 TO October 31, 2015

WHEREAS, the Annual Budget and Capital Budget for the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2014 and ending, October 31, 2015 has been presented before the governing body of the Pequannock River Basin Regional Sewerage Authority at its open public meeting of August 20, 2014; and

WHEREAS, the Annual Budget as introduced reflects Total Revenues of \$5,865,000, Total Appropriations, including any Accumulated Deficit if any, of \$5,865,000 and Total Unrestricted Net Assets utilized of \$0; and

WHEREAS, the Capital Budget as introduced reflects Total Capital Appropriations of \$1,800,000 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 20, 2014 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, 2014 and ending, October 31, 2015 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 15, 2014.

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

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

1.3 Rate Stabilization Analysis

Mr. Kelly briefly described the results of the Rate Stabilization Analysis as transmitted to the Board over his letter to Treasurer Lampmann of July 28, 2014. He explained that the analysis includes a look back at the Authority's Revenues, Appropriations, and Annual Charges for the prior 15 years (Table 1) and then projects nine years forward through FY 2024 based on 2% annual increases for the Two Bridge's as well as PRBRSA's operation and maintenance expenses and administrative expenses (Table 2A) with comparable projections at 5% annual increases (Table 2B).

Referring to Table 2A, Mr. Kelly said that at 2% annual Appropriation increases the rates remain reasonably stable at an average annual rise approximating 0.2% through FY 2024 with a total of 1.7% or \$90,000 increase by FY 2024. He noted that that includes the reduction anticipated in TBSA debt service credit (\$613,923) and increases current debt service payment levels to TBSA from \$1,170,000 to \$1,400,000 (even though Two Bridges debt is scheduled to decrease pending issuance of additional bonds for the current project). Lastly, he explained that the analysis budgets \$65,000 in FY 2016 and then \$140,000 annually from FY 2017 through FY 2024 for the debt service anticipated for the Boonton Avenue Interceptor project through the NJEIT Loan Program.

Referring to the Table 2B, Mr. Kelly said the annual rate increases average approximately 2.3 through FY 2024 if the TBSA and PRBRSA cost escalate at 5% annually. The total increase is projected at \$1,190,000 or 22.8% over the 9 year span.

1.4 NJEIT Financing

See discussion above.

UNFINISHED BUSINESS

1. Riverdale Capacity Allocation Request

Mr. Falcon said that he has preliminarily reviewed the provisions of the Riverdale Service Contract and will report more fully to the Board at a future date. Preliminarily he said the contract provides for the Borough of Riverdale's membership on the PRBRSA under specific flow conditions. Further, he indicated that the Sewerage Authority's Law itself provides a mechanism by which membership would be implemented such that Riverdale would place two new Board Members on the present six Member board. He said he would complete his review and file a report at the appropriate time.

On discussing the request by Riverdale for additional capacity, Commissioner Metcalfe noted that apparently the Boroughs of Bloomingdale and Kinnelon have set a price which is considerably higher than that evidently offered by Riverdale. The dollar difference notwithstanding he raised a topic that the Authority and the towns will need to address on the possibility that, following transfer of the requested 100,000 gallon per day capacity allocation, Riverdale still may not have adequate capacity to complete the projects for which the Borough would pay a considerable sum for the necessary allocation. Commissioner Metcalfe asked Mr. Kelly if that situation could occur. Responding, Mr. Kelly said that Riverdale's present flows averaged 486,000 gpd through July 31, 2014 and were considerably higher earlier in the year than the year-to-date average. That being the case, even with the additional allocation, Riverdale would run the risk that, depending upon the actual flows at the time, the Authority would not be in a position to approve Treatment Works Approval

applications for necessary permits for local projects within the Borough. Mr. Kelly noted that he has raised that potential with counsel since it is something that needs to be fully understood by all parties before any transfer is ultimately approved.

2. Contingency Operating Plan

No change in status on this matter.

NEW BUSINESS

1. Public Financial Management Contract

As discussed further below, Mr. Kelly requested the Authority's authorization to enter into a formal contract with Public Financial Management for financial advisory services related to the SEC Municipal Continuing Disclosure Cooperative Initiative. He explained that his office issued three Requests for Proposals and on review of same, recommended award of the contract to PFM. He noted as well that due to time constraints, notably, the initial SEC September 10th deadline, that the work was authorized subject to Board confirmation.

Following discussion, Commissioner Metcalfe moved approval of the following resolutions (**Resolution No. R-14-8-3**):

Resolution No. R-14-8-3

RESOLUTION TO AWARD CONTRACT TO PUBLIC FINANCIAL MANAGEMENT, INC.

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("Authority") desires to retain the services of a financial consultant to assist with a compliance review of the continuing disclosure provided by the Authority, pursuant to U.S. Securities and Exchange Commission ("SEC") rules and regulations in connection with the Municipalities Continuing Disclosure Cooperation Initiative ("MCDC Initiative") of the SEC; and

WHEREAS, the Authority is authorized by N.J.S.A. 40A:11-5(1)(a)(ii) to award a contract for the provision of specialized financial consulting services as an extraordinary unspecifiable service; and

WHEREAS, the Authority has reviewed the Certification of Daniel D. Kelly, P.E., of even date delivered in accordance with the regulations of the Division of Local Government Services;

WHEREAS, funds are available for these services.

NOW, THEREFORE, BE IT RESOLVED, by the Pequannock River Basin Regional Sewerage Authority, in the State of New Jersey on this 20th day of August, 2014 as follows:

1. The Authority does hereby designate Public Financial Management, Inc. ("PFM") to provide financial consulting services to assist with a review of the Authority's records and other financial information pertaining to the Authority's compliance with its continuing disclosure obligations under SEC rules and regulations.

2. The Chairman is authorized to execute an agreement with PFM for the provision of such services which agreement shall provide for compensation in the amount of a \$3,000.00 fee, and which shall not exceed that amount without further approval.

3. The above-named contract is awarded for the provision of extraordinary unspecifiable services pursuant to N.J.S.A. 40A:11-5(1)(a)(ii).

4. The Secretary is authorized and directed to cause a copy of this Resolution to be published in the official newspaper of the Authority concerning the contract award to the aforesaid consultant within twenty (20) days of the date hereof. The aforesaid firm shall be paid from funds appropriated for these purposes in accordance with the duly adopted budget of the Authority, and other implementing actions of the Authority. The agreement for services shall be on file and available for inspection by members of the public in accordance with law.

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

Certified to be a true copy of a Resolution enacted at a duly convened public meeting of the Pequannock River Basin Regional Sewerage Authority held on August 20, 2014.

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

AYES : Vice Chairman Verdonik, Commissioners Gall, Howard and Metcalfe

NAYS : None

ABSENT : Chairman Voorman and Commissioner Lampmann

ABSTAIN : None

2. SEC Municipal Continuing Disclosure Compliance Cooperative Initiative

See discussion above.

PAYMENT OF BILLS

1. Operating Budget

1.1 Operating Request for Payment No. 330

Commissioner Gall moved approval of Operating Request for Payment No. 330 as presented as follows:

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY
 SUMMARY OF VOUCHERS FOR
 OPERATING EXPENSES**

Operating Request for Payment No. 330

The following bills have been reviewed and are recommended for approval for payment at the **Aug. 20, 2014** 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-14-8-1	9 12 2012	\$ 2,475.00	Borough of Butler
2)	24.05	OP-14-8-2	3 31 2014	\$ 250.00	Borough of Butler
3)	22.01	OP-14-8-3	8 7 2014	\$ 2,669.50	Maraziti, Falcon & Healey
4)	24.07	OP-14-8-4	8 5 2014	\$ 131.89	Kelly Engineering
5)	22.03	OP-14-8-5	8 5 2014	\$ 10,400.00	Kelly Engineering
6)	32.02	OP-14-8-6	8 5 2014	\$ 4,409.00	Kelly Engineering
7)	33.01	OP-14-8-7	08 04 14	\$ 3,099.90	ADS LLC
8)	33.01	OP-14-8-8	07 16 14	\$ 3,099.90	ADS LLC
9)	22.05	OP-14-8-9	07 17 14	\$ 450.00	Up & Running
10)	24.07	OP-14-8-10	8 6 2014	\$ 75.43	North Jersey Media
11)	24.04	OP-14-8-11	6 30 2014	\$ 158.29	The Tab Group
12)	33.03	OP-14-8-12	7 31 2014	\$ 17.96	Borough of Butler -Electric
13)	33.03	OP-14-8-13	8 11 2014	\$3.25	JCP&L
14)	33.03	OP-14-8-14	8 4 2014	\$ 34.15	Verizon
15)	33.03	OP-14-8-15	8 12 2014	\$ 30.42	Verizon
16)	33.03	OP-14-8-16	8 12 2014	\$ 34.15	Verizon
17)	33.03	OP-14-8-17	8 11 2014	\$ 33.99	Verizon
TOTAL:				<u>\$ 27,372.83</u>	

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

AYES : Vice Chairman Verdonik, Commissioners Gall, Howard, and Metcalfe

NAYS : None

ABSENT : Chairman Voorman and Commissioner Lampmann

ABSTAIN : None

2. Construction Fund Disbursements

2.1 Construction Disbursement Request No. C-13-14

Commissioner Gall moved approval of Construction Fund Disbursement Request No. C-13-14 as presented as follows:

CONSTRUCTION DISBURSEMENT REQUISITION No. C-13-14

Gentlemen:

In accordance with Section 513(B) of the Resolution adopted by the Authority on July 15, 1986, as amended and supplemented, and entitled "Resolution Providing for the Issuance of Bonds of the Pequannock River Basin Regional Sewerage Authority and for the Rights of the Holders Thereof, and Authorizing \$20,000,000 Principal Amount Thereof" (the "Resolution"), you are hereby instructed to make the following disbursements from the Construction Fund (Account #2576006501) as authorized by the Authority at a meeting on **August 20, 2014**:

	<u>AUTHORITY ACCOUNT #</u>	<u>VOUCHER NUMBER</u>	<u>VOUCHER DATE</u>	<u>PAYMENT AMOUNT</u>	<u>PAYEE</u>
1)	120322C2	C-13-14-8-1	8/6/14	\$ 2,127.00	Kelly Engineering
2)	120322C1	C-13-14-8-2	8/7/14	\$ 933.22	Maraziti, Falcon & Healey
3)	120322C6.1	C-13-14-8-3	8/15/14	\$ 2,158.47	Suburban Consulting Eng.
4)	120322C6.1	C-13-14-8-4	8/15/14	\$ 172.50	Suburban Consulting Eng.
			TOTAL DISBURSEMENTS	<u>\$ 5,391.19</u>	

UNLESS OTHERWISE DIRECTED, ALL CHECKS SHALL BE MAILED DIRECTLY TO THE CLAIMANT AT THE ADDRESS INDICATED ON THE VOUCHER FORM.

In compliance with Section 513, Subsection (B) of the Resolution, all disbursement requests listed above are supported by copies of the enclosed voucher forms, each of which has been signed by two Authority Officers and me certifying that such disbursement is necessary to pay part of such cost of the Project.

As required by Section 513(B) of the Resolution, any disbursements for "... the purpose of paying the purchase price or cost of any lands, easements, rights or interest in or relating to lands or paying the cost or expense of work, materials, supplies or equipment . . .", will be accompanied by a Consulting Engineer's Certificate as required by Section 513(B) of the Resolution. The supporting Consulting Engineer's Certificate is attached.

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

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

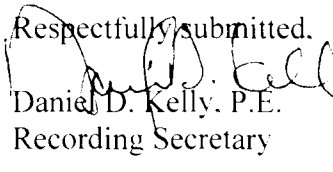
OPEN MEETING FOR PUBLIC COMMENT

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

ADJOURNMENT

At approximately 9:25 pm, Commissioner Metcalfe moved for adjournment. That motion was seconded by Commissioner Gall and passed unanimously on voice vote.

At approximately 9:25 pm, the meeting was adjourned.

Respectfully submitted,

Daniel D. Kelly, P.E.
Recording Secretary

Enclosures: Treasurer's Report for the period ending July 31, 2014
Resolution No. R-14-8-2

RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$2,700,000 SUBORDINATE BONDS (SERIES 2015) OF THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY AND PROVIDING FOR THEIR SALE TO THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AND THE STATE OF NEW JERSEY AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS IN CONNECTION THEREWITH.

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), has determined that there exists a need to acquire, construct, renovate, install or refinance the Project (the “Project”), as described herein and as further defined in each of that certain Loan Agreement (the “Trust Loan Agreement”) to be entered into by and between the Authority and the New Jersey Environmental Infrastructure Trust (the “Trust”) and that certain Loan Agreement (the “Fund Loan Agreement” and, together with the Trust Loan Agreement, the “Loan Agreements”) to be entered into by and between the Authority and the State acting by and through the New Jersey Department of Environmental Protection all pursuant to the State Fiscal Year 2015 New Jersey Environmental Infrastructure Trust Financing Program (the “Program”); and

WHEREAS, the Authority has determined to finance or refinance the acquisition, construction, renovation or installation of the Project with the proceeds of a loan to be made by each of the Trust (the “Trust Loan”) and the State (the “Fund Loan” and, together with the Trust Loan, the “Loans”) pursuant to the Trust Loan Agreement and the Fund Loan Agreement, respectively; and

WHEREAS, to evidence the Loans, each of the Trust and the State require the Authority to authorize, execute, attest and deliver the Authority’s Subordinate Bond (Series 2015A) to the State (the “State Loan Bond”) and Subordinate Bond (Series 2015B) to the Trust (the “Trust Loan Bond” and, together with the State Loan Bond, the “Authority Subordinate Bonds”) pursuant to the terms of the Sewerage Authorities Law of the State, constituting Chapter 14A of Title 40 of the Revised Statutes of the State (the “Sewerage Authorities Law”), other applicable law and the Loan Agreements; and

WHEREAS, the Trust and the State have expressed their desire to close in escrow the making of one or more of the Loans, the issuance of one or more of the Authority Subordinate Bonds and the execution and delivery of one or more of the Loan Agreements, all pursuant to the terms of an Escrow Agreement (the “Escrow Agreement”) to be entered into by and among the Trust, the State, the escrow agent named therein and the Authority; and

WHEREAS, N.J.S.A. §40:14A-12 of the Sewerage Authorities Law allows for the sale of the Trust Loan Bond and the Fund Loan Bond to the Trust and the State, respectively, without any public offering, and N.J.S.A. §58:11B-9(a) allows for the sale of the Trust Loan Bond to the Trust without any public offering, all under the terms and conditions set forth in the following resolution; and

WHEREAS, the Authority has heretofore issued revenue bonds pursuant to a resolution of the Authority adopted on July 15, 1986, entitled: "Resolution Providing for the Issuance of Bonds of the Pequannock River Basin Regional Sewerage Authority and for the Rights of the Holders Thereof, and Authorizing \$20,000,000 Principal Amount Thereof", as amended and supplemented (the "General Bond Resolution"), whereunder, all the Revenues of the Authority, as defined and provided for therein, have been pledged to the payment of the principal of, redemption price, if any, and interest on any revenue bonds heretofore or hereafter issued by the Authority under the General Bond Resolution (the "Revenue Bonds"), to the extent and in the manner provided in the General Bond Resolution; and

WHEREAS, the provisions of Section 613 of the General Bond Resolution authorize the Authority to issue subordinate bonds payable out of the General Fund created and established by the General Bond Resolution, all in accordance with and upon the terms and conditions set forth in the General Bond Resolution and, in particular, Section 512 thereof; and

WHEREAS, bonds, notes and other evidences of indebtedness of the Authority, including the Authority Subordinate Bonds, benefit from the provisions of the Service Contract (as defined in the General Bond Resolution); and

WHEREAS, Section 202 of the Service Contract provides that the Authority may at any time, subject to the provisions of Section 6.01 of the Service Contract, alter, improve, enlarge and extend the System (as defined in the Service Contract) in any respect or renew or replace any part thereof and issue bonds to finance any such work; and

WHEREAS, the Authority is desirous of authorizing the issuance of the Authority Subordinate Bonds as subordinate bonds to be secured by the Service Contract without a lien on revenues of the Authority;

NOW, THEREFORE, BE IT RESOLVED BY THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY, and the commissioners thereof, **AS FOLLOWS:**

Section 1. Determination to Undertake the Project. The Authority does hereby determine to undertake the Project which shall consist of the improvement of the Authority's System (as defined in the General Bond Resolution), including the Boonton Avenue Interceptor by the reconstruction thereof and the lining of sanitary sewer pipes and manholes and related improvements, together with all necessary and incidental equipment, apparatus, structures and appurtenances and all personal property necessary or desirable for the efficient construction and operation of such facilities, all as shown on and in accordance with the plans and specifications therefor on file or to be filed in the office of the Authority, as such plans and specifications may be amended or modified from time to time.

Section 2. Estimated Cost of the Project. The estimated maximum total cost of the Project, as defined in the Sewerage Authorities Law, is \$2,700,000.

Section 3. Authorization of Authority Subordinate Bonds. In accordance with Section 11 of the Sewerage Authorities Law and subject to and pursuant to the provisions of this resolution, bonds of the Authority (herein referred to as the Authority Subordinate Bonds)

are hereby authorized to be issued in the principal amount not to exceed \$2,700,000 for the purpose of raising funds to pay the costs of the Project, including the funding of any required or desirable reserves, capitalized interest and costs of issuance.

Section 4. Payment of Authority Subordinate Bonds. The Authority does hereby determine that the Authority Subordinate Bonds shall be and constitute subordinate bonds, and shall be payable from amounts in the General Fund established and created by the General Bond Resolution in the manner and upon the terms and conditions set forth in the General Bond Resolution and this resolution.

Section 5. Award of Authority Subordinate Bonds. In accordance with N.J.S.A. §40:14A-12 of the Sewerage Authorities Law and N.J.S.A. §58:11B-9(a), the Authority hereby sells and awards its (a) Trust Loan Bond to the Trust in accordance with the provisions of this resolution and (b) Fund Loan Bond to the State in accordance with the provisions of this resolution.

Section 6. Basic Terms of Authority Subordinate Bonds; Delegation of Power to Make Certain Determinations. The chairman or vice chairman of the Authority (the "Chairman") of the Authority is hereby authorized to determine, in accordance with the Sewerage Authorities Law and pursuant to the terms and conditions established by the Trust and the State under the Loan Agreements and the terms and conditions of this resolution, the following items with respect to the Trust Loan Bond and the Fund Loan Bond:

- (a) The aggregate principal amount of the Trust Loan Bond to be issued and the aggregate principal amount of the Fund Loan Bond to be issued, which amounts in the aggregate shall not exceed \$2,700,000;
- (b) The maturity or maturities and annual principal installments of the Authority Subordinate Bonds, which maturity or maturities shall not exceed twenty (20) years;
- (c) The date or dates of the Authority Subordinate Bonds;
- (d) The interest rates of the Authority Subordinate Bonds, provided that the effective cost of the Trust Loan Bond does not exceed seven per centum (7%) and that the interest rate on the Fund Loan Bond is zero per centum (0%);
- (e) The purchase price for the Authority Subordinate Bonds;
- (f) The terms and conditions under which the Authority Subordinate Bonds shall be subject to redemption prior to their stated maturities; and
- (g) Such other matters with respect to the Authority Subordinate Bonds as may be necessary, desirable or convenient in connection with the sale, issuance and delivery thereof, including (1) adjusting the title of the Authority Subordinate Bonds to reflect the issuance thereof in a calendar year other than 2015 and (2) issuing each Authority Subordinate Bond in

the form of multiple subordinate bonds from time to time if the Project is funded in more than one installment by the Program.

Section 7. Determinations Conclusive. Any determination made by the Chairman pursuant to the terms of this resolution shall be conclusively evidenced by the execution and attestation of the Authority Subordinate Bonds by the parties authorized under Section 8(c) of this resolution.

Section 8. Further Terms of Authority Subordinate Bonds. The Authority hereby determines that certain terms of the Authority Subordinate Bonds shall be as follows:

- (a) The Fund Loan Bond shall be issued in a single denomination and shall be numbered RA-1, or as may otherwise be determined by the Chairman. The Trust Loan Bond shall be issued in a single denomination and shall be numbered RB-1, or as may otherwise be determined by the Chairman;
- (b) The Authority Subordinate Bonds shall be issued in fully registered form (convertible to bearer as therein provided) and shall (unless converted to bearer) be payable to the registered owners thereof as to both principal and interest in lawful money of the United States of America;
- (c) The Authority Subordinate Bonds shall be executed by the manual or facsimile signature of the Chairman, and the Secretary or the Assistant Secretary of the Authority (the "Secretary"), by manual signature, shall attest to the execution of the Authority Subordinate Bonds and shall affix, imprint, engrave or reproduce thereon the corporate seal of the Authority; and
- (d) In order to distinguish the Authority Subordinate Bonds from other bonds of the Authority, the Authority Subordinate Bonds shall have such letters and/or numbers incorporated in their titles as shall be determined by the Chairman.

Section 9. Forms of Authority Subordinate Bonds. The Fund Loan Bond and the Trust Loan Bond shall be substantially in the forms set forth in Exhibit A and Exhibit B hereto, respectively, with such changes, insertions and omissions as may be approved by the Chairman, such approval to be evidenced by the signature of the Chairman on the Authority Subordinate Bonds.

Section 10. Authorized Parties. The law firm of Hawkins Delafield & Wood LLP, bond counsel to the Authority, is hereby authorized to arrange for the printing of the Authority Subordinate Bonds, which law firm may authorize McCarter & English, LLP, bond counsel to the Trust and the State for the Program, to arrange for same. The Authority auditor and financial advisor are hereby authorized, if necessary, to prepare the financial information, if any, necessary in connection with the issuance of the Authority Subordinate Bonds. The Chairman, the Treasurer and the Secretary (collectively, the "Authorized Authority Officers") are hereby severally authorized to execute any certificates necessary or desirable in connection with the financial and other information.

Section 11. Report to the Authority. The Authorized Authority Officers are hereby directed to report in writing to the Authority at the meeting of the Authority next following the closing with respect to the Authority Subordinate Bonds as to the terms of the Authority Subordinate Bonds authorized to be determined by the Authorized Authority Officers pursuant to and in accordance with the provisions of this resolution.

Section 12. Delivery of Authority Subordinate Bonds. Each Authorized Authority Officer is hereby authorized to execute any certificate or document necessary or desirable in connection with the sale of the Authority Subordinate Bonds and is hereby further authorized to deliver same to the Trust and the State upon delivery of the Authority Subordinate Bonds and the receipt of payment therefor in accordance with the Loan Agreements.

Section 13. Execution of Agreements. The Trust Loan Agreement, the Fund Loan Agreement and the Escrow Agreement (collectively, the "Financing Documents") are hereby authorized to be manually executed and delivered on behalf of the Authority by the Chairman in substantially the forms required and traditionally used by the Trust and the State (which forms are available from the Trust and the State), with such changes as the Chairman, in his or her sole discretion, after consultation with counsel, bond counsel, auditor, consulting engineer, financial advisor and any other advisors to the Authority (the "Authority Consultants") and after further consultation with the Trust, the State and their representatives, agents, counsel and advisors (collectively, the "Program Consultants" and, together with the Authority Consultants, the "Consultants"), shall determine, such determination to be conclusively evidenced by the execution of each such Financing Document by the Chairman. The Secretary is hereby authorized, if necessary, to attest by manual signature to the execution of the Financing Documents by the Chairman and to affix, imprint, engrave or reproduce the corporate seal of the Authority to such Financing Documents.

Section 14. Authorized Actions. The Authorized Authority Officers are hereby further severally authorized to (i) manually execute and deliver and the Secretary is hereby further authorized to attest by manual signature to such execution and to affix, imprint, engrave or reproduce the corporate seal of the Authority to any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Authority Officers or the Secretary, as applicable, in their respective sole discretion, after consultation with the Consultants, to be executed in connection with the execution and delivery of the Financing Documents and the Authority Subordinate Bonds and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such document, instrument or closing certificate by the party authorized under this resolution to execute such document, instrument or closing certificate and (ii) perform such other actions as the Authorized Authority Officers deem necessary, desirable or convenient in relation to the execution and delivery thereof.

Section 15. Subordinate Nature of Authority Subordinate Bonds. (A) In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the holders of all Revenue Bonds shall be entitled to receive payment in full of all payments on such Revenue

Bonds before the holders of all outstanding Authority Subordinate Bonds are entitled to receive any payment from the Revenues (as defined in the General Bond Resolution).

(B) In the event that any of the Authority Subordinate Bonds are declared due and payable before their expressed maturity because of the occurrence of a default (under circumstances when the provisions of (A) above shall not be applicable), the holders of all Revenue Bonds at such time outstanding shall be entitled to receive payment in full of all payments then due on such Revenue Bonds before the holders of such Authority Subordinate Bonds are entitled to receive any accelerated payment from the Revenues of principal or interest upon such Authority Subordinate Bonds. Any event of default with respect to the Authority Subordinate Bonds shall not in itself create the right to declare an event of default with respect to the Revenue Bonds.

(C) If any event of default with respect to the Revenue Bonds shall have occurred and be continuing (under circumstances when the provisions of (A) above shall not be applicable), the holders of all Revenue Bonds then outstanding shall be entitled to receive payment in full of all payments on all such Revenue Bonds before the holders of the Authority Subordinate Bonds are entitled to receive any accelerated payment from the Revenues of principal or interest on such Authority Subordinate Bonds.

(D) No holder of any Revenue Bonds shall be prejudiced in such holder's right to enforce subordination of the Authority Subordinate Bonds by any act or failure to act on the part of the Authority.

(E) The provisions of (A), (B), (C) and (D) above are solely for the purpose of defining the relative rights of the holders of the Revenue Bonds on the one hand and the holders of the Authority Subordinate Bonds on the other hand, and nothing herein shall impair, as between the Authority and the holders of the Authority Subordinate Bonds, the duty of the Authority, which is unconditional and absolute, to pay to the holders of the Authority Subordinate Bonds, the principal thereon and premium, if any, and interest thereon in accordance with their terms, nor shall anything herein prevent the holders of the Authority Subordinate Bonds from exercising all remedies otherwise permitted by applicable law upon default under the General Bond Resolution, subject to the rights under (A), (B), (C) and (D) above of the holders of the Revenue Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Authority Subordinate Bonds.

Section 16. Withdrawals from the General Fund. In accordance with Section 512 of the General Bond Resolution and provided that the amount in every account or fund created and established by the General Bond Resolution, including the Bond Service Fund, the Sinking Fund, the Bond Reserve Fund and the Renewal and Replacement Fund, equals or exceeds the amount required to be therein and that the Authority is not in default in the payment of the principal of or interest on or redemption price of any Revenue Bonds, the trustee under the General Bond Resolution is hereby authorized and directed to withdraw from the General Fund from time to time amounts necessary to satisfy the debt service payments with respect to the Authority Subordinate Bonds.

Section 17. Covenant to Pay Authority Subordinate Bonds. The Authority hereby particularly covenants and agrees with the holders of the Authority Subordinate Bonds

and makes provisions which shall be a part of its contract with such holders, that the Authority will pay or cause to be paid the principal of every Authority Subordinate Bond and the interest thereon at the date and place and in the manner mentioned in such Authority Subordinate Bond according to the true intent and meaning thereof and will carry out and perform all of the acts and things required of it by the terms of this resolution.

Section 18. Resolution Constitutes Contract. In consideration of the purchase and acceptance of the Authority Subordinate Bonds by those who shall hold the same from time to time, the provisions of this resolution shall be deemed to be and shall constitute contracts between the Authority and the holders from time to time of the Authority Subordinate Bonds.

Section 19. No Recourse. No recourse shall be had for the payment of the principal or redemption price, if any, of or the interest on the Authority Subordinate Bonds or for any claim based thereon or on this resolution against any member or other officer of the Authority or any person executing the Authority Subordinate Bonds. The Authority Subordinate Bonds are not and shall not be in any way a debt or liability of the State or of any county or municipality, and do not and shall not create or constitute any indebtedness, liability or obligation of the State or of any county or municipality, either legal, moral or otherwise.

Section 20. Authorization for Resolution. This resolution is adopted by virtue of the Sewerage Authorities Law and pursuant to its provisions, and the Authority has ascertained and hereby determines that adoption of this resolution is necessary to carry out the powers, purposes and duties expressly provided in the Sewerage Authorities Law and that each and every matter and thing as to which provision is made in this resolution is necessary in order to carry out and effectuate the purposes of the Authority in accordance with the Sewerage Authorities Law.

Section 21. Multiple Document Sets. Notwithstanding any other provision of this resolution to the contrary, if in connection with the participation of the Authority in the Program, the State and the Trust require that the Authority execute more than one set of documents, the provisions of this resolution shall be deemed to apply to the Authority Subordinate Bonds and the Financing Documents related to each set of documents; provided, however, that in no event may the aggregate principal amount of all Authority Subordinate Bonds issued and delivered pursuant to the provisions of this resolution be in excess of the amount authorized in Section 3 hereof.

Section 22. Interim Financing. In anticipation of the issuance of the Authority Subordinate Bonds, the Authority hereby authorizes, if necessary or desirable, the issuance, sale and award of an interim project note (the "Interim Authority Project Note") pursuant to the Trust's Interim Financing Program. The Interim Authority Project Note shall be substantially in the form provided by the Trust in the Interim Financing Program's loan agreement. The execution and delivery of the Interim Authority Project Note shall be in the same manner as herein prescribed with respect to the Authority Subordinate Bonds. An Authorized Authority Officer is hereby authorized to determine, pursuant to the terms and conditions established by the Trust and the State under the Interim Financing Program's loan agreement and the terms and conditions of this resolution, the following items with respect to the Interim Authority Project Note: (a) the aggregate principal amount of the Interim Authority Project Note to be issued, which amount shall not exceed \$2,700,000; (b) the maturity of the Interim Authority Project

Note, which shall be no later than one year after the date of issuance thereof; (c) the date of the Interim Authority Project Note; (d) the interest rate of the Interim Authority Project Note, which shall not exceed 2% per annum; (e) the purchase price for the Interim Authority Project Note; and (f) such other matters with respect to the Interim Authority Project Note as may be necessary, desirable or convenient in connection with the sale, issuance and delivery thereof. The Authorized Authority Officers are hereby further severally authorized to manually execute and deliver and the Secretary is hereby further authorized to attest by manual signature to such execution and to affix, imprint, engrave or reproduce the corporate seal of the Authority to any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Authority Officers or the Secretary, as applicable, in their respective sole discretion, after consultation with the Consultants, to be executed in connection with the execution and delivery of the Interim Authority Project Note and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such document, instrument or closing certificate by the party authorized under this resolution to execute such document, instrument or closing certificate.

Section 23. Filing of Resolution. The Secretary is hereby authorized and directed to cause copies of this resolution to be filed for public inspection in the following places: in the office of the Borough Clerk of the Borough of Butler, in the County of Morris, in the Municipal Building of said Borough, in the office of the Borough Clerk of the Borough of Kinnelon, in the County of Morris, in the Municipal Building of said Borough, in the office of the Borough Clerk of the Borough of Bloomingdale, in the County of Passaic, in the Municipal Building of said Borough, and in the office of the Authority, One Ace Road, Butler, New Jersey.

Section 24. Publication of Notice. The Secretary is hereby authorized and directed to cause to be published, after completion of filing of copies of this resolution as directed in the preceding Section, in the "*Herald News*", a legally qualified public newspaper circulating in the district of the Authority, a notice in substantially the form attached as Exhibit C hereto and by this reference incorporated as if set forth in full herein.

Section 25. Capitalized Terms. All capitalized words and terms used but not defined in this resolution shall have the meanings ascribed to such words and terms, respectively, in the preambles to this resolution.

Section 26. Effective Date. This resolution shall take effect immediately.

Adopted: August 20, 2014