

## MEETING MINUTES

### PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

July 18, 2012

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on July 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** : Robert H. Beinfield, Esq., Hawkins, Delafield and Wood; Brian Burke, RBC Capital Markets; Christopher H. Falcon, Esq., Maraziti, Falcon & Healey; and Daniel D. Kelly, P.E., Kelly Engineering

(Note: Mr. Burke and Mr. Beinfield left the meeting in progress at approximately 8:15 pm)

#### 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.

#### ORDER OF BUSINESS

Chairman Voorman suggested and the Board agreed to depart from the order of the agenda to initially address the proposed 2012 Series N Bond refunding.

## FINANCIAL REPORT

### 1. 2002 Series M Bond and 1996 Series L Bond Refunding

To explain the refunding, Brian Burke of RBC Capital Markets, the Authority's Underwriter/Investment Banker on the transaction, and the Authority's Bond Counsel, Robert Beinfield, made a detailed presentation.

Mr. Burke distributed a summary analysis of the proposed refunding based on prevailing market conditions. He explained that the outstanding 1996 Series L Bonds as well as the 2002 Series M Bonds will be refunded with a new series, the 2012 Series N Bonds maturing on December 1, 2021 with interest rates ranging from 1.27% to 2.85%, a 1.81% average. He noted that compares to the current bonds that carry rates of 5.00% to 6.00% with an average rate of 5.15%.

Mr. Burke then reviewed the projected net present value (NPV) savings estimated at approximately \$179,000. He emphasized again that is based on prevailing market conditions which he noted are extremely strong noting further that RBC's analysts expect the market to remain strong through the end of the summer. He added that the calculations account for the anticipated loss on the Debt Service Reserve Fund Guaranteed Investment Contracts with Wells Fargo and that all costs related to the refunding transaction are included.

On discussion, Chairman Voorman inquired as to what he observes as a relatively low bond rating at "A1." Mr. Burke agreed that the rating is relatively low yet explained that it is based on the combined creditworthiness of the three Participant towns. For a variety of reasons, he explained that the A1 rating should not result in substantially increased costs in the marketplace. He further advised that bond insurance, which years ago would have been viable, is not currently cost-effective, particularly on an issue of this nature which has a relatively short bond term of 9 years.

In terms of timing, Mr. Burke reported that the bond pricing and sale will be in approximately three weeks, tentatively scheduled for August 8<sup>th</sup> with closing scheduled for September 6<sup>th</sup>. He said that date could have been delayed yet that that would expose the Authority to market risk of escalating interest rates.

Commenting on a recent regulatory requirement through the MSRB known as G-17, Mr. Burke said that the Authority will be asked to acknowledge a letter addressing what is known as the MSRB "fair dealing" statement which will explain the underwriter's role in the transaction along with other matters required by the new regulations.

On the legal side, Mr. Beinfield distributed copies of Supplemental Bond Resolution No. 23 and explained the authorizations that the resolution provides,

essentially authorizing the Authority's officers to accept the underwriter's pricing and offer and to execute the Bond Purchase Agreement with RBC along with execution of necessary closing documents.

Referring to the draft Preliminary Official Statement, Mr. Beinfield said that that offering statement has been distributed to the rating agencies and will be finalized shortly for distribution by RBC for marketing purposes as well. He said that the Authority will also need to enter into an Escrow Agreement since the 2002 Series M Bonds cannot be called until December 1, 2012 and therefore the Escrow Agreement will set monies aside within approved governmental securities known as SLGS for that purpose. In response to Mr. Kelly's question, Mr. Burke advised that the present yield on those slugs would most likely be on the order of 1-2 basis points or 0.01%-0.02%. In order to establish that escrow, Mr. Burke indicated that the Authority will enter into an Escrow Deposit Agreement with US Bank National Association, the Authority's current Trustee who will also serve in that capacity for the 2012 Series N Bond issue.

Another mandatory requirement Mr. Beinfield explained is the need for a secondary market disclosure as well as continuing disclosure. In order to meet that requirement he said that the Preliminary Official Statement provides certain disclosure information on the Authority's three Participant towns and that that information will need to be updated annually. Commenting on that, Mr. Burke said that current regulations are extremely stringent such that the Underwriter must be able to certify that it has reviewed five years of continuing disclosure documentation or else would not be in a position to purchase the bonds.

Returning to Supplemental Bond Resolution No. 23, Mr. Beinfield outlined the specific authorizations that it provides but generally authorizes the issuance of the proposed 2012 Series N Refunding Bonds under very specific terms and conditions. For example, the amount of the bonds cannot exceed \$5,000,000 and the net present value savings must equal or exceed 3.0%.

Following further discussion, Chairman Voorman called for a vote on the matter. Before doing so, Commissioner Metcalfe explained that he may need to abstain given his role as a Registered Representative of a Broker Dealer which effectively precludes him from acting in any capacity on investment transactions other than those approved by the Broker Dealer itself.

Following discussion on that point, Chairman Voorman again called for a vote on the matter. Treasurer Lampmann moved approval of Supplemental Resolution No. 23 (Resolution No. R-12-7-1 as appended). Vice Chairman Verdonik seconded the motion which passed upon the following roll call vote:

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

**NAYS** : None

**ABSENT** : Commissioner Howard

**ABSTAIN** : Commissioner Metcalfe

At Mr. Beinfield's request, Commissioner Lampmann, as the Authority's Assistant Secretary, executed Supplemental Resolution No. 23 along with the Certification related thereto.

At approximately 8:15 pm, Mr. Burke and Mr. Beinfield left the meeting in progress and Chairman Voorman returned to the regular meeting agenda.

## **ADOPTION OF MINUTES**

### **1. Meeting Minutes: Regular Meeting – June 20, 2012**

Commissioner Lampmann moved acceptance of the minutes for the June 20, 2012 regular meeting. Vice Chairman Verdonik seconded that motion which passed on 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**

Referring to the Flow Report dated July 16, 2012 for the period ending June 30, 2012, Mr. Kelly advised that the total system flows remain relatively low at 1.755 mgd on a year-to-date basis.

The following reports were distributed to the Board for review:

**June 2012**

- Flow Report dated July 16, 2012 for the period ending June 30, 2012
- Daily Flow Summary for June 2012
- Daily Flow Hydrograph for June 2012
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for June 2012
- TBSA Yearly Plant Operations Report (w/DDK Calculations)

Commenting on TBSA's Yearly Plant Operations report, Mr. Kelly said that there has been a significant change from the prior month to the current month resulting from TBSA's adjustment of Meter M3. On discussing that flow modification, Chairman Voorman and Vice Chairman Verdonik explained the nature of that change which they said was the result of a hydraulic condition and the incinerator recycle water which produced a high flow reading for Lincoln Park. They reported that TBSA staff reviewed the condition when the incinerator was out of service and determined that a revision to the M3 flows was necessary. Mr. Kelly further explained that the prior month PRBRSA's actual flow versus budgeted flow was 1.61% less yet, with the M3 change, the current difference is only 0.11%.

Returning to the Flow Report, Mr. Kelly also explained a significant change in the Meter P-4 flows between June 10<sup>th</sup> and June 11<sup>th</sup>. He said that prior to that time the P-4 flows were running below TBSA's M-15 reported flow yet, as of June 11<sup>th</sup>, the P-4 flows were substantially higher. He said he has requested ADS's review of that change.

**1.2 PRBRSA Interceptor – Manhole Frame and Cover Replacement**

To finalize the work on replacement of the frame and covers within the Paterson-Hamburg Turnpike on the Authority's PRBRSA Interceptor, Mr. Kelly said that he will order an additional 5 manhole covers with the Authority's name imprinted for replacement of the units currently in place.

**1.3 ADS Metering Analysis**

Mr. Kelly reported that there has been no change of status on this matter.

**1.4 NJDOT Route 23 Bridge Replacement**

Mr. Kelly advised that the Authority has been notified by the New Jersey Department of Transportation that they are in the process of designing a replacement of the existing Route 23 Bridge over the Pequannock River,

the Paterson-Hamburg Turnpike and railroad between the Borough of Kinnelon and the Township of West Milford. He said that he has replied to the NJDOT questionnaire to advise the Department that the Authority has no facilities in that general vicinity. Commenting on the bridge replacement, Commissioner Lampmann noted that the work is not slated for construction until 2017.

**2. TBSA Activities**

**2.1 Status Update**

Chairman Voorman and Vice Chairman Verdonik updated the Board on various matters at Two Bridges as they affect Pequannock River Basin. Primarily they advised that TBSA, in addition to the M3 meter change, introduced a budget with a 2.0% rate increase for the year. However, they further advised that PRBRSA's rate increase will be only 0.94% as a result of TBSA's budgeted flow redistribution which reduces the Authority's budgeted flow going into the FY 2013 TBSA budget year from 2.08 mgd to 2.03 mgd or 32.90% from 33.44%.

**3. TWA Application and Connection Permits**

**3.1. Wastewater Management Plan  
Morris County Future Sewer Service Area Mapping**

Mr. Kelly explained that the Authority received the Morris County Planning Department's final mapping of the future sewer service areas for the Boroughs of Butler and Riverdale. He noted that because the Borough of Kinnelon has opted into the Highlands Plan that no mapping has been prepared for Kinnelon.

Inasmuch as the mapping defines the areas that can and cannot be sewerred, before adopting a consent resolution as requested by both Morris County and NJDEP, Mr. Kelly said that he has requested that Hatch Mott MacDonald prepare overlay mapping to demonstrate exactly which lands or properties can be sewerred going forward and also showing those that are excluded from future sewer service. He said that those maps will be forwarded to Butler and Riverdale shortly with a request that the towns review them and advise us to any issues that they may have with the mapping.

Commissioner Lampmann commented on Butler's mapping which he said is currently under review.

In order to approve an increase to the engineering agreement with Hatch Mott MacDonald for preparation of the Wastewater Management Plan

Future Sewer Service Area overlay mapping Commissioner Lampmann approved the following Resolution (**Resolution No. R-12-7-2**):

WHEREAS, the Pequannock River Basin Regional Sewerage Authority ("the Authority") entered into an agreement with Hatch Mott MacDonald of Millburn, New Jersey dated March 22, 2005 for the performance of professional engineering services in connection with the Wastewater Management Plan Update pursuant to the rules and regulations of the New Jersey Department of Environmental Protection; and

WHEREAS, Daniel D. Kelly, P.E., the Authority's Consulting Engineer has confirmed on June 26, 2012, in a letter to John Scheri, Vice President of Hatch Mott MacDonald, ("the Engineer") that the Authority will approve an additional expenditure of \$3,000.00 for the preparation of Wastewater Management Plan mapping; and

WHEREAS, the Authority desires to authorize the performance of the said services pursuant to an Amendment to the aforesaid agreement;

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<sup>th</sup> day of July, 2012 as follows:

1. The Chairman is authorized and directed to execute an Amendment to the Agreement of March 22, 2005 so as to authorize the expenditure of an additional \$3,000.00 to be paid on an hourly, cost reimbursable basis in accordance with the Engineer's 2012 Rate Schedule.
2. The Authority Secretary shall cause a copy of this Resolution to be published pursuant to N.J.S.A. 40A:11-5 (a)(i) as an agreement for the provision of professional services.
3. A copy of the Amendment to the Agreement of March 22, 2005 shall be kept on file and available for public inspection at the Offices of the Authority.
4. This Resolution shall take effect as provided by law.

Certified to be a true copy of a Resolution adopted by the Pequannock River Basin Regional Sewerage Authority at a duly convened meeting on July 18, 2012.

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. Boonton Avenue Interceptor**

**4.1. Engineering Procurement RFP**

Mr. Kelly advised that the request for proposal for engineering services remains a work in progress and that he has scheduled a meeting with Mr. Falcon to go over several related issues. Commenting on Butler's proposed project to pave Brook Street, Vice Chairman Verdonik and Commissioner Lampmann inquired as to when the work would be completed. Mr. Kelly noted that it would be at least six months before it is known that there is any reason to excavate within Brook Street itself. They commented that the paving project is scheduled for mid to late August. Mr. Kelly said that he would expect that the work within Brook Street would be able to be done via "no dig" technology such that excavation of the roadway would not be required.

**FINANCIAL REPORT**

**1. Treasurer's Report (Period Ending June 30, 2012)**

Treasurer Lampmann moved acceptance of the Treasurer's Report for the period ending June 30, 2012. Commissioner Gall seconded that 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

**2. 2002 Series M Bond and 1996 Series L Bond Refunding**

See discussion above.

3. **Trustee/Paying Agent/Registrar Contract with US Bank**

Mr. Kelly explained that the proposed refunding will require retaining the Authority's current Trustee, US Bank, for the proposed 2012 Series N Refunding Bond issue. In order to authorize an agreement with US Bank for that purpose, Treasurer Lampmann moved approval of the following Resolution (**Resolution No. R-12-7-3**):

WHEREAS, by Section 11 of "Supplemental Resolution No. 23 Relating to the General Bond Resolution of the Pequannock River Basin Regional Sewerage Authority Determining the Form of not in Excess of \$5,000,000 Sewer Revenue Refunding Bonds (2012 Series N) and Determining Certain Details in Connection Therewith" the Pequannock River Basin Regional Sewerage Authority ("the Authority") appointed U.S. Bank National Association, Morristown, New Jersey as Trustee, Paying Agent, Escrow Agent and Registrar for the 2012 Bonds; and

WHEREAS, N.J.S.A. 49:2-5 authorizes any public issuer, pursuant to ordinance or resolution, to contract with any bank, trust company, or national banking association for services with respect to the issuance, transfer, exchange, payment, authentication, or other servicing of its obligations, and such public issuer shall not be otherwise subject to the provisions of the "Local Public Contracts Law" at N.J.S.A. 40A:11-1 et seq.; and

WHEREAS, the Authority received a July 6, 2012 Proposal from U.S. Bank Corporate Trust Services ("Bank"), in connection with such 2012 Series N Bond Refunding, which Proposal is acceptable to the Authority; and

WHEREAS, on July 10, 2012, the Bank confirmed in writing to the Authority that the Bank has designated Riker Danzig as Trustee counsel with a proposed lump sum fee of \$4,000.00; and

WHEREAS, the Authority is likewise agreeable to the stated Trustee counsel fee.

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<sup>th</sup> day of July, 2012 as follows:

1. The Chairman is authorized and directed to execute the Bank's Proposal signifying acceptance by the Authority of the terms as follow: \$2,500.00 annual Trustee Administration Fee to U.S. Bank National Association, in advance; \$750.00 one-time Escrow Agent Fee to U.S. Bank National Association, in advance; and a lump sum fee of \$4,000.00 to Riker Danzig as Trustee counsel.
2. An executed copy of the Bank's Proposal shall be kept on file and available for

public inspection at the Offices of the Authority.

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

Certified to be a true copy of a Resolution adopted by the Pequannock River Basin Regional Sewerage Authority at a duly convened meeting on July 18, 2012.

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

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

4. **Forward Delivery Agreement/Guaranteed Investment Contract**

Mr. Kelly advised that his office is still reviewing the analysis prepared by U.S. Bank on the investment income earned from 2005 through 2011 on the Guaranteed Investment Contracts for both the Bond Reserve Fund and the Bond Service Fund principal and the Bond Service Fund interest accounts. He noted that the primary issue, namely whether or not the Authority received the full amount of the investment income due, has been resolved in that both the Trustee and his office have calculated that in actuality the investment income paid over that period earned slightly exceeded that guaranteed by the contracts. Nonetheless, he said that his office will review the individual calculations in order to reconcile the differences wherever possible.

5. **NJEIT Refunding Bonds (Wastewater Treatment 1998 Series F Bonds)**

Mr. Kelly advised that the Authority received from Bond Counsel for the New Jersey Environmental Infrastructure Trust a questionnaire concerning a proposed Trust refunding. He noted that on review of the questionnaire there appears to be some issues with the fact that the Authority transferred a portion of the assets that may have been purchased with proceeds of the NJEIT 1998 Series F Bonds to Two Bridges, specifically, the PRBRSA Interceptor-Southern Portion. In any event he said that he has reviewed the matter with counsel and bond counsel and returned the questionnaire to Trust bond counsel.

**6. Annual Budget: FY 2013**

As indicated by his July 18<sup>th</sup> letter to Treasurer Lampmann, Mr. Kelly reviewed the key elements of the Preliminary Annual Budget for fiscal year 2013 dated July 18, 2012. He explained that overall the Revenues and Appropriations increased by \$30,000 or 0.5%, an increase entirely due to service charge increases in excess of \$32,000 due Two Bridges. Further, he noted that the Annual Charges to the towns increased in like amount, namely, \$30,000 or 0.6% from the prior year, increasing from \$4,920,000 to \$4,950,000.

Referring to prior correspondence, Mr. Kelly advised that this may be an opportune time to consider redistributing the flows budgeted for each town going into the budget year. He said that that will have a significant effect as to the Annual Charges assessed to each town yet, since the current charges increase by only 0.5%, there may be some leeway to make those redistributions without exceeding a 2.0% overall increase to any one town. On discussing that possibility, Commissioner Lampmann said that he thought it would be appropriate to at least review that possibility to determine the financial implications of the flow redistribution. Mr. Kelly agreed noting that that would reduce the year-end Annual Charge adjustments which, at times, are quite severe to, particularly Riverdale.

On discussing the budget, Chairman Voorman inquired as to the Rate Stabilization Analysis that had been prepared in prior years. Replying, Mr. Kelly said that the recently completed Financial Plan essentially accomplishes the same purpose yet that he would look at the last Rate Stabilization Analysis to determine if that would provide additional useful information beyond that available in the Financial Plan.

**UNFINISHED BUSINESS**

None

**NEW BUSINESS**

None

**PAYMENT OF BILLS**

**1. Operating Budget**

**1.1 Operating Request for Payment No. 304 (July)**

Commissioner Gall presented the bills as listed on Operating Request for Payment No. 304 and moved approval of the bills as presented.

**PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY**

**SUMMARY OF VOUCHERS FOR  
OPERATING EXPENSES**

**Operating Request for Payment No. 304**

The following bills have been reviewed and are recommended for approval for payment at the  
**July 18, 2012** meeting of the Authority from the Operating Account (Wells Fargo Bank Account 1425985):

	<u>PRBRSA</u> <u>ACCT. NO.</u>	<u>VOUCHER</u> <u>NO.</u>	<u>VOUCHER</u> <u>DATE</u>	<u>PAYMENT</u> <u>AMOUNT</u>	<u>CHECK PAYABLE TO</u>
1)	33.01	OP-12-7-1	9/10/2010	\$ 2,376.00	Borough of Butler
2)	24.05	OP-12-7-2	3/17/2012	\$ 250.00	Borough of Butler
3)	22.03	OP-12-7-3	7/11/2012	\$ 10,400.00	Kelly Engineering
4)	32.02	OP-12-7-4	7/11/2012	\$ 4,542.50	Kelly Engineering
5)	24.07	OP-12-7-5	7/2/2012	\$ 174.95	Kelly Engineering
6)	22.05	OP-12-7-6	7/3/2012	\$ 2,025.00	Kelly Engineering
7)	*	OP-12-7-7	7/15/2012	\$ 684,371.00	Pequannock, Lincoln Park & Fairfield Sewerage Authority
8)	33.03	OP-12-7-8	6/6/2012	\$ 17.96	Borough of Butler-Electric Dept.
9)	33.16	OP-12-7-9	6/29/2012	\$ 2,811.70	ADS LLC
10)	33.16	OP-12-7-10	6/29/2012	\$ 2,811.70	ADS LLC
11)	33.02	OP-12-7-11	7/9/2012	\$ 2,000.00	County of Morris – Eng.Div.
12)	26.01	OP-12-7-12	7/2/2012	\$ 2,552.50	U.S. Bank N.A.
13)	26.04	OP-12-7-13	6/14/2012	\$ 945.00	U.S. Bank N.A.
14)	24.07	OP-12-7-14	6/5/2012	\$ 123.50	North Jersey Media Group
15)	24.04	OP-12-7-15	6/8/2012	\$ 47.00	The TAB Group
16)	33.03	OP-12-7-16	7/12/2012	\$ 32.83	Verizon
17)	22.05	OP-12-7-17	06/07/12	\$ 1,148.40	Maraziti, Falcon & Healey
18)	22.01	OP-12-7-18	06/07/12	\$ 1,300.20	Maraziti, Falcon & Healey
19)	33.03	OP-12-7-19	07/09/12	\$ 3.25	JCP&L
<b>TOTAL:</b>				<u><b>\$ 717,933.49</b></u>	
				<b>\$ 33,562.49</b>	7/18/12 Revenue Fund Transfer
				<b>\$ 684,371.00</b>	8/14/12 Revenue Fund Transfer

\* Breakdown

27.00	\$54,654.00
13.00	\$270,107.00
35.00	\$513,091.00
18.00	<u>(5153,481.00)</u>
	<u>\$684,371.00</u>

Meeting Minutes  
July 18, 2012 Regular Meeting

That motion was seconded by Commissioner Metcalfe and was approved unanimously on the following roll call vote:

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

**OPEN MEETING FOR PUBLIC COMMENT**

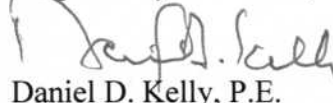
There being no members of the public present, Chairman Voorman dispensed with the public participation portion of the meeting.

**ADJOURNMENT**

Commissioner Lampmann moved for adjournment at approximately 8:55 pm. That motion was seconded by Vice Chairman Verdonik and was approved unanimously on voice vote.

At approximately 8:55 pm, the meeting was adjourned.

Respectfully submitted,

  
Daniel D. Kelly, P.E.  
Recording Secretary

Enclosure: Treasurer's Report for the period ending June 30, 2012  
Supplemental Bond Resolution No. 23 (Resolution No. R-12-7-1)