

MEETING MINUTES

PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

January 16, 2013

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on January 16, 2013 in the Conference Room at the Butler Municipal Building, One Ace Road, Butler, New Jersey. Chairman Voorman called the meeting to order at approximately 7:30 p.m.

ROLL CALL

On roll call:

PRESENT	:	Chairman Voorman, Commissioners Gall, Howard, Lampmann and Verdonik
ABSENT	:	Commissioner Metcalfe
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 5, 2012**

Commissioner Gall moved acceptance of the minutes of the December 5, 2012 regular meeting. That motion was seconded by Commissioner Lampmann and passed upon the following roll call vote:

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

NAYS : None

ABSENT : Commissioner Metcalfe

ABSTAIN : None

OPERATIONAL REPORT

1. System Operations

1.1 Flow Report

Referring to the Flow Report dated January 15, 2013 for the first month of FY 2013, namely, November 2012, Mr. Kelly advised that the flows remain extremely low for the period at 1.516 mgd. He made particular note of the Meter 2-PA reading at 1.16 mgd explaining to the Board that that reading is extraordinarily low, in fact, lower than any recorded flow for Bloomingdale, Butler and Kinnelon since the initiation of operations in late 1987 (FY 1988). Since the Meter P-2A flow reading is several hundred thousand gallons per day less than what would be expected after more than 20 years of operations considering the additional flows have been added to the system over time. Mr. Kelly said that he will investigate the readings further in conjunction with ADS Environmental Services. He noted, however, that the flow contributions from homes and businesses have over the years declined dramatically which could, to some extent, account for the low flow recorded in November 2012.

The following reports were distributed to the Board for review:

November 2012

- Flow Report dated January 15, 2013 for the period ending November 2012
- Daily Flow Summary for November 2012
- Daily Flow Hydrograph for November 2012
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for November 2012
- TBSA Budgeted vs. Actual Flow for November
- TBSA Budgeted vs. Actual Flow for December

1.2 TBSA Flow

Mr. Kelly reviewed his memorandum summarizing the November 2012 flows budgeted by TBSA versus the actual flows and the actual flows inclusive of the 1.85 mgd minimum flow per service contract. Since the actual flow was below the contractual minimum flow, Mr. Kelly indicated that the difference amounts to a 2.41% increase over the budgeted percentage. Accordingly he advised that if that trend were to continue throughout the year the Authority would owe substantial additional Annual Charges to TBSA for prior year flow adjustments.

2. TBSA Activities

2.1 Status Update

Chairman Voorman and Vice Chairman Verdonik reported on several matters at the Two Bridges Sewerage Authority as they affect Pequannock River Basin.

Chairman Voorman reported that, following Superstorm Sandy, TBSA had been receiving and treating more than five times the normal amount of sludge from outside customers. He explained, however, that that has now ceased since the Passaic Valley Sewerage Commission is again accepting outside sludge from the Rockaway Valley Regional Sewerage Authority and the North Bergen Utilities Authority as well.

3. TWA Application and Connection Permits

No activity during the period.

4. Boonton Avenue Interceptor Project

4.1 Alaimo Engineering Proposal

Referring to the January 8, 2013 proposal from the Alaimo Group, Mr. Kelly advised that the engineer essentially priced the scope of work as outlined within the Authority's Request For Proposal with no exceptions nor qualifications to that scope. He mentioned that since there was no indication as to the number of meetings included in the engineer's pricing that he clarified that with Alaimo's project manager who advised that the proposal does anticipate three meetings.

With regard to Alaimo's pricing, Mr. Kelly said that the total cost of the evaluations is estimated at \$38,000.00. In addition, Mr. Kelly said that he recommends that the Authority approve a supplemental budget in the amount of \$7,500.00 for additional work that may be required over the

course of the investigations. He explained that that work would be subject to the Board's prior approval on a task order by task order basis.

Following discussion, Commissioner Lampmann moved approval of the following resolution (**Resolution No. R-13-1-1**):

**RESOLUTION AUTHORIZING A CONTRACT FOR PROFESSIONAL
ENGINEERING SERVICES BY THE ALAIMO GROUP FOR THE EVALUATION OF
THE BOONTON AVENUE INTERCEPTOR**

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (the "Authority") has identified a need for professional engineering services to provide an engineering investigation and evaluation relevant to the conditions and capacity of the Boonton Avenue Interceptor lines with recommendations on repairs, replacements and related work necessary to rehabilitate the same; and

WHEREAS, the Authority has received and reviewed the proposal of the Alaimo Group, dated January 8, 2013 for services to consist generally of engineering tasks relevant to the investigation and evaluation of the Boonton Avenue Interceptor, including evaluation of the hydraulic capacity; line sizing; a structural condition review; an alternatives evaluation; supplemental investigations; permits and applications; development of an engineer's cost estimate and project schedule, and state loan program tasks for a total not to exceed fee of \$38,000.00, on a cost reimbursement basis; and

WHEREAS, the Authority anticipates that supplemental engineering may be required as a result of an investigation of the Boonton Avenue Interceptor, and desires to provide for a supplemental fee allowance of \$7,500.00, which would be authorized under individual task orders subject to prior approval by the Authority, and would be billed on an hourly basis for each task order as authorized, bringing the total contract price to \$45,500.00

WHEREAS, the Local Public Contracts Law (N.J.S.A. 40:11-1 et seq.) authorizes contracts for the provision of "Professional Services", which may be awarded without public advertising and competitive bidding therefore, provided a brief notice of the nature, duration, service and amount of contract is published, and that the Resolution and contract are kept on file and available for public inspection; and

WHEREAS, funds are available for these purposes.

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 16th day of January, 2013 as follows:

1. The Pequannock River Basin Regional Sewerage Authority recognizes that the Alaimo Group has an established reputation in the field of engineering matters and that they possess the specialized abilities and resources to provide expert engineering services necessary to meet the Authority's needs.

2. The Chairman is authorized and directed to sign an agreement in a form approved by the Authority Attorney providing for the performance of the scope of work set forth in the Alaimo Group proposal of January 8, 2013 for a total fee of \$45,500.00, on a not to exceed basis.
3. This Resolution shall be published in accordance with N.J.S.A. 40A:11-5 (l)(a)(ii).
4. This Resolution shall take effect as provided by law.

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

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

FINANCIAL REPORT

1. Treasurer's Report

1.1 Treasurer's Report Period Ending November 30, 2012

Treasurer Lampmann moved acceptance of the Treasurer's Report for the period ending November 30, 2012. Commissioner Gall seconded that motion which passed unanimously upon the following roll call vote:

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

1.2 Treasurer's Report Period Ending December 31, 2012

Commissioner Gall moved acceptance of the Treasurer's Report for the period ending December 31, 2012. That motion was seconded by Treasurer Lampmann and passed unanimously upon the following roll call vote:

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

2. Annual Budget: FY 2013

Mr. Kelly advised that the Revised Annual Charge Certifications were issued to the towns over his letter of January 11, 2013. He noted that three towns, namely, Bloomingdale, Butler and Kinnelon received credits for the prior year amounting to \$93,449, \$42,277 and \$42,804, respectively. At the same time he indicated that Riverdale's Annual Charge for the prior year actually increased by \$178,530.

In response to Commissioner Howard's question, Mr. Kelly advised that the year-end Annual Charge adjustments are in line with recent experience over the past several years. Nonetheless he mentioned that it was again necessary to adjust the metered flows, particularly the readings for Meters P-1A and P-2A which determine primarily the balance between the flows attributable to Bloomingdale and Butler and for the Riverdale flow as well. On discussing those adjustments Mr. Kelly said that he met with Michael Bonomo, Regional Sales Manager for ADS Environmental Services, on Tuesday, January 15th to review ADS' metering data. He reported that Mr. Bonomo indicated that ADS will again review the monitoring results, their procedures and protocols, field confirmations and other factors affecting the final flow figures and report on their findings.

3. 2002 Series M Bond Arbitrage Compliance Reports

Mr. Kelly distributed excerpts of the report prepared by Hawkins, Delafield & Wood on arbitrage and yield restriction compliance with IRS regulations for the 2002 Series M Bonds. He explained that the final calculations indicate that there remains a rebate amount due IRS of \$22,242.50 which amount is payable no later than January 30th. Accordingly he requested the Board's approval of the voucher on Operating Request No. 309A for that purpose.

Explaining further, Mr. Kelly explained that the Authority has in reserve a total of \$15,000.00 for the rebate that had been anticipated for some time. He said the actual amount would have been \$20,000 yet, since the refunding advanced the timing of the calculation and refund due date, the \$5,000.00 contribution scheduled for FY2013 was not made. He further advised that the 2002 Series M Bond Arbitrage Reserve Fund account will be redesignated for a similar reserve necessary for the 2012 Series N Refunding Bonds.

4. 2002 Series M Forward Delivery Close-Out

As explained by bond counsel's December 26, 2012 reply to Mr. Kelly's queries of December 21st, Mr. Kelly said that Mr. Beinfield advised that there would be little realistic opportunity to claim for investment income due on the 2002 Series M Bonds principal and interest accounts on the Forward Delivery Agreement/Guaranteed Investment contracts. Mr. Kelly explained essentially, in structuring the new Forward Delivery Agreement for the 2012 Series N Bonds, that RBC Capital Markets in conjunction with Wells Fargo, the Provider on the Forward Delivery Agreements, effectively terminated the original 2002 Series M Forward Delivery Agreement as of the September 6, 2012 closing on the new refunding bonds. At that point there remained amounts within the principal and interest Bond Service Fund accounts that were left uninvested. Consequently, no investment income was earned on those amounts for most of September and all of

Returning to bond counsel's opinion, Mr. Kelly said that essentially the Forward Delivery Agreements do not address the specific issue at hand and therefore the Authority has no recourse but to accept the investment income already earned leaving an estimated amount of some \$7,000 anticipated yet unearned. On that point Mr. Kelly further noted that Wells Fargo clearly did not anticipate that the monies would have remained idle since, if they had, the Bank would have invested those funds to reduce Wells Fargo's potential liability in any claim for the anticipated investment income due.

5. Audit: FY 2012

Referring to his January 15th letter, Mr. Kelly indicated that he distributed a draft copy of the audit report for fiscal year FY 2012 and asked if any of the Board Members have comments or questions that they direct those to him or to Mr. Cuva directly.

On Schedule 3, Mr. Kelly explained that the total unrestricted net assets or surplus from operations for FY 2012 was \$487,601. He said a significant portion of that resulted from the recent 2012 Series N Bond refunding as well as credits due from Two Bridges. Nonetheless he said that operations alone resulted in more than \$300,000 in surplus.

On discussing the surplus, Chairman Voorman said he thought it would be appropriate that the Board consider a refund to the towns inasmuch as the amount of surplus for the year substantially exceeds that previously anticipated.

Commissioner Howard generally agreed but more broadly said it would be appropriate to know what level of surplus should be retained by the Authority. Commissioners Lampmann and Verdonik indicated that the "rainy day" philosophy continues to be appropriate particularly in view of the potentially extraordinary charge increases from Two Bridges resulting from a combination of factors, most notably, the TBSA capital improvement program and recent issues with the sludge incineration process as well. Returning to Commissioner Howard's point, Mr. Kelly said that Commissioner Howard's similar question last year prompted preparation of the Financial Plan which projected a fiscal outlook over the next 20 years. He explained the critical point of the Financial Plan is the fact that by FY 2016 and FY 2017 the Authority will need to make determinations on the suitable amount of surplus since, at that time, annual debt service payments will be substantially reduced which would generate considerable surplus from operations if current rates are not decreased.

Mr. Falcon noted that the Authority around the same time will be losing a major revenue stream, namely, the TBSA debt service credit. Agreeing, Mr. Kelly said that that annual credit will decrease from the present \$613,923 to \$256,588 in FY 2015 and to zero the following year. At that point he said that the Authority must totally rely on Annual Charges from the towns for virtually all of its revenues except for relatively minor future investment income amounts.

Following further discussion, Chairman Voorman indicated that the refund matter will be left open for consideration next month.

UNFINISHED BUSINESS

None

NEW BUSINESS

1. Bloomingdale Reappointment: Commissioner Edwin Howard

Noting that his office has just received a letter from Bloomingdale Borough Clerk, Jane McCarthy, on the Mayor and Council's reappointment of Edwin Howard to another five year term ending on January 31, 2018, the Board congratulated Mr. Howard. Mr. Kelly said that he would forward the letter to Commissioner Howard since the clerk asked him to take the Oath of Office in the Borough Hall.

2. Butler Reappointment: Commissioner Raymond Verdonik

In a similar vein, Commissioner Lampmann advised that Mr. Verdonik was reappointed by the Mayor and Council at their January 15, 2013 regular meeting. The Board also congratulated Commissioner Verdonik.

PAYMENT OF BILLS

1. Operating Budget

1.1 Operating Request for Payment No. 309A (December)

Treasurer Lampmann moved acceptance of the bills as presented on Operating Request for Payment No. 309A for payment as follows:

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

Operating Request for Payment No. 309A

The following bills have been reviewed and are recommended for approval for payment at the **January 16, 2013** meeting of the Authority from the Operating Account (Wells Fargo Bank Account 1425985):

	<u>PRBRSA</u>	<u>VOUCHER</u>	<u>VOUCHER</u>	<u>PAYMENT</u>	<u>CHECK PAYABLE TO</u>
	<u>ACCT. NO.</u>	<u>NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	
1)	24.05	OP-13-1-1	3/17/2012	\$ 250.00	Borough of Butler
2)	24.05	OP-13-1-2	3/17/2012	\$ 250.00	Borough of Butler
3)	33.01	OP-13-1-3	9/12/2012	\$ 2,425.00	Borough of Butler
4)	33.01	OP-13-1-4	9/12/2012	\$ 2,425.00	Borough of Butler
5)	26.01	OP-13-1-5	12/5/2012	\$ 2,500.00	US Bank
6)	26.01	OP-13-1-6	12/5/2012	\$ 2,500.00	US Bank
7)	26.01	OP-13-1-7	12/7/2012	\$ 945.00	US Bank
8)	33.16	OP-13-1-8	12/4/2012	\$ 2,811.70	ADS LLC
9)	22.04	OP-13-1-9	12/4/2012	\$ 2,250.00	Hawkins Delafield & Wood
10)	24.07	OP-13-1-10	12/6/2012	\$ 174.95	Kelly Engineering
11)	24.07	OP-13-1-11	12/20/2012	\$ 13.48	Kelly Engineering
12)	22.03	OP-13-1-12	12/13/2012	\$ 10,400.00	Kelly Engineering
13)	22.01	OP-13-1-13	12/12/2012	\$ 697.50	Maraziti, Falcon & Healey
14)	24.07	OP-13-1-14	1/3/2013	\$ 204.80	Kelly Engineering
15)	22.03	OP-13-1-15	1/4/2013	\$ 10,400.00	Kelly Engineering
16)	32.02	OP-13-1-16	1/11/2013	\$ 3,608.95	Kelly Engineering

17)	*	OP-13-1-17	1/15/13	\$ 714,457.00	Pequannock, Lincoln Park & Fairfield Sewerage Authority
18)	33.03	OP-13-1-18	12/6/2012	\$ 17.96	Borough of Butler-Electric Dept.
19)	33.03	OP-13-1-19	11/23/2012	\$ 29.69	Verizon
20)	33.03	OP-13-1-20	11/28/2012	\$ 33.39	Verizon
21)	33.03	OP-13-1-21	11/28/2012	\$ 33.39	Verizon
22)	33.03	OP-13-1-22	12/28/2012	\$ 33.39	Verizon
23)	33.03	OP-13-1-23	12/4/2012	\$ 33.39	Verizon
24)	33.03	OP-13-1-24	12/6/2012	\$ 3.25	JCP&L
25)	33.03	OP-13-1-25	1/8/2013	\$ 761.29	Tab Group
26)	33.03	OP-13-1-26	1/9/2013	\$ 3.25	JCP&L
27)	26.06	OP-13-1-27	1/15/2013	<u>\$ 22,242.50</u>	IRS

TOTAL: \$ 779,504.88

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

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

NAYS : None

ABSENT : Commissioner Metcalfe

ABSTAIN : None

1.2 Operating Request for Payment No. 309B (December)

Treasurer Lampmann moved acceptance of the bills as presented on Operating Request for Payment No. 309B for payment as follows:

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

Operating Request for Payment No. 309B

2012 SERIES N REFUNDING
BOND ISSUANCE COSTS
 *[To Be Reimbursed From Bond Proceeds]

The following bills have been reviewed and are recommended for approval for payment at the **January 16, 2013** meeting of the Authority from the Operating Account (Wells Fargo Bank Account 1425985):

	PRBRSA	VOUCHER	VOUCHER	PAYMENT	
	<u>ACCT.</u>				
	<u>NO.</u>	<u>NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>CHECK PAYABLE TO</u>
1)	22.05	OP-13-1-1B	12/3/2012	\$ 402.00	Closing Binders
2)	22.05	OP-13-1-2B	12/13/2012	\$ 185.00	Maraziti Falcon & Healey
3)	22.05	OP-13-1-3B	1/4/2013	\$1,172.50	Ferraioli, Wielkotz, Cerullo & Cuva
4)	22.05	OP-13-1-4B	1/10/2013	\$ 883.82	Robert A. Eick Quality Bookbinding, LLC
			TOTAL:	<u>\$2,643.32</u>	

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

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

OPEN MEETING FOR PUBLIC COMMENT

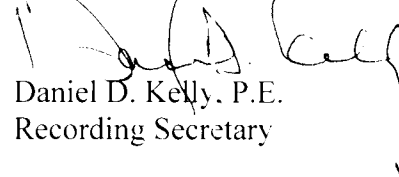
There being no members of the public present. Chairman Voorman dispensed with the public participation portion of the meeting.

ADJOURNMENT

Treasurer Lampmann moved for adjournment at approximately 8:15 pm. That motion was seconded by Commissioner Howard and was approved unanimously on voice vote.

At approximately 8:15 pm, the meeting was adjourned.

Respectfully submitted,



Daniel D. Kelly, P.E.
Recording Secretary

Enclosure: Treasurer's Report for the period ending November 30, 2012
 Treasurer's Report for the period ending December 31, 2012