

RESOLUTION

WHEREAS, the Pequannock River Basin Regional Sewerage Authority (hereinafter the "Authority") maintains certain funds in reserve in accordance with the General Bond Resolution of July 15, 1986; and

WHEREAS, in addition to the reserves required by the aforesaid General Bond Resolution (classified as "Restricted" Net Assets), the Authority has previously designated "Unrestricted" Net Assets for specific fiscal reserve purposes; and

WHEREAS, the Authority wishes to ratify and confirm here its prior actions with respect to the "Non-Restricted/Discretionary" reserves as previously approved.

NOW, THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the Counties of Morris and Passaic in the State of New Jersey on this 18th day of January 2012 as follows:

1. The following reserves which have been recorded on the Authority's monthly Treasurer's Report and, in some cases have been approved by formal budget resolution annually, shall continue to be retained as "Unrestricted/Discretionary" reserves within the Revenue Fund (Account No. 2576006500) as follows:

- a. **Operating Reserve:** In addition to the reserve for three (3) months of Operating Expenses [in accordance with Section 507 of the General Bond Resolution] an Operating Reserve for cash flow and rate stabilization purposes has been designated:

Balance @ 10/31/11: \$550,245.00

- b. **Debt Service Reserve:** In compliance with Section 609(E)(2) of the General Bond Resolution, a Debt Service Reserve has been designated to satisfy the 110% debt service coverage requirement of Section 609(B)(2):

Balance @ 10/31/11: \$211,000.00

- c. **Insurance Reserve:** A reserve has been designated to allow higher insurance deductibles for the Authority's insurance coverages in order to reduce annual premiums:

Balance @ 10/31/11: \$20,000.00

- d. **Bond Reserve Requirement (1996 Series L Bonds):** A reserve has been designated for payment of the December 1 principal amount on the 1996 Series L Bonds [in accordance with Section 507 of the General Bond Resolution].

Balance @ 10/31/11: \$30,000.00

- e. **Arbitrage Rebate Reserve Fund (2002 Series M Bonds):** A reserve has been designated to fund rebates required pursuant to the Internal Revenue Service arbitrage provisions as related to the 2002 Series M Bonds:

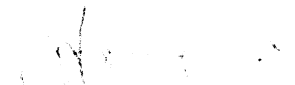
Balance @ 10/31/11: \$15,000.00

- f. **Capital Reserve Fund:** A reserve has been designated to fund anticipated Annual Charge increases projected for the Two Bridges Sewerage Authority capital improvement project and as may be required for future Authority capital projects:

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

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

Certified to be a true copy of the Resolution enacted at a duly convened public meeting of the Pequannock River Basin Regional Sewerage Authority held on January 18, 2012


Edwin Howard, Secretary