

APPROVED

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REGULAR MEETING MINUTES

SEPTEMBER 18, 2014

365 Old York Road, Flemington, New Jersey
(908) 782-7453 Office (908) 782-7466 Fax

1. MEETING CALLED TO ORDER AT 5:00 PM

The meeting of the Raritan Township Municipal Utilities Authority (RTMUA) was called to order stating that the meeting had been advertised in accordance with the Open Public Meetings Act setting forth the time with the RTMUA office as the place of said meeting. It was further stated that a copy of the Agenda was posted on the RTMUA office bulletin board.

2. ATTENDANCE ROLL CALL:

Chair Del Vecchio	Here
Dr. Dougherty	Here
Mr. Kendzulak, Jr.	Here
Mr. Kinsella	Absent
Mr. Tully	Absent

Also present were Bruce Miller, RTMUA Executive Director; Greg LaFerla, RTMUA Chief Operator; Regina Nicaretta, RTMUA Executive Secretary; Nancy Wohlleb, PE, Hatch Mott MacDonald; C. Gregory Watts, Esquire, Watts, Tice & Skowronek.

3. PLEDGE OF ALLEGIANCE

4. APPLICATIONS:

None

5. **RESOLUTIONS:**

Resolution #2014 - 43 Award of Contract for Purchase of Dry Polymer

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 43,
Dr. Dougherty seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014 - 44 Award of Contract for Purchase of Inorganic Sulfur
Dioxide

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 44,
Dr. Dougherty seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014 - 45 Award of Contract for Purchase of Sodium
Hypochlorite

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 45,
Dr. Dougherty seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014 - 46 Approval of Proposal for Janitorial Services

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 46, Dr. Dougherty seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014 - 47 Approval of and Authorization to Execute Wastewater Treatment Capacity Transfer Agreement and Agreement for Reservation of Wastewater Treatment Capacity Sanford Feld to The Fudge Shoppe Land Group, LLC (Block 36 Lot 65)

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 47, Dr. Dougherty seconded the motion. All were in favor.

Resolution #2014 - 48 Authorization to Execute Contract Modification #2 for Robin Hill Pump Station Rehabilitation (Contract #11-1)

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 - 48, Dr. Dougherty seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014 – 49 Approval of Final Contract Amount Robin Hill Pump Station Rehabilitation (Contract #11-1)

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 – 49, Dr. Dougherty seconded the motion.

Roll call vote:

Chair Del Vecchio	-	Yes
Dr. Dougherty	-	Yes
Mr. Kendzulak, Jr.	-	Yes
Mr. Kinsella	-	Absent
Mr. Tully	-	Absent

Resolution #2014 – 50 Approval of Payment Application No. 13 and Acceptance of Maintenance Bond and Environmental Maintenance Bond Robin Hill Pump Station Rehabilitation (Contract #11-1)

Mr. Kendzulak, Jr. made a motion to approve Resolution #2014 – 50, Dr. Dougherty seconded the motion.

Roll call vote:

Chair Del Vecchio	-	Yes
Dr. Dougherty	-	Yes
Mr. Kendzulak, Jr.	-	Yes
Mr. Kinsella	-	Absent
Mr. Tully	-	Absent

Resolution #2014 – 51 Authorization to Execute and Submit NJDPES Permit Renewal Application Flemington Wet Weather Facility

Dr. Dougherty made a motion to approve Resolution #2014 – 51, Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:

Chair Del Vecchio	-	Yes
Dr. Dougherty	-	Yes
Mr. Kendzulak, Jr.	-	Yes
Mr. Kinsella	-	Absent
Mr. Tully	-	Absent

- Resolution #2014 – 52 Authorization for Increase in Salary for Pamela Struening and Regina Nicaretta

Dr. Dougherty made a motion to approve Resolution #2014 – 52, Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

- Resolution #2014-53 Acceptance of Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and State of New Jersey Department of the Treasury Circular Letter 04-04OMB

Dr. Dougherty made a motion to approve Resolution #2014 – 53, Mr. Kendzulak, Jr. seconded the motion. All were in favor.

- Resolution #2014-54 Introduction of FY 2015 Budget

Dr. Dougherty made a motion to approve Resolution #2014 – 54, Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Mr. Kiel – The 2015 Budget, you lucked out this year that you're not on the new budget format; the State came out with a new version of it and it makes more work. A couple of the Budget highlights that I want to point out; there is a projected net loss of \$452,000.00. The reason for that is Connection Fees. If you take a look at the screen here, there is a little more detail to see how we came to some of these numbers. If you look at Connection Fees, last year we had almost \$400,000.00 budgeted. Unfortunately, this has been an issue for the past few years; we've put that number in almost knowing that we're not going to

reach it; if you look at where we were, the actual for 8/30/14, we only had \$105,000.00. This year when we talked about the budget, we decided to put a more realistic number there, \$100,000.00. On paper it's going to look like you have a larger loss, that's strictly because your revenues are about the same but then you take away \$400,000.00 in revenue and in order to make the budget work, you have to plug it with this "Unrestricted Net Position" to balance it. One thing we did contemplate though was a 5% rate increase. This is something we have talked about in the previous years because of the debt service. We are trying to cover the debt service plus the estimated 2015 NJEIT payments. In 2014 they started making people pay principal within six months; usually they wait until the following fiscal year to pay. If you closed in March 2015, you wouldn't have to pay principal until August 2016. They reversed course on that. As a result we estimated \$100,000.00 in NJEIT payments. Those are the two big factors that create that projected paper deficit; taking away the \$400,000.00 in Connection Fees and bringing it down to \$100,000.00 and increasing the debt service. We know we don't always spend the entire budget; so we're projecting we are only going to spend 97.5% of the budget. You can see on the operating side, the increase in expenses, those come directly from Mr. Miller, I don't have any information on the operating expense, what I go over mainly is the revenue. You can see what the projected expenses for 2014 are; \$4,684,000.00 and that is assuming nothing else happens between now and the end of the year. The budget is \$5,300,000.00; with the 97%, from a cash perspective we are contemplating spending \$5,100,000.00. The big thing again, is the Connection Fees, we talked about it before, you used to have half a million dollars in Connection Fees and now you're going down to \$100,000.00 and it could be even less than that. That's where this big loss is coming from and you're looking at a 5% increase just to make up for the drop in Connection Fees and you also have the debt service coming. In 2015, if you wanted to be where you are in 2014, you'd almost need a 10% rate increase to get to that breakeven point. You can see the projection for the next few years where you are going to end up. At the end of 2015 your cash is going to drop. Even in 2016, 2017 you're looking at some major rate increases to make up for that \$400,000.00 in Connection Fees and the increase debt service. You can see in this projection we're at 5%, 7.5% and 5% just to get an idea of where you would be even if you just did 5% each year. In three years, you'd use up almost \$600,000.00 of your cash. Like I said, it's the Connection Fees drying up and the debt service coming in plus an average increase in budget. Unfortunately there isn't much here that you can do, it's really just operational, you can look at trying to cut some expenses but unfortunately that's the reality. You're looking at 5% minimum just to make up for the drop in Connection Fees and the Capital Program. Now this also does have

a line in here where we try to contemplate paying Capital out of current year, the minor stuff that you do that isn't for debt, I'm only putting \$30,000.00 in there so that's not anything major. So right now it's 5% without doing any more debt service.

Mr. Kendzulak, Jr. – This reflects the MCC and the Woodside Pump Station; they are reflected in here and the additional debt associated with that?

Mr. Kiel – Yes, it contemplates what you are in the process of doing.

Mr. Kendzulak, Jr. – Is there anything else we're anticipating going out to NJEIT on after those two projects? We're not anticipating anything big with the upstream interceptor. So we're basically done with Capital improvements for some time, is that a fair statement?

Mrs. Wohlleb – One of the things we are planning on doing and it is in your budget, late this year or early next year, is looking at the ten year plan, what is next. Mr. Miller always mentions that based on the Facilities Report we did almost ten years ago, the Capital projects that we've done up to this point have been based on that. We have completed the new report.

Mr. Kendzulak, Jr. – There is nothing on the horizon that we have to get to within the next year or two.

Mr. Miller – No.

Mrs. Wohlleb – Not in the next year to two years. The only thing I will say is that I think within four to five years, Mr. LaFerla, we're looking at doing the headworks.

Mr. LaFerla – Yes.

Mr. Del Vecchio – Do we have all the stuff tied in with the controls?

Mrs. Wohlleb – With SCADA? Technically there are still a few more phases of SCADA but they aren't that big. The blower project was the biggest component. The remaining scheduling is going to be looked at as part of the Facilities Planning Report. We're looking to tie in the FWWF. A lot of the work is to be done by the Integrator.

Mr. Kiel – You are at the point now where if you want to try to get the rate increase down, you are looking at operational cuts. They'd have to be significant cuts but its stuff you can't do, you need to operate. If you look at my projection, I'm only doing a 1% increase in the budget, the less the budget is, the more you're going to butt up to that ceiling. The good news is once you do implement not counting on the Connection Fees, you will have accounted for this Connection Fee deficit so any future debt service that you have come in won't have such a big impact because you won't be making up for the increase in debt service plus the loss of Connection Fees.

Dr. Dougherty – On the debt service, the percentage rate is fixed and for how many years? What is the percentage?

Mr. Kiel – Yes, it's fixed for the NJEIT they do twenty years. The percentage is 3 – 5. There are different percentage rates for each year of maturity so right now anywhere from 3 – 5%. You can always do bonds yourself and may get a better rate.

Dr. Dougherty – We could explore that a little.

Mr. Del Vecchio – Are you saying to bond for the money we took from NJEIT?

Dr. Dougherty – If it's at a cheaper rate we could possibly save \$100,000.00.

Mr. Del Vecchio – If it's a cheaper rate, pay off NJEIT.

Dr. Dougherty – I don't know if it's possible, I'm just throwing it out there. It's like refinancing at a lower rate; 3 – 5% is pretty high now.

Mr. Kendzulak, Jr. – I was under the impression the NJEIT was; we weren't going to find a better loan than that.

Mr. Kiel – Sometimes you can do slightly better but usually NJEIT is slightly better than what you can do. NJEIT also handles all of it, you don't have to get a professional and pay them.

Dr. Dougherty – I'm just thinking of a Plan B, if we do have some other problems.

Mr. Kendzulak, Jr. – This is something that maybe Mr. Miller, you can look into...I know Somerset County has its own Improvement Authority and it's a mechanism for lower interest rates. I think Hunterdon County has its own Improvement Authority and I don't know how that all works. Maybe there are opportunities within the County that we could borrow through that with a lower rate.

Mr. Kiel – They look at credit ratings; if their credit rating is better than yours is, that is how they get the lower rate. You hope that the State has a better credit rating than you, that's the draw of NJEIT they tend to get more investors at a lower rate.

Dr. Dougherty – With the budget showing a loss, are we under any statute?

Mr. Kiel – No, with an Authority, and if you look at the last page, SS9, it does a recalculation, you actual put right on there what your Unrestricted Net Position is, how much you are utilizing to balance the budget and it comes to a number and as long as that number is positive you are allowed to do it.

Mr. Kendzulak, Jr. – The general rule or guidance that we didn't want to really go below was about 1.5 million dollars; that was kind of the threshold or guideline.

Mr. Kiel – The reason is, and here's a perfect example, one of my other clients had a main break under the road that was next to a bridge. They had to

shell out \$800,000.00 in a month. They were able to do it and they then actually borrowed money from NJEIT after that to reimburse themselves. But because they had that \$800,000.00 dollars, they were able to do it.

Mr. Kendzulak, Jr. – Where will we be at the end of 2014 as far as our cash position?

Mr. Kiel – About 1.4 million dollars.

Mr. Del Vecchio – I thought it was along the lines of three to four months' worth of a budget.

Mr. Kiel – There are requirements when you issue your bond; it's twenty five percent of your Operating budget.

Mr. Kendzulak, Jr. – At the end of this year, we're at 1.4 million dollars and if we do the 5% rate increase then at the end of next year we'll be at about 1.1 million dollars.

Mr. Kiel – Assuming you spend 97% of your budget and that you realize your Connection Fees.

Mr. Kendzulak, Jr. – I remember you saying that our projections on Connection Fees were way over rated and we were never realizing that amount. Mr. Miller, is the \$100,000.00 a good amount? I remember you saying, Mr. Kiel, forget about it, don't even put Connection Fees in it and if you get it that's great because then it goes to offset it.

Mr. Kiel – That's the goal. It's a paper thing, if you don't put it in there, the money will still come in.

Mr. Kendzulak, Jr. – Let's project out and assume that we don't have any major issues here and we increase the rate by 5%, then we're looking at 1.1 million dollars in 2015. Then we go to 2016, why do we drop down that low?

Mr. Kiel – The NJEIT, even though you have that principal payment in August, you wouldn't have any of those February payments because they were issued in March. In 2016 your NJEIT would still go up because you have all those February payments to make now. So that's why there is an increase there. I'm also trying to wean you off the Connection Fees, I dropped that down to \$75,000.00 and you can see I'm dropping that down each year. It seems you have your expenses reigned in tight and you're watching them.

Mr. Del Vecchio – The reality is if you go through the operating expenses, there is a couple of major areas there isn't a whole lot you can do with. We've done pretty much everything we can do with electric.

Mr. Kiel – Any cuts you make are going to end up being cuts in service.

Mr. Kendzulak, Jr. – In summary, is there anything else you need to go over?

Mr. Kiel – No, just a reminder that the State budget document contemplates a 5% rate increase so with this if it's introduced tonight we can send it out to the State for review; they do ask for a resolution for the rate

increase; you don't have to it now; we can just send them a draft saying we are contemplating it. If you do introduce the budget, you do have to send a draft resolution for the rate increase.

Mr. Kendzulak, Jr. – Connection fees, Mr. Miller...I guess the crystal ball in the past, I guess it hasn't worked. I'd find a new crystal ball...what's it saying?

Mr. Miller – Toil Brothers is going to do exactly what they've done this year.

Mr. Kendzulak, Jr. – Are we confident in that \$100,000.00's for Connection Fee's?

Mr. Miller – Yes.

Mr. Kendzulak, Jr. – Is that a conservative number and it's a slam dunk, the \$100,000.00?

Mr. Miller – I would say so, yes.

Mr. Kendzulak, Jr. – Just to recap, the revenues from the Connection Fees never materialized, we've been increasing our rate significantly over the years and in order for us to be okay financially, we have to increase our rate to 5% over the next year and then looking at the one column from a cash position we're at 1.4 million dollars and really, ideally the threshold or guidance would be is you don't want to get below 1.5 million dollars but it's not the end of the world if we are a little under but based on the budget we have with a 5% increase in our rate we are going to be at 1.08 or 1.09 million dollars next year so our cash is moving down. As we continue to go on again with a 7.5% increase after that, then we're down below a million dollars and then it looks like it starts coming back up in maybe 2018 but that's assuming there are no additional Capital improvements. Basically our position continues to deteriorate to some degree even with the 5% rate increase.

Mr. Del Vecchio – Motion to introduce and approve?

Dr. Dougherty – So moved, with the caveat that I think if we do approve this budget I'd like to see a sub-committee if possible, appointed by the Chairman to explore alternate financing and if possible with our consultant, to see if there is a way whatsoever to save money on that interest payment. I think it's worth exploring.

Mr. Kendzulak, Jr. – Second.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

Resolution #2014-55 Approval of Increase in Wastewater Treatment Capacity for Township of Raritan for Development of Affordable Housing

Mr. Watts – Basically, this is a result of the conversations from the meeting last month. I was directed to prepare a resolution that would allocate an additional 1,500 gallons per day or 5 EDUs for the development of Block 16.01 Lots 37.01 and 54. That would be further allocated pursuant to the existing transfer agreement that we have with the Township of Raritan, that would give them enough capacity to complete that project.

Dr. Dougherty made a motion to approve Resolution #2014 – 55, Mr. Kendzulak, Jr. seconded the motion. All were in favor.

6. **Approval of Minutes:** Minutes of August 21, 2014

Mr. Kendzulak, Jr. made a motion to approve the minutes from the August 21, 2014 meeting. Dr. Dougherty seconded the motion. All were in favor.

7. **Treasurer's Report / Payment of Bills:**

Mr. Kendzulak, Jr. - The bills totaled \$393,497.10. All appears to be in order. We're about nine months or 75% through the year and we're right on budget.

Dr. Dougherty made a motion to approve the payment of bills. Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:	Chair Del Vecchio	-	Yes
	Dr. Dougherty	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Mr. Kinsella	-	Absent
	Mr. Tully	-	Absent

8. **Citizens' Privilege:**

None

9. **Adjourn into Closed Session by Motion, if Needed**

Mr. Watts – We will be going into Closed Session to discuss Contractual Matters specifically with regard to the capacity for the Township COAH projects and we do not anticipate any action once we come out of Closed Session.

Mr. Kendzulak, Jr. made a motion to adjourn into Closed Session for the above stated purpose and Dr. Dougherty seconded the motion. Closed Session was from 5:51 pm – 7:19 pm.

Closed session ended and the Regular Meeting continued.

Mr. Del Vecchio to Mr. Fik of Carroll Engineering – What you will get from us very shortly, officially, is there is no capacity for your project from RTMUA. Your option at that point is then you have to go talk to the Township. At that point if they say okay to everything then everything is okay. Officially, we have to tell you, because you have a letter in to us asking for capacity, officially we are not giving out capacity.

10. **Adjournment of Regular Meeting:**

Mr. Kendzulak, Jr. made a motion to adjourn the Regular Meeting. Dr. Dougherty seconded the motion. All were in favor.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
WORK SESSION MINUTES

APPROVED

SEPTEMBER 18, 2014

365 Old York Road, Flemington, New Jersey
(908) 782-7453 Office

(908) 782-7466 Fax

1. **The Work Session** of the Raritan Township Municipal Utilities Authority will be called to order upon the adjournment of the Regular Meeting.

2. **Correspondence:**

a) Brian B. Burke of RBC Capital Markets to Bruce P. Miller of RTMUA regarding Municipal Continuing Disclosure Cooperation Initiative

Mr. Miller – This is what they call the MSRB EMMA requirements and basically what RBC Capital said, they are our underwriters, they said on your 2010 bond, we don't find anything wrong. Mr. Langhart is keeping an eye on it. They have to do it first, they have to self-report first and we have until the end of December and if by December 1st they don't say anything then we are in the clear.

3. **Unfinished Business:**

None

4. **New Business:**

None

5. **Professional Reports:**

a) Attorney - none

b) Engineer - ok

6. **RTMUA Reports:**

- a) Administrative Report - ok
- b) Operations Report
 - 1. Chief Operator's Report
 - i) Overtime Recap - ok
 - ii) Septage / Greywater Recap - ok
 - 2. Laboratory Summary - ok
 - 3. Maintenance Summary - ok
 - 4. Readington Flows - ok
- c) Commissioner's Comments:
None

7. **Discussion:**

- a) Woodside Farms Pump Station Rehabilitation Bid Results

Mrs. Wohlleb – As the letter says, we had a bid opening on September 9th; we had nine bids, it was a very well attended bid. What of course strikes everybody's eye is the low bidder, Pact Two. They did a couple of projects here at the Authority and their sister company Pact Construction also did the Dory Dilts Pump Station Abandonment project. One of the things we wanted to take a look at because of the price difference between the first bidder and the second bidder which is JEV Construction, as well as our engineer's estimate of about \$851,000.00, was why was Pact so low, maybe something's changed. Pact hasn't worked for RTMUA for about seven or eight years. I do understand that there were some personnel changes there; apparently since that time they've been doing a lot of work in Pennsylvania. They haven't really responded to past bids from RTMUA. We made an effort to call their more recent references since they last worked for RTMUA and four people responded and all four had very positive comments related to Pact Two. Basically, they were all sort of in a similar bid situation, somehow Pact Two bid much lower but they said they completed the work, they were not Change Order happy and that their intent was to complete

the project and perform well for the owners. Given that we felt comfortable with recommending that the award go to Pact. Both Mr. Watts and I did look at the bid documents themselves for completeness and compliance and everything seems to be in order so the letter before you is recommending the award to Pact Two. If it is the intent to award the contract then we'll send the information to the State so they through the Infrastructure Trust will actually issue an authorization to award which if the Authority wishes next month to do a resolution then that allows the next step to happen which is the actual Notice of Award to the contractor after that resolution.

Mr. Del Vecchio – Then we will put it on the agenda next month.

8. **Adjourn into Closed Session by Motion, if Needed**

9. **Adjournment of Work Session:**

Mr. Kendzulak, Jr. made a motion to adjourn the Work Session. Dr. Dougherty seconded the motion. All were in favor. The Meeting ended at 7:25pm.