

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
BUDGET WORKSHOP
March 16, 2011**

- Call to Order: The Budget Workshop of March 16, 2011 was called to order at 6:00 p.m. with the Pledge of Allegiance by Chairman Galante.
- Announcement
By Chairman: Chairman Galante announced that this meeting is being held in conformance with the Open Public Meetings Act. Notice has been given to the newspapers and notice of the meeting has been posted in public places.
- Roll Call: Present:
Thomas Galante, Chairman
Edward Testino, Vice-Chairman
Kiran Desai, Secretary
Nicholas Smolney, Treasurer
Rocco Donatelli, Commissioner
Reginald Butler, 1st Alternate
Richard Greene, 2nd Alternate
- Absent:
None
- Also present:
Guy Donatelli, Executive Director
Michael Roy, P.E.
Stephen A. Florek II, Comptroller
Louis E. Granata, Esq.
Robert Morrison, Auditor
- Report by
Comptroller: Stephen A. Florek II
- Mr. Florek reported that he along with Executive Director Donatelli, Commissioners Greene, Smolney and Robert Morrison, auditor, reviewed the budget and the recommendation is to introduce the budget as presented to the Commissioners.
- Auditor's Comments: Mr. Morrison stated that one of the first items to be reviewed was the change in the financial condition, specifically the cash surplus position of the OBMUA projected for May 31, 2011 as compared to prior years. Referring to a budget comparison summary prepared for years 2007-2008, 2008-2009, 2009-2010, and 2011-2012, he highlighted the significant amounts representing cash surplus remaining after adoption of the budget, i.e., in 2008 the

amount was \$11,506,423; projected for 2011-1012 the amount is \$2,111,283. This decline in the Authority's cash position and operating surplus is attributable to three items: \$5.6 million paid to the Township for a land purchase; \$5 million in an irrevocable trust fund to finance the cost of employee benefits for retirees (that cost will be deducted from future budgets); and \$1.3 million given to the township as part of the last budget cycle.

Mr. Florek stated that \$2.1 million surplus is a projected number. Currently, the balance before operating results is \$1,131,192. He is uncomfortable with having a lesser amount because all of the up front expenditures for NJEIT projects are made by the Authority. Although we are showing a cash surplus, this amount does not reflect the amount of money to be expended for the construction projects scheduled for this year. This money has to be prefunded followed by a requisition for reimbursement from the State.

Mr. Florek stated that with the projections through year end and with the budget that is currently forecasted, the surplus is \$2.11 million. Less than that amount, he cannot operate comfortably. The Authority has five to six projects on-going simultaneously.

Mr. Galante inquired how long before the State reimburses a requisition.

Mr. Florek stated that he requisitions the State every three months. If there is a request for a \$1 million construction project, he will requisition immediately to recoup that money. If the construction cost is \$100,000 to \$200,000, he will wait three months to requisition.

Mr. Morrison stated that Mr. Florek produced a document which tracks water purchases, a leading indicator of revenue production. The Authority is buying excess water from Middlesex Water during the summer months because the Authority is pumping to daily capacity through the well system. This tracker indicates that the cost of water during a wet summer dropped by \$900,000 from the highest of the three years. That translates into more than that as lost revenue to the Authority because the Authority makes money on every gallon of Middlesex purchased water that it sells.

Therefore, Mr. Morrison stated that the amount of lost revenue in a wet summer represents more than the remaining cash surplus in the Water Division. Mr. Florek's numbers show that there is a weather risk associated with your cash flow and fund balance, and a wet summer could trigger a reduction in revenues which could

consume all of the Authority's remaining fund balance in the Water Division.

Mr. Desai, referring to the Laurence Harbor lead contamination project, inquired whether the Authority was anticipating or projecting a reimbursement as future income.

Mr. Florek explained that this is not income but rather replacement of cash retained earnings.

Mr. Desai commented that the Authority previously enjoyed a surplus of \$13 million. Although \$5 million was placed in an irrevocable trust, and \$5.6 was used in a land purchase, he views these amounts as one-shot non-recurring expenses. The land purchase was a plus for the Authority because when the area is built up, the Authority will purchase less water and expenses will be lower and excess water will be able to be sold. Spending \$5.6 million was a wise investment. The number presented as surplus may not be accurate because the surplus may slowly build up by \$1 million next year; \$3 million the next. He believes that there is room to give money not allocated in this budget to the Township.

Mr. Greene believes that the surplus has been generated mainly through reductions in manpower and efficiencies taken by the MUA. He doesn't know if regenerating surplus is possible. Surplus is money that is saved to be used for emergencies and flexibility to perform operations during the course of the year. Out of the operating budget of the MUA, health benefits were being paid for people who no longer are employed by the MUA.

Mr. Greene stated that the MUA cannot sustain the amount of money given to the Township. Mayor Phillips and the employees of the Township should be thankful for transferring the \$5.6 and \$2.6 million. It is sinful and a disgrace that Mayor Phillips can point a finger at the MUA and accuse the Authority for layoffs in the Township. He was told many times to cut the budget and identify savings. The day of reckoning is here.

Mr. Desai stated that he agrees with one of Mr. Greene's statements, i.e., that the Authority cut staff where it was not needed and has spent rate payers' money wisely.

Mr. Smolney extended his congratulations to Executive Director Donatelli, Mr. Florek, the auditor and the staff for their excellent job in presenting the budget. The budget should be adopted as presented because it is a sound plan for the Authority.

Adjournment: A motion was made to adjourn at 6:20 p.m. by Mr. Smolney and seconded by Mr. Butler.

The motion was approved by an ALL AYES vote.

Respectfully submitted:

Kiran Desai, Secretary