

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY

OLD BRIDGE, NEW JERSEY

PUBLIC RATE HEARING
WATER DIVISION

**TRANSCRIPT
OF
PROCEEDINGS**

WEDNESDAY, June 15, 2011
6:30 P.M.

Kami Lyn Lauer
Shorthand Reporter
732-547-1331

CHAIRMAN AND COMMISSIONERS PRESENT

ROCCO DONATELLI

THOMAS GALANTE

NICK SMOLNEY

REGINALD BUTLER

ALSO PRESENT

GUY DONATELLI - Executive Director

LOUIS E. GRANATA -- Board Attorney

STEPHEN A. FLOREK -- Comptroller

MICHAEL ROY - Staff Engineer

ROBERT MORRISON -- Auditor

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WITNESS

DIRECT

STEPHEN A. FLOREK

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ROBERT MORRISON

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Direct by Mr. Granata

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Exhibit - A	Rate Structure - Water Division	5
Exhibit - B	Water Rate Increase	5
Exhibit - C	Affidavit of Publication Home News Tribune	5
Exhibit - D	Affidavit of Publication Asbury Park Press	5

(Whereupon, Rate Structure - Water
Division was received and marked as
Exhibit-A)

(Whereupon, the Water Rate Increase
was received and marked as Exhibit-B
for Identification.)

(Whereupon, Affidavit of Publication
in the Home News Tribune, was received
and marked as Exhibit-C for Identification.)

(Whereupon, Affidavit of Publication
in the Asbury Park Press, was received and
marked as Exhibit-D for Identification.)

(Whereupon the Pledge of Allegiance was recited)

MR. BUTLER: This Public Rate Hearing is being held in conformance with the Open Public Meetings Act. Notice has been given to the newspapers and notice of the Public Rate Hearing has been posted in public places. Would you please call roll.

MS. GREENE: Mr. Donatelli?

MR. DONATELLI: Here.

MS. GREENE: Mr. Smolney?

MR. SMOLNEY: Present.

MS. GREENE: Mr. Butler?

MR. BUTLER: Present.

MR. GRANATA: Let the record reflect that Mr. Morrison is here.

MR. BUTLER: The purpose of the meeting is a rate hearing. Mr. Granata, I will turn this portion of the meeting over to you, Sir.

MR. GRANATA: Thank you, Mr. Chairman.

Tonight's rate hearing is to establish water rates for the Authority by reducing the minimum usage and allocating the costs based upon minimum usage. I would like to have Mr. Morrison and Mr. Florek sworn in please.

(Whereupon, the witnesses were sworn in)

STEPHEN FLOREK, and ROBERT MORRISON,
Having been duly sworn according to law, were examined and testified as follows:

DIRECT EXAMINATION BY MR. GRANATA:

Q. Mr. Florek, would you state your name and position with the Authority?

A. Steve Florek. Comptroller of the Old Bridge MUA.

Q. Did you prepare a form of resolution for the Commissioners to consider this evening, restructuring the rates for water consumption?

A. Yes, I have.

Q. Would you take a look at Exhibit-A and tell me if that is the proposed rate resolution?

A. Yes, it is.

Q. Did you also prepare a breakdown of the rates by gallons and what the prior rate was, the

current rate and the proposed rate?

A. Yes.

Q. Did you prepare those in Exhibit-B?

A. Yes, I did.

Q. Was the notice of this rate hearing published in the Home News and the Asbury Park Press?

A. Yes, it was.

Q. Were these the vouchers for payment of those along with a copy of the certified publication?

A. Yes, it is.

Q. Now, would you explain to the Commissioners the basis for the restructuring of the rates?

PUBLIC: Is there a copy for the public?

MR. GRANATA: I do not have an extra copy.

MR. MORRISON: You can make a copy of this one. It is not an evidentiary copy.

PUBLIC: Thank you.

Q. Would you explain to the Commissioners the breakdown and the reason for the rate restructure?

A. Basically, when we adopted our budget for the 2011 and 2012 fiscal year, we realized that we were short revenues within the Water Division. At

that point in time we had already used 3.187 million dollars out of retained earnings for this current year budget. That being said, there was still a shortage of approximately \$650,000.00 that needed to be arrived at from other means.

Q. What did you do as the Comptroller in order to fill that shortfall?

A. What we did is we took and did an analysis of the usage of the water by the customers and realized that the seniors and people that were fixed low income shouldn't be strapped with this increase. So what we did was looked at the current 8,000 gallon minimum that we have and reduced that to 6,000 gallons. So 0 to 6,000 gallon users will have no impact in their rates.

Q. So based upon the proposed rate restructuring there is no impact on the low end of the consumption scale for users at the Authority?

A. That is correct.

Q. What other adjustments did you make in rate structure in order to make up the -- what did you do in order to make up the budget gap?

A. The only thing we did was reduce the minimum from 8,000 to 6,000. That basically

allowed the people from the -- the rest of the people to be --

Q. Rest of the consumers?

A. The rest of the consumers to pick up an increase of \$6.12.

Q. Spread over the upper end of the users?

A. Spread over from 8,000 gallon usage to the max, whatever that may be.

Q. That is shown on Exhibit-B?

A. Yes.

Q. Just for the audience who have not yet seen this, because it has not yet been copied, would you explain what a user using 5,000 gallons would pay by way of any increase?

A. 5,000 gallon users currently pay \$67.02 and under the new proposal it would still remain \$67.02. There would be no increase for the 5,000 or less user.

Q. What about the users between 5,000 and 6,000?

A. Between 5,000 and 6,000 there is no additional increase. It would remain the same, \$67.02.

Q. What about the users between 6,000 and

7,000 gallons?

A. When you get up to the actual 7,000 gallons there is a \$3.06 per quarter increase.

Q. The 8,000 gallons and above is where the \$6.12 increase is being allocated?

A. That is correct.

Q. Do you recommend that the Commissioners adopt this rate in order to make up the budget deficit?

A. Yes, I do.

DIRECT BY MR. GRANATA:

Q. Mr. Morrison, would you state your name and position with the Authority?

A. Robert S. Morrison, CPA. Shareholder at Hodulak and Morrison. Independent auditors to the Old Bridge MUA.

Q. Mr. Morrison, have you participated in the restructuring rate resolution that Mr. Florek has testified to?

A. I performed a review of his calculations to determine their mathematical accuracy.

Q. Based upon the review that you conducted, are they mathematically correct?

A. Yes, they are.

Q. Based upon your obligation as a consulting auditor for the Authority, does this rate restructure comply with the Statutory Requirements of the Authority?

A. It does and in fact based on the adopted budget and the amount of anticipated water rents, it is necessary.

Q. Also, as the auditor for the Authority and your obligation to see that the Authority comply with its bonding and rate -- bonding resolutions, does this rate restructure comply with the requirements of the bond?

A. This rate restructure will keep the Authority in compliance with its indentures, yes.

Q. If it was not adopted in this restructured position, what then would occur?

A. The Authority would be at risk of running a deficit, in which case, it would be in noncompliance with its indenture of trust.

Q. Noncompliance means default?

A. Default and the triggering of the Default Agreement with the Township which would require the Township to finance the deficit.

Q. Based upon your review of this matter and

your opinion that the Authority is complying with the Statute and the bonding requirements, would you recommend to the Commissioners that they adopt this rate restructuring?

A. Yes, I do.

MR. GRANATA: Commissioners, I have no further testimony from your professionals. Were there any questions from the Commissioners?

MR. BUTLER: Not sure if we have any questions at all. Any questions?

MR. GRANATA: At this time I would like to open it up to the public. Under the rate hearing provisions, please identify yourself and ask questions of the two persons who have testified. This is what is called cross-examination of the expert.

DR. ANITA GREENBERG: Dr. Anita Greenberg, Old Bridge, Tice Town Road. How many users are in the 5,000 category?

MR. FLOREK: Right now in the 0 to 6,000 category is 572 users.

MR. GRANATA: I believe that is on the paper you have.

MR. FLOREK: No.

DR. ANITA GREENBERG: 572?

MR. FLOREK: Correct.

DR. ANITA GREENBERG: In all of Old Bridge, 572. Okay. And then 7,000 -- you told me between 5,000 to 6,000. So lets go then between 6,000 to 7,000.

MR. FLOREK: I have 0 to 6,000 and 6,000 to 8,000, there is 147 users.

DR. ANITA GREENBERG: 147, okay. Then from 8,000 to 9,000?

MR. FLOREK: I have 8,000 to 10,000, it is 166.

DR. ANITA GREENBERG: Then when did it change from 10,000 to 8,000?

MR. FLOREK: May of 2010.

DR. ANITA GREENBERG: Okay. You said the money that would be generated by this increase would bring the MUA an increase of about \$650,000.00 per year?

MR. FLOREK: That is correct.

DR. ANITA GREENBERG: If you did not purchase the land from the Township, would we be going there? We wouldn't need the money, would we?

MR. FLOREK: If we didn't purchase the

land from the township, there is also capital improvement that we would have actually been using.

MR. MORRISON: The MUA, just to give you background information, the MUA, has a Water Capital Improvement plan that totals \$56,000,000. So there is a laundry list of projects that the MUA wants to undertake. They tend to get pushed back from year to year due to budget issues. I don't think that the sale of the land -- the purchase of the land, in and of itself, would change these numbers. What would have happened is some other projects probably would have been substituted in for that project.

DR. ANITA GREENBERG: We don't know that.

MR. MORRISON: We don't know that. It is entirely up to the Commissioners as part of the budget process. There are a laundry list of projects out there.

DR. ANITA GREENBERG: So basically, if you are generating \$650,000.00 a year with this, you take the 5.6 million that you purchased the land, the repeatedly 1.3 million, it would take you twelve years of rate increases to reabsorb that money, is that correct?

MR. MORRISON: Well, they piggyback on

each other, so every year that -- since last year, you're generating \$650,000.00 from the decline from 10 to 8. So this year that number goes up to roughly 1.3 million because now we have two years worth of reductions in the minimum.

DR. ANITA GREENBERG: When you say reduction --

MR. MORRISON: Well, it's the credit that a resident gets -- a water user gets for -- it used to be 10,000 gallons of water was not charged. You had a minimum bill that was intended to cover facility costs and for some reason the Authority structured its rates so that you got the first 10,000 free, that has now been reduced to 8,000 and this hearing it is being reduced to 6,000.

DR. ANITA GREENBERG: So before -- I have been going to hearings for many times and with the 10,000 -- when it was at 10,000 -- and knowing now that it comes to about 572 households that they had asked at that time for their bills be calculated actually for their usage. And what you did was reduce it from 10,000 to 8,000 and say we gave you a bargain. I don't see that because really if you look at the percentages that they have gone up -- you've gone up from 6,000 to 7,000, your percent of increase is 4.57%. If you went from 8% to 9% -- excuse me, 7% to 8% your increase went up from 9.13%. If you went from 8,000 to 9,000 gallons,

you went up 8.73%. So the problem is this that we are at a situation that it is very sad that MUA had a surplus that we know that is there --

MR. GRANATA: Dr. Greenberg, a question, not a statement.

DR. ANITA GREENBERG: My question is -- answer yes or no, you had a significant surplus before and now you don't? So now we are getting the rate increase which was recommended at the Council Meeting for the Township to lease you the land for \$1.00 a year or just give it because really, rate payers and tax payers are one in the same. Was that not true?

MR. MORRISON: Who are you asking?

DR. ANITA GREENBERG: I am asking both of you. I don't care who answers it, just as long as I get an answer.

MR. FLOREK: I was not at the Town Council Meeting. I am not sure what happened there.

MR. MORRISON: There is undoubtedly less surplus or retained earnings now than there was a year ago. Whether or not you want to correlate that reduction in retained earnings to this rate increase, there is no direct line between the two.

DR. ANITA GREENBERG: There is no direct line that's visual, but I can tell you that there is a direct line --

MR. GRANATA: Again, it is question and answer.

DR. ANITA GREENBERG: Is there not a direct line of reduction in the amount of surplus that you had back when you took out 5.6 million dollars and the 1.3, 1.3 to the township? Did you not see a reduction in your surplus when that money was removed, yes or no?

MR. MORRISON: Absolutely.

DR. ANITA GREENBERG: Okay. So now we are trying to recoup approximately \$650,000.00 with the rate increase that if you add those up that we would not have had to do if that 5.6 million and the 1.3, 1.3 was there?

MR. MORRISON: And the Commissioners chose to use it to balance the budget, yes?

DR. ANITA GREENBERG: Do you think that the Township used this money to balance their budget?

MR. MORRISON: That is beyond the scope --

DR. ANITA GREENBERG: I had to ask. Because right now the way I see it, do you feel now in this situation, the situation that we are in, the budget of the MUA is now -- where you have to use all of your resources to come up with some constructive ideas in order to now create, generate a surplus?

MR. FLOREK: Well, to start with, the ideas were on the

table long before we bought the property from the Township. The seniors came up, I guess it was three years, four years ago and they were propositioning us to lower the usage on a regular ongoing basis so that they wouldn't be straddled with increases when increases were passed on. So, I am not going to say that it was the direct result of restructuring that for the sale of the property or the purchase of the property. Because this was started three years ago when there was a rate study done back in 2007, which the seniors had requested.

DR. ANITA GREENBERG: As I recall, is this not true, that the seniors asked to be charged for their usage, not on your limits that you set?

MR. FLOREK: Yes.

DR. ANITA GREENBERG: So, that is where the difference is. Then the limit was reduced from 10,000 to 8,000 to 6,000, is that correct?

MR. FLOREK: Correct.

DR. ANITA GREENBERG: And now we are serving 572 people with 6,000 or below?

MR. FLOREK: 572 accounts.

DR. ANITA GREENBERG: Right.

MR. FLOREK: Yes.

DR. ANITA GREENBERG: All right. Thank you very much for your time.

MR. GRANATA: Anyone else? Please come forward and state your name for the record.

DEBBIE WALKER: Debbie Walker. 235 Lambertson Road. I have a question for either one of you. When you adopted your budget, did you know you were going to do this budget restructure? Because Mr. Morrison said there would be a deficit if this restructuring does not occur.

MR. FLOREK: This modification to the rates was indeed planned at the time the budget was adopted.

DEBBIE WALKER: Okay.

MR. GRANATA: Yes, sir.

OWEN HENRY: My name is Owen Henry. I have a question for Mr. Florek. In the past, has any part of the reserve fund been used to cover or off-set the increase in rates? As opposed to passing it on to the consumer, use the reserve fund?

MR. FLOREK: Yes.

OWEN HENRY: So years before they would take the money out of the reserve and off-set this and not pass this on to the consumer?

MR. FLOREK: True.

OWEN HENRY: Actually, use the rate money that was given in prior years and off-set the costs?

MR. FLOREK: Yes. We have done that in

various years and are currently doing it this year too, 3.5 million. If I was to run the Authority without using any retained earnings, I would have to generate an additional 3.5 million, not \$650,000.00.

OWEN HENRY: What if the reserve fund was not depleted. You could use that to off-set this?

MR. FLOREK: Well, if the reserve wasn't depleted I would put more capital items into the budget because we have –

OWEN HENRY: You're off-setting the rate increase?

MR. FLOREK: Not necessarily. Well, yes, I would have put –

MR. MORRISON: That is an option.

MR. FLOREK: That is a management decision. Because right now in the Water Division, I have 56 million dollars worth of projects waiting, on hold. In the Sewer Division, I have 53.1 million. It's not like we are not doing capital projects on an ongoing yearly basis to keep the systems up and running, state of the art, and provide efficient water and sewer services.

MR. MORRISON: I should also add that when given an opportunity to have input on budget building decisions, I always recommend to the Commissioners that they attempt to finance their capital projects without the issuance of debt so as to avoid the costs of money, paying interest over a

fifteen, twenty year period. If you can finance capital projects on a pay as you go basis, they become somewhere between 30% to 50% cheaper, in the long run if you calculate interest in our twenty year bond at 4%. When Steve talks about trying to build more capital projects in lieu of rate reductions or rate stabilization, it's with the same goal in mind. To keep the rate stabilized in the long term.

OWEN HENRY: Thank you.

MR. SMOLJAN: 56 Springhill Road. You said that you are running an efficient business, am I correct? That you are trying to run an efficient business for -- when you are proposing to do your budget, you are trying to run an efficient business, correct? You are trying to make the best of money count for where ever you can, am I correct?

MR. FLOREK: I would like to think so.

MR. SMOLJAN: Let me ask you a question. First of all, I am totally astonished why this meeting is not being held at Wawa. Because every time I go to Wawa there is fifteen water department trucks there idling. Can you answer that? Can any of you answer that? I don't think so. So the efficiency of this department --

MR. GRANATA: Wait. You are making a statement.

MR. SMOLJAN: I am making a statement. This is my opinion. And not only have I recorded all of this information on the phone –

MR. GRANATA: This is cross-examination of the testimony of the --

MR. SMOLJAN: Is this efficient operation?

MR. GRANATA: Now you are making a statement. You will get an opportunity to make a statement.

MR. SMOLJAN: Then I will wait until afterwards. Thank you.

MR. GRANATA: Does anyone else have a question?

MS. PANOS: I am sorry, I missed the first portion of this. Ms. Panos, 36 Central Avenue. I use 19,000 gallons. So mine will be going up what?

MR. FLOREK: \$6.12 per quarter.

MS. PANOS: \$6.12. Is that a 6.92% increase or 5%?

MR. FLOREK: It would be between a 6.92% and 5.9%.

MS. PANOS: So this is my water bill. Is my sewer bill going up also?

MR. FLOREK: No. It is not.

MS. PANOS: Thank you.

MS. GRANATA: Step up.

MARY SOHOR: Mary Sohor. 41 Cressiea Drive. When you did your budgeting the last time, was this 5 million dollar purchase of the property put in your budget -- anticipating a purchase?

MR. MORRISON: Actually, the purchase of the property came up after the 2010, 2011 budget was adopted and before the 2011, 2012 was adopted.

MARY SOHOR: So it was never in a long range plan or in a previous budget anticipating using this money specifically for this purchase?

MR. MORRISON: I do not remember if it was ever in a plan. I know that there have been conversations. The Authority has coveted that property for a long time. The Township was previously unwilling to part with it.

MARY SOHOR: But at no time there wasn't a long range plan in terms of if you purchased it in your budget, what would the result be, in terms of how much revenue you would now have and how much you would have to increase rates to?

MR. FLOREK: No.

BRIAN CAHILL: 11 Butler Court. My apologies, I was stuck in traffic. I am not sure if you had already dealt with this. The rate increase that is proposed and the rate increase that has taken place, where did that go in your budget? Does it go to reserve or to operating?

MR. FLOREK: Operating.

BRIAN CAHILL: How much are you planning on raising this rate increase? What is the total number?

MR. FLOREK: \$649,400.00.

BRIAN CAHILL: Where would your balance sheet be if you -- I do not have any information -- where would your balance sheet be if you did not have the rate increase?

MR. FLOREK: I would not have that much money in the budget.

BRIAN CAHILL: I didn't see the papers, I am just asking. So what is your deficit?

MR. FLOREK: I do not have a deficit at this point in time. I hope I never do.

BRIAN CAHILL: What is the reserve?

MR. FLOREK: As of today is 1.131 million.

BRIAN CAHILL: So you are at 1.131 million and you are asking for a rate increase for operating expenses?

MR. FLOREK: That is correct.

BRIAN CAHILL: The reason you are asking for this rate increase is because of some expenditures you have made? Because of this land sale, is that a contributor?

MR. FLOREK: Everything is a contributor, not just the land sale.

BRIAN CAHILL: Anything you propose, you see

coming down the pipeline? Any concerns, project prospective, anything with the summer months that might cut into this reserve?

MR. FLOREK: Not --

BRIAN CAHILL: Weather, we talked about weather.

MR. FLOREK: What we do, the new year starts June 1st. Basically, we do not start our capital expenditures until after we see how the summer pans out, whether we are going to be on budget or not. All of our capital is on hold until September, October. Then we actually do our capital expenditures from that point forward to the end of the next year.

BRIAN CAHILL: With the rate increase \$6.12 and then the \$20.00, that just happened? What did you raise for that?

MR. FLOREK: That we didn't raise anything. That was all additional cost passed on from Middlesex County Utility Authority.

BRIAN CAHILL: That just covered your costs?

MR. FLOREK: Nothing else.

BRIAN CAHILL: Thank you.

MS. PANOS: I didn't give you the right information. Can I ask the question again?

MR. GRANATA: Come back and ask your question. You are not entitled to only one.

MS. PANOS: Actually, 12,000 gallons.

That is what my husband texted me. So that means it's going up \$3.06 per gallon?

MR. FLOREK: \$3.06 per thousand.

MS. PANOS: Times that by twelve.

MR. FLOREK: Your first 6,000 gallons are \$67.02. Then your next 12,000 gallons would be 12 time 3.06 -- 6 time 3.06.

MS. PANOS: Which would be --

MR. FLOREK: \$18 and change on top of the \$67.02.

MS. PANOS: Did I do that --

MR. FLOREK: You are forgetting the base, \$67.02. You have \$67.02 and then you would have 6 times 6.306, \$18.36.

MS. PANOS: Per quarter?

MR. FLOREK: Yes.

MS. PANOS: About \$20.00 per year.

MR. FLOREK: About \$25.00 per year, not per quarter. The most it can go up is \$6.12.

MS. PANOS: Per quarter?

MR. FLOREK: Per quarter.

MS. PANOS: Between now and then, how much am I going to be paying?

MR. FLOREK: \$26.00 per quarter.

MS. PANOS: So I am going to be paying
\$100 per year?

MR. FLOREK: A little more.

MR. GRANATA: Anyone else? Back of the
room please.

MS. WULSTER: Elizabeth Wulster,
53 Galewood Drive. Is it true that the utility in New Jersey
may not be indentured or in debt?

MR. GRANATA: Pardon?

MS. WULSTER: A utility cannot go into debt?

MR. MORRISON: Utilities are guaranties,
is actually the term for what the Old Bridge Municipal
Utilities is under the law. Authorities are allowed to go into
debt.

ELIZABETH WULSTER: They are?

MR. MORRISON: Absolutely. They are
allowed to sell bonds and notes to finance projects, which
are paid over time. That's considered debt.

ELIZABETH WULSTER: If you can't pay
the debt, who is responsible?

MR. MORRISON: When debt is issued by the
Authority, the Authority has an indenture of trust with the
bond holder and as part of that indenture they have a service
agreement with Old Bridge Township in the event that the MUA

operates at a deficit, the Township of Old Bridge is required under the terms of the service agreement to make the MUA whole. If the MUA runs a deficit, the Township needs to kick in the cash.

ELIZABETH WULSTER: So we are not only taxed in Old Bridge for whatever, we are also taxed by the MUA Authority who is self-governing?

MR. MORRISON: The MUA has never run a deficit and this budget is not designed to run a deficit. I would not expect that a deficit would actually occur.

ELIZABETH WULSTER: Suppose you have a big drought this summer.

MR. MORRISON: That actually is good for the Authority.

ELIZABETH WULSTER: They assessed us \$100 and told us we would be fined if we went over like 5,000.

MR. MORRISON: If you are talking about water restrictions, that is not good for the Authority. If the Authority is limited in the amount of water it can pump from its well system or Middlesex is allowed to deliver then the MUA has to re-balance its budget. What Steve was talking about earlier, the MUA used to operate on a fiscal year that started in September -- October. The problem with that is the heavy water use came at the end of the fiscal cycle. So the MUA would be spending money on,

discretionary is probably not the proper term, but capital projects that could be put off a year or two at the start of their cycle, not knowing whether or not they were going to get the budget revenues in to afford to pay for them. The fiscal year was changed to June 1 start so the heavy water consumption months, June, July, August and September are at the very beginning of the fiscal period. So they hold off on doing their capital projects until after the heavy water consumption months are in and they can gage whether or not they are going to equal, exceed or fall short of budget projections on the revenue side. If they are projected to fall short, they then look to delay in capital projects first because that is the easiest way to re-balance the budget. In addition to that, they then look at the cost saving associated with not being able to pump water too because there is production costs.

ELIZABETH WULSTER: On the sewer, even though a lot of people do not use a lot of water and we probably are 50% of those ones between 6,000 and 7,000 --

MR. GRANATA: If you want to make comments about the sewer rates --

ELIZABETH WULSTER: I want to know why they put the \$20.00 on the sewerage side -- they had everybody. It was 50,000 gallons or --

MR. GRANATA: That is outside the scope of the hearing on the rates --

ELIZABETH WULSTER: Well, it's rates isn't it?

MR. GRANATA: No, it's not. This is
just water rates.

ELIZABETH WULSTER: Oh, just the water
rates. Okay. Mr. Morrison since you are the accountant for both
the Old Bridge and the MUA, you didn't answer the questions that
were asked of you. You couldn't do that?

MR. MORRISON: About the Township?

MR. GRANATA: About the township, he
can't answer. It is not in the scope of this hearing.

ELIZABETH WULSTER: Okay. Just remember
that the tax payers pay.

DR. ANITA GREENBERG: Yes, the council
makes the votes, but Mr. Morrison being the auditor
for the Township he knows that -- my question was
simply, if you did not -- the MUA did not purchase
the land from the Township, there would have been a
\$5.6 million deficit, yes or no? You are the auditor.

MR. MORRISON: Deficit is --

MR. GRANATA: That is not in the rate
hearing --

DR. ANITA GREENBERG: I know that, but
it does have something to do with the rates. He's
the auditor, they said I could specifically ask the

question.

MR. GRANATA: You are asking questions about the Township's budget and --

DR. ANITA GREENBERG: But he is the auditor and knows about the Township's budget. If you circumvent the answer, tell me about the capital projects --

MR. GRANATA: Dr. Greenberg, I do not know what relevance it has, but if Mr. Morrison, if he knows, he can answer the question.

MR. MORRISON: The Township of Old Bridge has 5.3 million dollars of anticipated revenue from the sale of land in its municipal budget for the calendar year 2012.

DR. ANITA GREENBERG: Yes, it does. It has it in its budget because the MUA purchased the land from the Township.

MR. MORRISON: That is where the 5.3 million dollars came from.

DR. ANITA GREENBERG: If the MUA did not purchase that, where would you be? Where would the municipal budget be?

MR. MORRISON: That is not my problem. That budget could not have been adopted without that 5.3 million. There would have been additional changes that would have been made by --

DR. ANITA GREENBERG: That's how we got to this place here and they are intertwined. You're a mess now and that's why our rates are going up.

MR. GRANATA: Not a question.

DR. ANITA GREENBERG: Is it not true that a resident would perceive it as a mess because the Township's budget was a mess. They intertwined the MUA in with it and this is a mess --

MR. GRANATA: I will answer. The residents will perceive what the residents choose to perceive.

DR. ANITA GREENBERG: Okay, whatever. What I am saying to you, capital projects or not, if they did not purchase the land from the town you would have 5.3 million dollars, correct?

MR. GRANATA: The world would be different if the MUA did not purchase the land from the Township, absolutely.

DR. ANITA GREENBERG: Yeah, it would. If we did not get the 1.3 million non-recurring revenue to the township. It will take -- bottom line is, it is in the budget that you had a deal with 5.3 million, the 1.3 million that the Township took from your other budget and so that is why you had to deal with the budget that fell short, correct?

MR. MORRISON: That is not a yes or no question.

MR. GRANATA: It is highly speculative and the Authority's rate hearing and expert's testimony, they are not speculating.

DR. ANITA GREENBERG: I just want to make sure -- is it true or not true we would have an increase of rates no matter what so you could do capital projects? Let's pretend that 5.6 million dollars is still there and the 1.3 million and the 1.3 million would we still have --

MR. GRANATA: The Authority will not pretend, they cannot speculate, they can only deal with what is before them. It is not in the business of speculation, it is in the business of projection.

DR. ANITA GREENBERG: Okay. The bottom line is that is why you are an attorney. You are very good, I appreciate that. The fact of the matter is that perception, perception, perception.

MR. GRANATA: You are entitled to whatever perception you have. Anyone else? No further questions from the public. I close the public portion and turn it back over to you commissioner.

MR. BUTLER: Thank you. Thank you, public members. I would like to have a discussion with regards to this by the commissioners. Any commissioners would like to speak on this. I would like to vote on it.

MR. DONATELLI: Move.

MR. SMOLNEY: Second.

DR. ANITA GREENBERG: Excuse me.

MR. BUTLER: Public Portion is over until the end of the meeting.

DR. ANITA GREENBERG: But this is relevant to the vote.

MR. BUTLER: No. You had your chance to speak. You will get another chance after the meeting.

DR. ANITA GREENBERG: We have a conflicting Commissioner.

MR. BUTLER: Fine. We will discuss that later.

DR. ANITA GREENBERG: All right. I will bring it up later.

MR. GRANATA: Dr. Greenberg, who is the Commissioner?

DR. ANITA GREENBERG: Well, I actually think Mr. Smolney is.

MR. GRANATA: Okay.

DR. ANITA GREENBERG: Would you like to hear why?

MR. GRANATA: I am not aware of any conflict.

DR. ANITA GREENBERG: Okay.

MR. BUTLER: Go ahead Dr. Greenberg,
let us hear it.

MR. GRANATA: If there is a conflict,
then we should know about it before we vote.

DR. ANITA GREENBERG: Well, I even
think Mr. Butler is conflicted too.

MR. GRANATA: Explain the basis for the
conflict.

DR. ANITA GREENBERG: The basis for Mr.
Butler is that he voted to sell the land and purchase it and he
was in Executive Session with both. Mr. Smolney --

MR. GRANATA: Commissioner Butler is
voting on this resolution, he is not conflicted out as to this
resolution. He is not conflicted out on the vote that he exercised
on the council or on this Board. Mr. Smolney?

DR. ANITA GREENBERG: Mr. Smolney is
Conflicted, really. It goes back to when he was appointed to the
Board. There was a conflict when the motion was made to put him
on the Board and that has since gone through ethics.

MR. GRANATA: What did the Ethics Board say?

DR. ANITA GREENBERG: Ethics ruled in favor of Mr.
Greene and Mr. Maher.

MR. GRANATA: Mr. Maher?

DR. ANITA GREENBERG: Yes. Dennis Maher.

MR. GRANATA: Well, Mr. Smolney has been sitting --
How long have you been sitting as a Commissioner?

MR. SMOLNEY: Almost four years.

DR. ANITA GREENBERG: It took four years to go
through the ethics --

MR. GRANATA: Mr. Smolney has not been
conflicted out. If the Board of Ethics and whoever is making the
decisions has not directed Mr. Smolney to remove himself, he is
entitled --

MR. BUTLER: Thank you very much.

MARY SOHOR: I have a question of Mr.
Smolney, I just want this in the record, because it just came down
that the Ethics Board did determine that Mr. Maher should not
have butchered him up, whatever it was. At this point, since that
decision just came down last week, at this point you are considered
conflicted --

MR. GRANATA: Did the Ethics Board
recommend that he be removed?

MARY SOHOR: No, but -- I am not sure. Just for the
record.

MR. GRANATA: Unless the Ethics Board
has issued an opinion that he should be removed, they can't remove
him. The council has to remove him. He is appointed until his
term is served or until he is replaced. He is qualified and any

decision by the Ethics Board has no effect on this move because they have not ordered his removal.

MARY SOHOR: So there is a member that is here unethically, does not belong here, but that's legal.

MR. GRANATA: Legally, he is allowed to vote.

MR. BUTLER: Let's get a vote.

MR. GRANATA: Let the record reflect that Chairman Galante had entered the room.

MR. BUTLER: Roll Call.

MS. GREENE: Mr. Donatelli?

MR. DONATELLI: Yes.

MS. GREENE: Mr. Smolney?

MR. SMOLNEY: Yes.

MS. GREENE: Mr. Butler?

MR. BUTLER: Yes.

MS. GREENE: Mr. Galante?

MR. GALANTE: Yes.

MR. BUTLER: I would like to adjourn this meeting at this point. I will take a motion in a second.

MR. DONATELLI: Move.

MR. SMOLNEY: Second.

MR. BUTLER: Can we have roll call please.

MS. GREENE: Mr. Donatelli?

MR. DONATELLI: Yes.

MS. GREENE: Mr. Smolney?

MR. SMOLNEY: Yes.

MS. GREENE: Mr. Butler?

MR. BUTLER: Yes.

MS. GREENE: Mr. Galante?

MR. GALANTE: Yes.

(WHERE UPON THE MEETING CONCLUDED AT 7:16 P.M.)

I Kami L. Lauer, a Shorthand Reporter, certify that the foregoing is a true and accurate transcript of the testimony of STEPHEN FLOREK and MICHAEL ROY, who were first sworn.

I further certify that I am neither attorney nor counsel for, not related to or employed by, any of the parties to the action in which this deposition was taken; further, that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

Kami L. Lauer
Shorthand Reporter