

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
REGULAR MEETING  
October 19, 2011**

Call to Order: The Regular Meeting of October 19, 2011 was called to order at 7:00 p.m. with the Pledge of Allegiance by Chairman Galante.

Announcement: 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.

**Reappointed as of 10/3/11: Rocco Donatelli**

Roll Call: Present:  
Thomas Galante, Chairman  
Edward Testino, Vice Chairman  
Nicholas Smolney, Treasurer  
Kiran Desai, Secretary (arrived at 7:27)  
Rocco Donatelli, Commissioner  
Reginald Butler, 1<sup>st</sup> Alternate – Assistant Secretary  
Richard Greene, 2<sup>nd</sup> Alternate – Assistant Treasurer

Also present:  
Guy Donatelli, Executive Director  
Michael Roy, P.E.  
Michele Smith  
Louis Granata, Esq.

Executive Director's Report: Executive Director Donatelli referred to the Drinking Water Analysis-Monthly Coliform Summary Report Form from the Garden State Laboratories as well as the Monthly Water Distribution for September 2011 as included in the Commissioners' packets.

**Operator Classification**

Executive Director Donatelli announced that Larry Larstanna, a twenty year employee, has successfully completed the C-1 Classification for Collection Systems Operator.

**Marlboro Road Sewer Relining**

Executive Director Donatelli stated that this work has been successfully completed.

**NJEIT Loans**

Due to the filing deadline for the NJEIT State Loan Money Program, Executive Director Donatelli suggested that there be additional board meetings scheduled for December 7, 2011 and January 4, 2012.

**NRG Group**

Executive Director Donatelli stated that a meeting has been scheduled to discuss the approval process for the Electric Generation Plant off Waterworks Road at the office of CME on October 27, 2011 at 10:00 a.m.

**Surplus Vehicle Sale**

Executive Director Donatelli requested authorization to auction a disabled 1999 Ford Crown Victoria GovDeals.com

A motion to authorize the auction of a 1999 Ford Crown Victoria on GovDeals.com as recommended was made by Mr. Smolney and seconded by Mr. Butler.

The roll call vote was as follows:

AYES: Smolney, Testino, Butler, Greene, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

ABSENT: Desai

5 Ayes 0 Nays 1 No Participation 1 Absent

A motion to accept the Executive Director’s report was made by Mr. Smolney and seconded by Mr. Butler.

AYES: Smolney, Testino, Butler, Greene, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

ABSENT: Desai

5 Ayes 0 Nays 1 No Participation 1 Absent

Chairman's Report: Thomas Galante  
Chairman Galante welcomed back Mr. Donatelli to the Board after his reappointment on October 3, 2011.

Previous Minutes: Regular Meeting - September 21, 2011

A motion to approve the Previous Minutes was made by Mr. Smolney and seconded by Mr. Butler.

AYES: Smolney, Testino, Butler, Greene, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

ABSENT: Desai

5 Ayes          0 Nays          1 No Participation          1 Absent

Engineering Reports: Michael Roy, P.E.

Report on Developers for Approval:

**Oaks at Glenwood/Midtown Water Company**

**1. W86-284, Amended Preliminary Water – 1,312 Residential Units and 600,000 SF of Commercial Space**

Mr. Roy reported that this is a second amended preliminary water application for this development located on the west side of Rt. 9 north of Jake Brown Road. The construction consists of twelve, ten and eight (12", 10" & 8") water mains and an elevated water storage tank to connect into existing water mains in Rt. 9 at two locations.

In 1986 the Authority entered into an agreement with the Midtown Water Company allowing Brunetti to pay no water connection or inspection fees for development within the Brunetti franchise area. The court is in the process of determining if and when an end date exists for this agreement. This application is located within the franchise area as defined by that agreement.

The Applicant's Water Escrow account currently has less than \$1,000. Review Fees are due to allow for the continued review of this application.

The Township Planning Board granted an amended General Development Approval on September 5, 2000 for 1,535 residential units and 600,000 square feet of commercial space. The November 12, 2002 Planning Board Resolution granted Preliminary and Final Subdivision and Site Plan approval for 1,442 residential units and denied the Preliminary Site Plan Approval for the commercial development. Final Approval by the Authority will not be granted until the Township resolves its approval for the commercial development.

The Authority granted Preliminary Sewer Approval on September 6, 2006 and granted Tentative Sewer Approval on April 18, 2007 (extended on February 20, 2008) for 1,380 residential units and a 65 EDCU recreation building. The 600,000 commercial was not part of the Sewer Application. A future application would have to be amended to include the commercial property.

In May 2006, the Applicant submitted a Preliminary Water Application for 1,380 residential units and one (1) clubhouse. The Brunetti Organization was instructed to submit a water application that would conform to the 1986 Controlling Agreement between Midtown Water Company and the OBMUA. The Brunetti Organization submitted an amended application on September 14, 2010 that included a 1.75 million gallon tank which was approved on September 28, 2010. The Brunetti Organization has now submitted a seconded amended water application dated August 26, 2011 that includes a 1 million gallon tank. Both amended applications were for a development of 1,312 residential units and approximately 600,000 square feet of commercial building.

A one million gallon tank is sufficient for this application for the residential and commercial based upon advice from the Consulting Engineer, CME Associates. However, the water storage needs for any future applications for water approval will be evaluated at the time the application is made to the Authority, based upon the methodology in the CME Associates report dated October 13, 2011. No reserve capacity is guaranteed with the proposed on-site water storage tank beyond this current application.

The one million gallon on-site water storage tank will be dedicated to the Authority along with sufficient property to allow its proper maintenance by the Authority.

Technical design review of the drawings will be performed after receipt of an amended Tentative Water Application submittal. The deadline for the tentative application is October 26, 2011 for the November meeting; November 30, 2011 for the December meeting.

Mr. Roy recommended Preliminary Water Approval subject to the five conditions as outlined in his report.

Mr. Granata requested that Mr. Roy explain the difference between this application and the one that was approved in September.

Mr. Roy responded that the number of units is the same, but the expectation of reserve capacity based on tank size is different from last year's application. The application submitted last year by the Brunetti Organization was expected to include all of their properties within a 1.75 million gallon tank. Now their plan is to build a tank on the west side of Route 9, to service the property's west of Route 9, and in the future they are expected to build a tank on the east side of Rt. 9 to service those properties on the east side of Route 9. The Authority disagrees that there exists any reserve water storage capacity. The methodology indicates that the one million gallon tank is barely suitable for Phase I.

Mr. Granata added that this would be a low pressure tank.

Mr. Roy stated that last year's approval was based on the application before the Authority with no guarantee of future reserve capacity. The recommendation is for the Authority to not guarantee reserve capacity for any other application. The analysis by CME indicating reserve for peak daytime hourly use (fire flow) shows that a one million gallon tank is the right size for this development.

Mr. Smolney inquired about the next step in the process.

Mr. Roy responded that the next step would be for the Brunetti Organization to submit a Tentative Water Application.

Mr. Granata recommended that the Commissioners approve this Amended Preliminary Water Application which is consistent with the rules and regulations of the Authority and consistent with the contract.

A motion to approve Oaks at Glenwood/Midtown Water Company W86-284, Amended Preliminary Water as recommended was made by Mr. Butler and seconded by Mr. Smolney.

The roll call vote was as follows:

AYES: Smolney, Testino, Butler, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

ABSTAIN: Greene

ABSENT: Desai

4 Ayes 0 Nays 1 No Participation 1 Abstain 1 Absent

## **Transco Station 207/Transcontinental Gas Pipe Line Corp**

### **2. S207-462, Minor Sewer – 1 EDCU**

Mr. Roy reported that this application is for the construction of a private pump station and approximately 300 LF of two inch (2”) force main to connect into the operating portion of the Manzo Subdivision gravity sewer to service an existing natural gas compressor station on the west side of Manzo Boulevard currently under construction.

The Water Application was withheld because the road was not continued, and a water main was not connected into the existing water main in Cheesequake Road.

The technical requirements for Minor Sewer Approval have been satisfied, and Mr. Roy recommended approval.

A motion to approve Transco Station 207/Transcontinental Gas Pipe Line Corp. S207-462, Minor Sewer as recommended was made by Mr. Butler and seconded by Mr. Smolney.

The roll call vote was as follows:

AYES: Smolney, Testino, Butler, Greene

NAYS: None

NOT PARTICIPATING: Donatelli

ABSTAIN: Galante

ABSENT: Desai

4 Ayes 0 Nays 1 No Participation 1 Abstain 1 Absent

**G.S. Realty – Higgins Road/G.S. Realty/7 Units**

**3. W10-614, Final Water**

**4. S10-481, Final Sewer**

Mr. Roy reported that this application is for the construction of approximately 525 LF of eight inch (8”) DIP water main to connect into an existing water main in Higgins Road to service seven (7) single family units on the west side of Higgins Road, approximately three hundred feet (300’) north of Ticetown Road.

Final Review, Inspection and Connection fees have been paid. All technical requirements sufficient for Final Water Approval have been satisfied. Final Water Approval is recommended subject to the ten conditions outlined in his report. Final Sewer Approval is recommended subject to the eleven conditions outlined in his report.

A motion to approve G.S. Realty – Higgins Road/G.S. Realty W10-614, Final Water and S10-481, Final Sewer as recommended was made by Mr. Butler and seconded by Mr. Smolney.

AYES: Donatelli, Smolney, Testino, Butler

NAYS: None

ABSTAIN: Galante, Greene

ABSENT: Desai

4 Ayes 0 Nays 2 Abstain 1 Absent

Superintendent’s  
Report:

Al Lunkenheimer, Superintendent Sewer Division

A motion to approve the Superintendent’s Report as included in the Commissioners’ packets was made by Mr. Smolney and seconded by Mr. Butler.

The roll call vote was follows:

AYES: Smolney, Testino, Butler, Greene, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

ABSENT: Desai

5 Ayes 0 Nays 1 No Participation 1 Absent

Engineering Reports: Michael Roy, P.E.

### **1. FEMA Flood Hazard Grant Money – Authorize Work to R3M**

Mr. Roy reported that as a result of the flood damages from Hurricane Irene, FEMA money is available to be used to prevent future flood damage to utilities associated with essential services such as drinking water and sanitary sewage collection. The Authority's Brookside Avenue and River Street Pump Stations experienced flooding. These stations service approximately seven hundred fifty residents.

The Authority desired to take advantage of the grant money which had very immediate deadlines for making applications. At the meeting of September 21, 2011, R3M was authorized to meet the application deadlines with a not to exceed cost of \$10,000. R3M has a proposal that includes a scope of work and a more exact cost for their services - \$22,000. The FEMA Application was submitted on October 12, 2011.

A motion to authorize R3M Engineering to proceed with the Engineering Services in connection with FEMA Flood Hazard Grant Money at an additional cost of \$12,000 as recommended was made by Mr. Smolney and seconded by Mr. Butler.

The roll call was as follows:

AYES: Smolney, Testino, Butler, Greene, Galante

NAYS: None



NOT PARTICIPATING: Donatelli

ABSENT: Desai

5 Ayes            0 Nays            1 No Participation    1 Absent

## **2. Sayrewoods Bible Church – Release Performance Bond**

Mr. Roy stated that a water main and a fire hydrant were installed at the site of the Sayrewoods Bible Church. A bond was posted; installation and testing of water construction is complete and satisfactory; as-built drawings are approved; mylar and electronic copies have been received; and all water lines will remain privately owned by the Applicant.

Based upon the status of their application, Mr. Roy recommended release of the Water Performance Guarantee conditioned upon the Applicant “zeroing out” the water escrow account.

A motion to release Sayrewoods Bible Church Performance Bond as recommended was made by Mr. Smolney and seconded by Mr. Butler.

The roll call was as follows:

AYES: Donatelli, Smolney, Testino, Butler, Galante

NAYS: None

ABSENT: Desai

5 Ayes            0 Nays            1 Absent

Finance Report: Michele Smith

Ms. Smith stated that Mr. Morrison would give a synopsis of the audit report.

Mr. Morrison referred to the Certificate for Achievement in Excellence in Financial Reporting which was awarded to the OBMUA for the year ending May 31, 2010 in recognition of the

highest standards in government accounting and financial reporting.

Referencing page 27 of the audit, Mr. Morrison stated that his report is unqualified, i.e., the auditors are satisfied that the OBMUA has followed generally accepted accounting principles and standards established by the DCA in preparation of the financial statements. All required disclosures are included, and the accounting standards are consistently applied.

The balance sheet and operating statement appear on pages 40 through 42 of the financial statements. The total net assets declined by approximately \$850,000. Unrestricted net assets were down which was anticipated due to the funding of the OPEB liability, the use of \$6 million to balance the budget; and the acquisition of land for the water facility. The numbers in the financial statements are exactly what management gave the Commissioners in May – there have been no audit adjustments.

Beginning on page 67, there are six pages of budgetary analysis. The State of New Jersey requires the Authority to adopt a balanced budget; it does not need to follow generally accepted accounting principles. These schedules show the combined budgetary operations, segmenting them into water and sewer and then reconciling that back to the numbers appearing in the GAAP basis financial statements in the front.

Mr. Morrison stated that a single audit had to be conducted of the MUA because of the level of grant financing received from the State of New Jersey. In conjunction with that, the scope of the audit was expanded, and two additional reports were issued which appear on pages 100 and 102.

The first report is based on an examination of compliance and internal controls following government auditing standards. Based upon a review of the internal control structure, he is satisfied that the MUA has sufficient controls for an entity of this size; that the controls are operational; and that tests of those controls indicate they are functioning as designed.

With respect to compliance, specific areas of laws and regulations were reviewed. Non-compliance could possibly cause a misstatement in the financial statements, but there were none.

There was no non-compliance with the major grant program or the specific compliance requirements included in the separate compliance supplement were reviewed.

Mr. Greene inquired about the amount of net surplus.

Mr. Morrison responded that “surplus” is an undefined term in authority accounting. Referring to the balance sheet “Statement of Net Assets”, that amount is the closest to the number Mr. Greene was looking for. The composition of the net assets has dropped to \$850,000. The unrestricted net assets, which is the closest thing to what Mr. Florek arrives at each year for budgetary purposes, has dropped from \$23,300,000 to \$10,300,000. This decrease was as a result of balancing the last budget cycle, the funding of the OPEB liability, and the acquiring of land.

Mr. Greene asked for a confirmation that a portion of \$10,300,000 is already being used in the current budget.

Mr. Morrison confirmed that it will is.

Mr. Greene inquired about a \$1.2 million surplus mentioned previously by Mr. Florek.

Mr. Morrison stated that \$6 million was budgeted last year from Surplus, and the net reduction in net unrestricted assets from that was approximately \$1.5 million.

Mr. Desai stated that in May, Mr. Florek mentioned to the Commissioners a figure of \$2 million and wanted to know what part of that was going to be used in the budget.

Mr. Morrison stated that Mr. Florek assumed that the Authority was not going to generate any revenues during the current period in excess of budget, and that every penny on the spending side of the budget was going to be spent. The only change to the fund balance was going to be that the money was needed, and now it is gone. Everything else would be even. This never happens in the real world. Authority budgets are unique in New Jersey. In other states authorities have flexible budgets where the expenses change on revenue generated or there are no budgets at all with revenues simply being monitored.

Mr. Desai asked what percent of the \$10 million is going to be used.

Mr. Morrison responded that he would generate a report showing what has been used and what was replenished. This is the first year in the last five when, after several million dollars were appropriated, the surplus went down. This Authority usually regenerates what was spent. Mr. Florek will be reporting to the Commissioners within the next month as to what the revenue structure is because of summer months billing.

Mr. Greene stated that when a surplus exists, laymen tend to want to spend it. It is wise to be conservative in consideration of potential emergencies. A surplus also allows for the payment of capital projects as opposed to a debt issue.

Mr. Morrison suggested putting money aside for repairs and replacements as a capital reserve.

Mr. Greene suggested a more in-depth discussion on a capital reserve plan.

Executive Director Donatelli stated that a discussion was planned during the next budget cycle.

**Resolution**

A motion to accept the Audit for the year ending May 31, 2011 was made by Mr. Smolney and seconded by Mr. Butler.

The roll call was as follows:

AYES: Desai, Donatelli, Smolney, Testino, Galante

NAYS: None

5 Ayes            0 Nays            0 Absent

Legal Report: Louis E. Granata, Esq.

Mr. Granata stated that there would be two litigation matters discussed in Executive Session.

**Summerfield Gravity Sewer Replacement**

Mr. Granata stated that the appraiser has completed the report. Therefore, the acquisition of the property on Summerfield Avenue may commence.

**Crossroads Regional Interceptor**

Mr. Granata stated that the route to take was still being discussed. Mr. Roy stated that a decision had been made and R3M will send a metes and bounds description.

Bills & Claims \$1,541,280.41

A motion to approve Bills & Claims was made by Mr. Smolney and seconded by Mr. Butler.

The roll call was as follows:

AYES: Desai, Smolney, Testino, Butler, Galante

NAYS: None

NOT PARTICIPATING: Donatelli

5 Ayes 0 Nays 1 No Participation 0 Absent

Old Business:

**Brunetti Oaks at Glenwood Development – Status**

To be discussed in Executive Session.

**Recharge Basin Study – Status**

Mr. Roy stated that this is on going.

**Crossroads, Summerfield, Sewer Division SCADA**

**NJEIT Projects – Status**

Mr. Roy stated that meeting dates for awarding these contracts was discussed earlier in the meeting.

New Business:

Mr. Desai stated that Mr. Shah, a rate payer, contacted him with respect to a water leak resulting in an excessively high water bill.

Executive Director Donatelli stated that a technician observed a toilet leak. A direct meter reading confirmed the usage. Mr. Shah feels he is due a credit.

Mr. Granata stated that he explained to Mr. Shah that once the water has gone through the meter, he has the responsibility to pay the \$1,400 bill.

Executive Director Donatelli stated that he would be willing to meet with Mr. Shah.

Open to Public: Mrs. Panos stated that there were two fires recently – one on Maple Street during which no water was flowing from the fire hydrant; the other on Pine Street where the fire hydrant would not open.

Executive Director Donatelli stated that he would investigate.

Seeing no further hands Chairman Galante closed the public portion.

Executive Session: A motion to go into Executive Session at 7:50 p.m. was made by Mr. Smolney and seconded by Mr. Butler.

The motion was approved by an ALL AYES vote.

**Regular Meeting Reconvened at 8:20 p.m.**

**During Executive Session Mr. Granata discussed the Brunetti and the Deep Run Homeowners Association Litigation and Authority donations with the Commissioners.**

Adjournment: A motion to adjourn at 8:21 p.m. was made by Mr. Smolney and seconded by Mr. Butler.

The motion was approved by an ALL AYES vote.

Respectfully submitted:

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Kiran Desai, Secretary