

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
BUDGET WORKSHOP  
MARCH 7, 2012**

Call to Order: The Budget Workshop of March 7, 2012 was called to order at 6:35 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  
Richard Greene, Treasurer  
Rocco Donatelli, Commissioner  
Reginald Butler, 1<sup>st</sup> Alternate  
Anita Greenberg, 2<sup>nd</sup> 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  
Executive Director: Executive Director Donatelli stated that the purpose of this budget workshop is to discuss the OBMUA fiscal year budget for the year ending May 31, 2013 which contains a 20% reduction for seniors and disabled persons who qualify. There is no appropriation for payment to the Township of Old Bridge. The budget anticipates using \$2.8 million of reserves in order to stabilize the water and sewer rates. The budget reflects a decrease of \$258,000 from last year's budget.

Auditor's Comments: Mr. Morrison stated that this budget does a great job at stabilizing rates. The use of \$2.8 million in unrestricted net assets is less than the amount used in last year's budget. The staffing levels are also down from prior years. The budget has been presented with level

water and sewer rates from the prior year without impacting services.

Mr. Florek added that there has also been a savings of \$113,000 in the utility category which is a direct result of the Authority bidding on electric rates. And, because all employees are required to make a contribution toward their health benefits, there is also a recapture of expenses in that category.

Dr. Greenberg asked for the number of people employed at the MUA and what percentage of those employees are Old Bridge residents.

Mr. Florek responded that currently there are fifty-four employees.

Executive Director Donatelli stated that because of the policy to hire Old Bridge residents, most of the employees at least began their career as Old Bridge residents.

Dr. Greenberg asked for an explanation as to why the water rents decreased \$1 million.

Mr. Florek responded that the amount is down because of a decrease in usage. The calculation is based upon eight months actual to date compared to the same eight months last year and the year before and then projected out the remaining months of the current year.

Dr. Greenberg also inquired about health insurance costs.

Mr. Florek stated that in prior years employees did not have to contribute to their health insurance premiums. Based upon recent legislation, there is a requirement for all employees to pay a portion of their benefits.

Dr. Greenberg asked about an increase from the MCUA.

Mr. Florek stated that this additional \$30,000 is the increased MCUA expense for 2012 and was included in the last sewer rate increase.

Dr. Greenberg inquired about the number of vehicles operated by the MUA.

Mr. Florek responded that currently there are approximately fifty-eight to sixty vehicles.

Dr. Greenberg questioned why there were more vehicles than employees.

Mr. Florek explained that within this fleet there are specialized vehicles used at times of emergencies, i.e., vactors, backhoes, TV trucks, water trucks, dump trucks, etc.

Dr. Greenberg inquired about the lifespan of the fleet.

Executive Director Donatelli responded that the lifespan of a vehicle is predicated on the amount of money needed to repair a particular vehicle. Vehicles no longer used by the MUA are put up for auction.

Dr. Greenberg noted that with respect to the cost of fuel, less money has been allocated.

Mr. Florek responded that the reason for this is based on current fuel expenditures.

Dr. Greenberg stated that although she is not taking benefits, there is an amount allocated in the budget.

Mr. Florek stated that there is only benefit allocation for three Commissioners. The stipend is included for all seven.

Mr. Testino asked if there were any other measures to be taken in the budget to stabilize rates.

Executive Director Donatelli responded that many years ago the MUA charged a fire hydrant rent fee to the fire districts, but this practice was discontinued about twenty years ago. The revenue was used to service the hydrants. Considering the age of the system, and not having a comprehensive hydrant program in years, that revenue could be used to service the hydrants and keep them at peak performance.

The MUA controls approximately two thousand hydrants. Private and PUD hydrants will not be charged since the private owners already maintain the hydrants. Routine maintenance would be performed at least once per year on each hydrant. Currently, about twenty-five percent of the public hydrants are serviced. Our current program is not comprehensive.

Research has disclosed that other utilities are charging between \$200 and \$250 per hydrant per year; and, private companies charge between \$500 to \$1,000 per year per hydrant. A fee would provide the revenue to have a strong hydrant maintenance program. Implementation would not occur until the next budget cycle.

Mr. Florek added that since the fire budgets were adopted in February for the current year, the districts would have to be notified now so that they can include this fee in their next budget.

Executive Director Donatelli stated that the fire districts may be able to fund this without a tax increase. He estimates that forty hydrants per week would be serviced by two crews working on four to five per day.

Dr. Greenberg's opinion is that servicing each hydrant every year would be "overkill" and questioned whether this could be a waste of funds.

Executive Director Donatelli responded that if the fire districts want every hydrant to be perfect, this is what needs to be done. This utility is subsidizing other agencies.

Dr. Greenberg recommended a meeting with the fire chiefs for their opinion on whether servicing hydrants every four years is sufficient.

Mr. Testino stated that after receiving a report, a decision will be made whether or not to discuss this with the fire commissioners.

Dr. Greenberg asked if homeowners' associations pay for the maintenance of hydrants.

Executive Director Donatelli responded that a homeowners' association as well as apartment complexes, schools, commercial properties, etc. are responsible for the condition of their hydrants and they must produce a report of an inspection performed by a certified hydrant inspector.

Mr. Testino asked if there were any other areas of operation which need to be more efficient.

Executive Director Donatelli stated that he and Mr. Florek appropriated funds in the budget for an IT Specialist because of the number of computers in use, the current Water Division and future

Sewer Division SCADA Systems and the website which will be expanding in the future.

Mr. Florek stated that he anticipates on-line billing/payment which saves processing costs.

Mr. Testino asked for confirmation that the MUA has adequate equipment.

Executive Director Donatelli responded that he did not anticipate a large expense for equipment.

Mr. Greene stated that charging the fire districts for hydrant maintenance is worthwhile particularly with respect to potential liability, and he agrees that there should be a discussion with the fire commissioners. He requested an elaboration on a previous discussion relating to monthly billing.

Mr. Florek stated that he prepared a report on monthly vs. quarterly billing. The current cost for postcards and postage is \$27,780 per year. The cost for monthly billing would be \$64,000 per year, but there would be a savings in the elimination of past due notices. The net actual incremental cost is \$36,860 per year.

Executive Director Donatelli stated that the benefit to a homeowner is that a usage or meter problem can be detected sooner, and with respect to lawn watering, a homeowner will be able to decide whether to continue or curtail their usage.

Mr. Desai does not agree with monthly billing. He suggested estimated billing.

Although Mr. Testino agrees with monthly billing and making accommodation for it in the budget, he suggests a public hearing.

Mr. Desai suggested a notice in the next circular mailing.

Dr. Greenberg disagrees that a full time IT employee is necessary.

Mr. Florek strongly disagreed, especially with respect to the implementation of the SCADA system in the Sewer Division.

Mr. Testino suggested that the Commissioners tour the facility where the Water Division SCADA system is housed in order to see the level of sophistication.

Dr. Greenberg (referring to the cost of monthly billing) asked if another employee would have to be hired since the person who did billing every three months would have to perform that function every month.

Mr. Florek stated that the person who did the billing retired and would have to be replaced because there will be a change from one-third of everything being billed every month to the full amount being billed every month.

Dr. Greenberg asked if more than one employee would be needed for monthly billing.

Executive Director Donatelli stated that another person would not need to be hired. There is someone who has been out but is coming back who will fill that need.

Mr. Butler asked that since four employees were recently retired, has the staff levels been studied in light of servicing the customers.

Executive Director Donatelli stated that staffing levels in the Sewer Division are not expected to increase to the prior level due to the implementation of the SCADA system. There is also a sharing of two Engineering Inspectors with the Sewer Division at this time, and another one is working in the Water Division.

The Water Division is short, but there are employees currently out who are anticipating returning. All emergencies are being taken care of.

Mr. Testino asked what was being budgeted for anticipated litigation.

Mr. Florek responded that the amount appropriated for litigation is the same as last year, \$100,000. After eight months this year, \$60,000 has been expended.

Mr. Granata stated that last year was not as active as this year.

Mr. Florek stated that there is a surplus under “normal legal expenses”, and believes that there are sufficient funds to cover anticipated upcoming legal fees.

Mr. Testino asked Mr. Granata if he anticipated funds for liability in this litigation.

Mr. Granata responded that he did not. There is a counterclaim for an amount in excess of \$1 million.

Mr. Morrison reminded the Commissioners that budgets are plans which may be amended if necessary.

Mr. Desai asked if the increase of \$28,000 in the insurance premium was because of litigation.

Mr. Florek stated that the insurance increase was due to the increase in property values. If a station is destroyed, it is completely replaced.

Mr. Desai stated that in the current budget the amount was \$938,000, but the estimate of spending is \$800,000. In the new budget the amount is \$966,000, and he believes that amount to be high.

Mr. Florek stated that he would be adding roughly \$38,000 to be divided evenly between the two divisions for the potential cost of monthly billing. A budget adoption resolution will be prepared for the next meeting.

Adjournment: A motion to adjourn at 7:35 p.m. was made by Mr. Butler and seconded by Mr. Testino.

The motion was approved by an ALL AYES vote.

Respectfully submitted:

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Kiran Desai, Secretary