

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
RATE INCREASE WORKSHOP
August 1, 2012

Call to Order: The Rate Increase Workshop of August 1, 2012 was called to order at 7:00 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
Richard Greene, Treasurer
Reginald Butler, 1st Alternate

Absent:

Rocco Donatelli, Commissioner
Anita Greenberg, 2nd Alternate

Also present:

Guy Donatelli, Executive Director
Stephen A. Florek II, Comptroller
Robert Morrison, Auditor

Purpose of Rate
Increase Workshop:

Guy Donatelli, Executive Director

Executive Director Donatelli announced that Mr. Florek would give an overview of the proposed pass-through rate increase from Middlesex Water Company (MWC).

Mr. Florek stated that the MWC rate increase granted by the BPU has an effective increase of 12.5% for all water that is purchased from MWC and which equates to \$372,808 per year on the current budgeted amount (\$2,982,462) for MWC water purchase in the current FYE 2013.

Based upon current finances in the Water Division, there is currently \$240,000 of usable retained earnings making it

impossible to absorb the \$372,808 in additional costs to MWC without calling upon the Township for financial aid which would not be financially prudent.

Mr. Testino inquired how a rate increase would impact the budget at this time of the fiscal year.

Mr. Florek responded that the MWC increase was effective July 20, 2012. Therefore, the Authority will be absorbing the increase for over one month since the budget year begins June 1st.

Mr. Testino asked for a confirmation that the increase will be effective as of the date of the rate hearing, August 15, 2012.

Mr. Florek confirmed that was correct.

Mr. Testino stated that current retained earnings are historically low.

Mr. Florek explained that ninety percent of the capital budget is derived from retained earnings. The remaining surplus is used to balance the budget on an on-going annual basis.

Mr. Testino asked if there was a conference call with Moody's.

Mr. Florek confirmed that there was a call with the rating agency but only to appraise the Authority of its current rating. Their position is that the current retained earnings, \$3,680,000 is adequate - not good.

Mr. Greene added that the rate payers may not understand that the Authority is at the mercy of a private company, and the Authority has to determine how to fund the increase.

Mr. Florek stated that cash usable retained earnings should be \$2 million to \$2.5 million dollars for emergencies during the year.

Mr. Testino is satisfied that Mr. Florek's opinion is sound.

Mr. Butler stated that he is in agreement with Mr. Florek. He suggested issuing a press release in order that the rate payers understand why this increase is necessary.

Mr. Desai agreed with Mr. Butler's suggestion.

Mr. Greene suggested a panel discussion on OBTV to explain the rate increase.

Mr. Desai added that Channel 12 may be interested in broadcasting something about the increase.

Executive Director Donatelli pointed out that the Authority does not request the increase for operational expenses.

Mr. Testino reminded the Commissioners that the Authority has in the past cut increases from MWC by at least two to three percent.

Executive Director Donatelli stated that the Authority is absorbing \$500,000 in recurring revenue from fire hydrant rentals.

Mr. Testino stated that there have been major water main breaks throughout New Jersey, and the Authority must have funds to respond to such an emergency should it occur.

Mr. Morrison stated that he is in complete agreement with the figures put forth by Mr. Florek. The proposed rate increase becomes a permanent increase in the cost base to operate the Authority, i.e., the Authority needs to build into the rate base the revenue to fund the increase in the cost base. Otherwise, retained earnings will be depleted which could result in a larger rate increase to balance the budget.

Open to the public: Chairman Galante opened a public portion.

Mrs. Murray suggested using means other than the website to explain the reason for the rate increase and to remind the rate payers of the money that was given to the Township.

Mr. Desai inquired about the cost of a mailing to the rate payers.

Mr. Florek stated that the cost for the annual Consumer Confidence Report is approximately \$8,000.

Mr. Greene reiterated his interest in a program on OBTV.

Mr. Butler suggested that the MUA sponsor a hole at the Chamber of Commerce Gold Tournament at a cost of \$175.00.

Adjournment: A motion to adjourn at 7:26 p.m. was made by Mr. Testino and seconded by Mr. Galante.

The motion was approved by an ALL AYES vote.

Respectfully submitted:

Kiran Desai, Secretary