

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
REGULAR MEETING
March 14, 2014**

- Call to Order: The Regular Meeting of March 14, 2014 was called to order at 12:00 p.m. with the Pledge of Allegiance by Arthur Haney, Chairman.
- Announcement: Chairman Haney 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:
Arthur Haney, Chairman
Richard Greene, Vice Chairman
Edward Testino, Secretary
Anita Greenberg, Treasurer
Rocco Donatelli, Assistant Secretary
Brian Cahill, 2nd Alternate
- Absent:
Frank Weber, 1st Alternate Assistant Treasurer
- Also present:
Michael Roy, P.E.
Stephen A. Florek II, Comptroller
Mitchell B. Jacobs, Esq.
Louis E. Granata, Esq.
- Executive Director's
Report: Guy Donatelli, Executive Director

Monthly Water Distribution and Drinking Water Analysis
Executive Director Donatelli discussed the Drinking Water Analysis-Monthly Coliform Summary Report Form from Precision Analytical Labs and the Monthly Water Distribution for February 2014.

THM Monitor Update
Executive Director Donatelli stated that it was previously thought that that Middlesex Water was going to pay to install the granular activated carbon filter at the Perrine Road facility, and that the Authority would realize an increase to cover the cost. However, Middlesex Water expects the Authority to pay for the equipment

and maintenance. Mr. Dahl, president of Middlesex Water, asked for the opportunity to review Middlesex Water's responsibility. The Authority is working with CME and the DEP to find a solution. It was suggested that something could be added to the Perrine Road facility during the re-painting contract. He will update the Commissioners at a forthcoming meeting.

Middlesex Rate Case

Executive Director Donatelli stated that the Rate Counsel actively opposes the revenue requirement increase. Rate Counsel has a strong incentive to keep the overall revenue increase to a minimum and typically introduces several expert witnesses opposing the proposed revenue increase.

However, the same cannot be said for the Rate Design phase of the case. Rate Counsel focuses its effort on keeping the rates of residential customers down, and often attempts to push the revenue increase on to commercial/industrial and wholesale contract customers, e.g. the OBMUA.

Executive Director Donatelli added that based on the recommendation of Hesser McBride (Wilentz), he recommends entering into an agreement for the services of a public utility rate design/cost of service expert to oppose the Rate Design proposed by Middlesex Water Company. The hourly rate of R.D. Greneman & Associates, Inc. is \$160.00, with a total cost estimate if fully litigated to be \$21,000 - \$23,000. Historically, these cases never go to trial.

Marlboro Township has been contacted for a possible cost sharing, but there has been no response. East Brunswick will not be entering into the agreement because it is receiving three times the rate increase projected for Old Bridge and Marlboro.

A motion to enter into an agreement with R.D. Greneman & Associates as a public utility rate design/cost of service expert to oppose the Rate Design proposed by Middlesex Water Company at an hourly rate of \$160.00 was made by Mr. Testino and seconded by Mr. Greene.

The roll call was as follows:

AYES: Greenberg, Greene, Testino, Haney

NAYS: None

ABSTAIN: Donatelli

4 Ayes 0 Nays 1 Abstain 0 Absent

Operator Certification

Executive Director Donatelli stated that the Authority has received a letter from the NJDEP with respect to succession planning for licensed operation positions. The Authority has been encouraging the employees of the Water/Sewer Divisions to become licensed operators for many years that has produced several Class 3 and 4 Operators in both the Water and Sewer Divisions. The succession planning will ensure continuity when staffing licensed operators' needs in the future.

Personnel

Executive Director Donatelli stated personnel matters would be discussed in Executive Session.

A motion to approve the Executive Director's Report was made by Dr. Greenberg and seconded by Mr. Testino.

The roll call was as follows:

AYES: Greenberg, Greene, Testino, Haney

NAYS: None

ABSTAIN: Donatelli

4 Ayes 0 Nays 1 Abstain 0 Absent

Previous Minutes: Public Rate Hearing - January 15, 2014
 Regular Meeting - January 15, 2014
 Executive Session - January 15, 2014

A motion to approve the previous minutes was made by Mr. Donatelli and seconded by Dr. Greenberg.

The roll call was as follows:

AYES: Donatelli, Greenberg, Testino, Haney

NAYS: None

ABSTAIN: Greene

4 Ayes 0 Nays 1 Abstain 0 Absent

Engineering Reports: Michael Roy, P.E.
Report on Developers for Approval:

Route 34 Plaza/JA Route 34, LLC

1. W11-623, Final Water – 4 + 2 Fire = 6 EDCU’s
2. S11-489, Final Sewer – 2 EDCU’s

Mr. Roy reported that this project located on the north side of Rt. 34 at the Township boundary with Matawan Borough is for the construction of approximately 360 LF of six, eight and ten inch (6”, 8”and 10”) DIP water main to service two (2) office/retail buildings – one of which is located in Matawan Borough, totaling 10,440 SF.

Matawan Borough Council has granted permission for the Authority to service the building in Matawan with water. Sewer service is provided to the building located in Old Bridge only.

Final Review, Inspection and Connection fees have been paid. The Authority granted Preliminary and Tentative Approval on April 27, 2011 for two (2), two inch (2”) water service lines. Township Final Zoning Board Approval was granted on April 1, 2010. The Applicant is currently before the Zoning Board in an attempt to eliminate the proposed fire connections.

Mr. Roy recommended Final Water Approval based on the twelve conditions outlined in his report, and Final Sewer Approval based on the ten conditions outlined in his report.

A motion to approve Route 34 Plaza/JA Route 34, LLC W11-623, Final Water and S11-489, Final Sewer as recommended was made by Mr. Donatelli and seconded by Dr. Greenberg.

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 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 Mr. Donatelli and seconded by Mr. Testino.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

Engineering Reports: Michael Roy, P.E.

1. Crossroads Regional Interceptor Sewer – Change Order No. 2

Mr. Roy stated that Change Order No 2 to Northeast Remsco Construction consists of the time delay from the County to receive permission to close Texas Road, a misunderstanding between the Consultant Engineer and the instructions received from the County on the necessary pavement restoration, and the field change to install a section of sewer near Texas Road through wetlands by means of open cut versus tunneling in order to accommodate the Township requirement to have Texas Road opened each weekend for the traveling public.

A portion of the Crossroads Interceptor must go into Texas Road near Marlboro Road and Birch Hill that needs to be open cut requiring the road to be closed and detoured around Rt. 520 on to Rte. 9 in Marlboro, and the County took six months for approval. The Change Order relates to an extension of time. The pavement restoration was revised. The County requires the contractor to apply for the road opening permits. During the design there was a request from the County Engineering Department to provide details that included a DGA backfill (gravel and sand). Currently, the County is requiring pozzolan soil cement, which is a mixture of cement with the soil. This added cost must be added to the contract.

Much of the wetlands through the Data Center required tunneling which is more expensive than open cutting. However, an appeal

was made to the DEP to open cut a small wetland area, and an approval was granted.

The cost of Change Order No. 2 is \$171,887.04 which is a two point four percent (2.4%) increase from the amended contract amount of \$7,178,600.00 to a new contract amount of \$7,350,487.04. Together with the previously approved Change Order No. 1, the total change orders to date represent a four point seven percent (4.7%) increase from the original contract amount.

Mr. Cahill asked if there were a way of recouping a portion of the costs of the delay from the County.

Mr. Roy stated that he was not aware of any mechanism that would require the County to pay a portion of this expense.

A motion to approve Crossroads Regional Interceptor Sewer – Change Order No. 2 as recommended was made by Mr. Haney and seconded by Mr. Testino.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

2. Crossroads Regional Interceptor Sewer – Change Order No. 3

Mr. Roy stated that Change Order No. 3 to Northeast Remsco Construction consists of field changes to install a larger diameter manhole to accommodate the alignment of the proposed pipe connection from the Legends Development; install water tight manhole castings; raise the height and install vents on the manholes through the Data Center property; and the extra cost involved with an abandoned gas pipe obstruction encountered through tunneling installation of the sewer on Spring Valley Road.

The cost of this Change Order No. 3 is \$53,910.49 which is a zero point seven percent (0.7%) increase from the amended contract amount of \$7,350,487.04 to a new contract amount of \$7,404,397.53. Together with the previous Change Orders No. 1

and No. 2, the total change orders to date represent a five point five percent (5.5%) increase from the original contract amount.

A motion to approve Crossroads Regional Interceptor Sewer – Change Order No. 3 as recommended was made by Mr. Haney and seconded by Mr. Greene.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None.

5 Ayes 0 Nays 0 Absent

Financial Report: Stephen A. Florek II, Comptroller

1. Approval of 2015 Fiscal Year Water & Sewer Budgets.

Mr. Florek stated that the Water Division Budget for the upcoming year is \$15,108,819; the Sewer Division Budget is \$17,629,947. Each of the budgets do not reflect an increase to the rate payers for FYE 2015.

Resolution

A motion to approve the 2015 Fiscal Year Water and Sewer Budgets was made by Dr. Greenberg and seconded by Mr. Donatelli.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

Prior to the roll call vote Chairman Haney opened a public portion. Seeing no hands, Chairman Haney closed the public portion and the following discussion took place.

Mr. Testino complimented Mr. Florek and the staff for keeping the budget level with no increase to the ratepayers but maintaining consistent, valuable services.

Mr. Haney stated that it is and has been his privilege to work with Mr. Florek and the entire staff of the Authority.

2. Authorizing the Supplemental Indenture for the NJEIT 2014 Financing (Higgins Road Project)

Resolution

A motion to approve the resolution authorizing the Supplemental Indenture for the NJEIT 2014 Financing (Higgins Road Project) was made by Mr. Greene and seconded by Mr. Testino.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

3. Delta Dental Contract Renewal (held until April 16)

Mr. Florek stated that the current Delta Dental Insurance Contract expires on April 30th. The renewal premiums reflect a zero increase for a two-year program.

A motion to renew Delta Dental Insurance Contract for a two-year period commencing May 1, 2014 was made by Dr. Greenberg and seconded by Mr. Donatelli. No roll call was taken.

The following discussion took place.

Mr. Haney suggested postponing renewal of the Delta Dental Insurance Contract until after a review of a new health plan is completed.

Mr. Florek stated that the renewal could be held until the meeting on April 16th.

Mr. Haney suggested tentatively approving the contract with the option of cancelling the policy prior to its expiration.

Mr. Cahill inquired if plans from other providers were reviewed.

Mr. Volk stated that there were no insurers who offered a program comparable to Delta Dental.

4. General Liability, Umbrella, Automotive, Workmen's Comp Policy Renewal

Mr. Volk stated that Selective Insurance Company, the carrier of choice for this coverage, insures the commercial package and workmen's comp policies. Although he does not have a "firm" renewal rate, the preliminary cost for the commercial policy (property, general liability, auto and umbrella) is based upon a two percent property value increase. Selective Insurance proposes a six to seven percent increase on the total cost of the premium (including the two percent property value increase) which will result in a four to five percent increase in premium from last year which is still below industry average which is between eight and nine percent.

With respect to the Workmen's Comp insurance, the experience modification is based on claims submitted during the current three-year window. Not one claim was submitted last year; this year there were a minimal amount of claims. The experience modification was reduced from 1.23% to 1.039% that is a 19.5% decrease in the workmen's comp rate.

There was an increase in the premiums to cover water works employees that is administered by the State. The sewerage rate employee premium decreased slightly. He is expecting a ten percent decrease in the workmen's comp premium resulting in a slight decrease in the cost of insurance this year.

Mr. Testino stated that his belief was that the value of the Authority's assets was going to be reviewed after Superstorm Sandy.

Mr. Volk stated that replacement cost included in the policy is based on the coverage for which the value is being insured. He agreed that an audit should be performed on the value of the facilities and equipment.

Executive Director Donatelli stated that although an audit was performed several years ago, it is time to do it again.

Mr. Volk did not know an estimate of the cost to evaluate the facilities. Mr. Florek has a spreadsheet of all the locations, etc. and their values.

5. Review of QualCare Health Insurance

Mr. Florek stated that the QualCare Health Insurance is a PPO program and insures the current health coverage. He also has figures for the State sponsored premium health program which is comparable to what the Authority has currently. He referred to a benefit comparison chart that he distributed to the Commissioners. The total cost of the State health benefit plan is \$1,876,000.00 as compared to QualCare at \$2,228,159.00. There is a surplus in the health/medical account in the amount of \$921,000.00 from which \$352,000.00 would have to be used to stabilize the rate to make it the same as the State health benefit plan. That being done, the surplus would reduce to \$569,000.00 in the cash surplus remaining balance. The contribution amount of the employees would be reduced in either of the plans by approximately \$250,000.

In his opinion, the State plan is better than the QualCare plan; the only problem is cancelling the QualCare program mid-stream that would result in problems with the three-month run out on benefits.

Mr. Kurtz (Governmental Risk) explained that on a twelve-month contract, there are three extra months to submit a claim. If a contract is cancelled mid-stream, there is no run out on benefits. A claim would have to be incurred during the contract term and paid during the extended contract term.

Mr. Haney asked if the reinsurance could be continued separately for a period of time if the policy changes.

Mr. Kurtz responded that continuing the coverage for an additional three months could be done.

Mr. Greene asked for a clarification of the use of the medical/health surplus.

Mr. Florek stated that by going with the State Health Plan, \$921,000 remains in the reserve bank. If we don't go with the State plan, that money could be used to reduce QualCare health cost premiums, or used to cover the costs during the three-month run out.

Mr. Greene asked if an employee could be penalized for having a claim processed during the three-month run out.

Mr. Kurtz stated that the insured person would be entitled to coverage; however, the cost would be borne by the Authority under the self-insured program.

Mr. Greene asked for the coverage comparison between QualCare and the State Health Plan.

Mr. Florek stated that because the Authority is in a contract year, a reimbursement resolution would have to be adopted to refund employees for what is covered under the current plan.

Mr. Greene emphasized the importance of the employees being satisfied with the coverage offered by the State Health Plan.

Mr. Florek stated that the coverage is comparable to the current coverage with the exception of spinal decompression, skin tags, orthotics, mammograms every other year for women over forty, and perhaps a spinal meningitis vaccination for college-age children.

Mr. Haney asked for the currently monthly premium.

Mr. Florek stated that the current premium is \$209,000 per month; the premium for the State Health Plan would be \$150,000.

Mr. Haney stated that the difference is that there is money in the fund, which is how the plan was developed with respect to self-insurance. The fund fluctuates yearly, and it appears that the amount will be over \$900,000.

In response to Mr. Haney's question about cost changes in the State Health Plan, Mr. Florek stated that the State does not announce what the plans will be.

Mr. Kurtz stated that the State probably would not do a rate release until July 1, but projections are for a seven to ten percent rate increase based upon medical cost trends.

Mr. Testino asked if renewal could be held until July.

Mr. Florek stated that although the insurance would have to be renewed for April 1, if a switch to the State Health Plan is made later in the year, the three-month run out program will be in effect. There is a ninety-day enrollment period for the State plan; the earliest the coverage would be in effect would be July 1.

Mr. Testino asked if the unions have been informed of the possible change in health plans.

Mr. Florek stated that there has been but we had no feedback.

Mr. Haney stated that in the past insurers were changing annually which is why the self-insured system has been in effect for over ten years. He had asked if there were any caveats within the State plan because in the past the State encouraged enrollment with a guaranteed savings. However, if the plan were cancelled within a three to five year period, the State requires that the money saved be reimbursed. The question is whether the employees have sufficient information about the change in plans.

Mr. Greene asked for a recommendation as to what to do.

Mr. Florek stated that he is reviewing the cost of reinsurance.

Dr. Greenberg stated that although she appreciated everyone's comments, it is difficult to make a decision based on a deadline of April 1.

Mr. Haney stated that a determination would have to be made as to what the Authority legally can do if the switch is made and still maintain coverage that the State does not provide.

Mr. Kurtz suggested that a third party payer would have to handle that.

Mr. Haney stated that with the balance in the fund, the cost is basically the same.

Mr. Florek stated that was correct. QualCare could be renewed now, and a decision whether or not to switch carriers could be made in April 2015.

Mr. Haney stated that with respect to the cost, the Authority has a \$900,000 reserve fund, and the State does not.

Mr. Florek stated that after the first year with QualCare, the \$900,000 fund would be depleted by \$352,000.

Mr. Kurtz added that would be the case if claims "maxed out". Mr. Haney stated that if the Authority goes with the State plan, and the increase is significant enough, and the decision is made that it

is to the Authority's advantage to go back to our current plan, the fund would have to be redeveloped.

Mr. Testino asked if three extra months of coverage could be purchased.

Mr. Kurtz stated that the carrier would not be told when the termination date would be. The State plan effective date could be September 1, but the current coverage could be cancelled on December 1.

Mr. Testino asked if there were a way for the Commissioners to "limp along" until they get more information.

Mr. Kurtz stated that the Authority has the protection of paying the extra money per month.

Dr. Greenberg stated that she needs more time to evaluate this change.

Mr. Testino suggested continuing the current coverage until July 1 until there is more information.

Mr. Cahill asked if the premiums would be lower with the State Health Plan.

Mr. Florek confirmed that they would be.

Mr. Greene asked if information from the State would be forthcoming from the State prior to July 1.

Mr. Kurtz stated that next year's rates would be released in July.

Mr. Testino stated that he would like a monthly contract with QualCare until more information is available.

Mr. Kurtz stated that the reinsurance would have to be renewed for one month.

Mr. Greene suggested tabling the health insurance renewal.

Mr. Haney asked if the Authority would be successful in going month-by-month.

Mr. Kurtz stated that there is a thirty-day requirement for a notice of cancellation of QualCare coverage. The rates are locked in as of

July 1 for the next twelve months subject to a thirty-day cancellation notice. If cancellation is as of July 1, claims will be processed through September 1.

Mr. Haney asked for a confirmation that Mr. Kurtz is suggesting that the Authority will still have to renew for 2014-2015 with QualCare, but may cancel with a thirty-day notice.

Mr. Kurtz stated that his recommendation is to lock in the cost for the year and take the thirty-day cancellation.

Mr. Haney stated at the pleasure of the Commissioners, the QualCare health contract and the related contracts will be renewed on April 1, 2014. He inquired how this would affect applications to the State for bonding.

Executive Director Donatelli stated that as long as the plans are comparable in cost, there would be no issue with the Local Finance Board.

A motion to renew the QualCare health and other related contracts was made by Mr. Greene and seconded by Mr. Donatelli.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

Legal Report: Mitchell B. Jacobs, Esq.

Mr. Jacobs stated that Mr. Granata has been fully cooperative in sending files to him and bringing him up to date.

Mr. Granata stated that the extension of contract with the Township of Aberdeen is about to be signed. There is a project on line within Aberdeen that will increase the water usage.

Bills & Claims: A motion to approve Bills & Claims in the amount of \$2,602,405.12 was made by Mr. Haney and seconded by Dr. Greenberg.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

Old Business: **Brunetti Oaks at Glenwood Development – Status**
To be discussed in Executive Session

New Business: None

Open to Public: Seeing no hands Chairman Haney closed the public portion.

Executive Session: A motion to go into Executive Session at 1:09 p.m. was made by Mr. Testino and seconded by Mr. Donatelli.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

The Regular Meeting reconvened at 1:38 p.m.
During Executive Session the following items were discussed:

- 1. Brunetti Litigation**
- 2. Personnel**

Personnel

A motion to implement the following recommendations of Executive Director Donatelli was made by Mr. Testino and seconded by Mr. Greene:

1. Raymond Totten – promotion to Chief Operator
2. Foremen Charles Winkler, James Gardiner and Walter Gills – salary in lieu of hourly wage plus overtime

3. Nancy Azzarello – move from union to non-union

The roll call was as follows:

AYES: Greenberg, Greene, Testino, Haney

NAYS: None

ABSTAIN: Donatelli

4 Ayes 0 Nays 1 Abstain 0 Absent

Adjournment:

A motion to adjourn at 1:39 p.m. was made by Mr. Haney and seconded by Dr. Greenberg.

The roll call was as follows:

AYES: Donatelli, Greenberg, Greene, Testino, Haney

NAYS: None

5 Ayes 0 Nays 0 Absent

Respectfully submitted:

Edward Testino, Secretary