

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
OLD BRIDGE, NEW JERSEY

PUBLIC RATE HEARING TRANSCRIPT
WATER DIVISION OF
 PROCEEDINGS

WEDNESDAY, DECEMBER 17, 2014
11:40 A.M.

Mandy Cellini
Shorthand Reporter
(908) 463-0600

CHAIRMAN AND COMMISSIONER PRESENT
HANEY, A.
GREENE, R.
DONATELLI, R.
TESTINO, E.
WEBER, F.

ALSO PRESENT
DONATELLI, G. - Executive Director
FLOREK, S. - Comptroller
ROY, M. - Staff Engineer
JACOBS, M. B. - Board Attorney

I N D E X

WITNESS	DIRECT
STEPHEN A. FLOREK	8
MR. ROY	16
MR. ALLISON	19

DIRECT BY MR. JACOBS:

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E X H I B I T S

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Exhibit - A	Affidavit of Publication from Home News Tribune	5
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(Whereupon the Pledge of Allegiance was recited)

(Whereupon, Affidavit of Publication from Home News Tribune was received and marked as Exhibit-A)

(Whereupon, Affidavit of Publication from Asbury Park Press was received and marked as Exhibit-B)

(Whereupon, Calculation by Mike Roy regarding Proposed 2015 Sewer Rate Based on 2009/2014 Accrual Flow and Loading was received and marked as Exhibit-C)

(Whereupon, 2014/2015 MUA Budget Increase Sheet Participant Estimate Cost Comparison was received and marked as Exhibit-D)

(Whereupon, Sewer Division Rate Resolution was received and marked as Exhibit-E)

(Whereupon, Connection Fee Calculation Sheet
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was received and marked as Exhibit-F)

(Whereupon, 2013/2014 MUA Budget Increase Sheet Participant Estimate Cost Comparison was received and marked as Exhibit-G)

(Whereupon, Water Division Rate Resolution was received and marked as Exhibit-H)

(Whereupon, Current and Proposed Rates was received and marked as Exhibit-I)

MR. HANEY: 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. Would you please call roll?

MS. GREENE: Mr. Donatelli?

MR. DONATELLI: Here.

MS. GREENE: Mr. Haney?

MR. HANEY: Here.

MS. GREENE: Mr. Webber.

MR. WEBER: Here.

MS. GREENE: Mr. Donatelli?

MR. DONATELLI: Here.

MS. GREENE: Mr. Florek?

MR. FLOREK: Here.

MS. GREENE: Mr. Roy?

MR. ROY: Here.

MR. HANEY: The purpose of this hearing is that it is a Public Rate Hearing. It shall pertain to municipal. This hearing is also for the purpose of pass-through sewer increases from the Middlesex Counties Utilities Authority, as required by State Statue 40:14B-21 & 22, and any other rate

changes deemed necessary.

This Public Rate Hearing is open to the public; and the public is invited to participate.

At this point I will turn the meeting over to our attorney, Mitch Jacobs.

MR. JACOBS: The first witness I am going to call is Steven Florek. Can you please swear him in.

(Whereupon, the witness was sworn in)

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

DIRECT EXAMINATION BY MR. JACOBS:

Q Mr. Florek, can you just state your name for the record?

A Sure. Steven Florek, Comptroller of the Old Bridge MUA.

Q As part of your duties as the comptroller of the Old Bridge MUA with respect to public meetings, does the Authority publish

public notices in area newspapers to advertise today's meeting?

A Yes, we have. There is --

Q I am going to hand you what we have already premarked as exhibits so we can use the premarked exhibits.

A Yes. What we have here is two notices, one to the Home News Tribune, which was run on November 19 and also legal advertisement in the Asbury Park Press, which is also run the same date, November 19th.

Q In those the exhibits, are Affidavits of Publication attached to it?

A Yes, they do.

Q I am going to point your attention to what has been premarked as Exhibit F. Can you take a look at that for me. Can you describe to me what that is?

A Yes. Exhibit F is the connection fee calculation worksheet which is used to derive our new connection fee as prescribed by the state statutes.

Q What is that sheet utilized for?

A It is used for coming up with new

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connection fee rates for both the water and sewer division based upon previous historic certifications for debt service, current year debt service payments and other capital expenditures that were spent through the operating budget.

Q You yourself made certain calculations that were are reflected in Exhibit F?

A Yes, I have.

Q Can you just describe to me a little bit of the numbers you calculated or computed?

A Sure. The historical costs which are associated from May 31st, 2013 are basically carry forward numbers from the prior certificate for the prior year. Then we basically put in here all the debt service payments that were made during the current physical year, come up with totals and then we also add to that facility improvements which were spent through the operating budget and also the portion of the debt services from the Middlesex County Utility Authorities. All those numbers are then basically added up,

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come up with total new historical cost, which in the water division is seventy-seven million and the sewer division is ninety-seven million four hundred three thousand three hundred sixty-one dollars. You take those numbers, you divide them by the total number of the domestic consumer units, which in the sewer

division is twenty-seven thousand nine thirty-nine and in the sewer division twenty-six six seventy-six. It comes up with new rates in the water division of new connection fee of two thousand eight hundred twenty-five dollars and new sewer division rate of three thousands.

Q Based on your experience and expertise, were those rates calculated in accordance with statutory requirements?

A Yes. They have been.

Q Were those calculations calculated in accordance with bonding indentures?

A Yes, they have.

Q Based on your calculations, do you recommend to the Commissioners that they adopt the new connection fee rates?

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A Yes I do.

Q Now, you used several other calculations in documents that come up in some of your conclusions, correct?

A Correct.

Q Can you take a look at what has been marked as Exhibit I. If you could just identify that for me.

A Sure. It is a proposed and current rate structure for the sewer division on both the connection fees and the actual sewer rates.

Q Was it you that compiled the information on that Exhibit I?

A Exhibit I is a result of all the calculations on all the other work sheets and this is summarizing the actual current and proposed rates, and the sewer connection fees.

Q You consider the calculations on Exhibit I in reaching your conclusions for what has been reflected in Exhibit F?

A Yes.

Q If you could just take a look at what we have premarked as Exhibit D.

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Let the record reflect that Mr. Testino is here.

Can you just describe what that is?

Also, announce the people that are not here.

MS. GREENE: Mr. Testino arrived at 11:36. Absent are Commissioners Greenberg, Cahill. That's it.

A Yes. Exhibit D is the cost comparison between 2014 and 2015, the rates

that MCUA charges all its member communities.

Q Again, you utilized those figures reflected on that exhibit to reach some of the conclusions that you discussed today so far?

A Yes, I do.

Q If you can take a look at what has been marked as Exhibit G.

A Exhibit G is the same numbers, but for 2013, 2014. These numbers are basically used in the connection fee calculation, which we just discussed, which was Exhibit D -- not D, F.

Q Excuse me, Exhibit F. Correct. Can

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you also take a look at what has been marked as Exhibit C and if you could describe what that is for me and whether you utilized the calculations on that schedule?

A Exhibit C is a calculation by our in-house engineer, Mike Roy, which basically takes the dollar revenues to be recovered and looks at what the costs are associated from Middlesex County Authority and comes up with the new sewer rate for both industrial, residential sewer rates.

Q Can you now take a look at what we have marked as Exhibit E.

A Exhibit E is the sewer division rate schedule with the current rates and the new rates proposed.

Q Did you prepare that resolution?

A Yes, I did.

Q Can you just describe for the Commissioners what the new sewer rates would be under the resolution which is marked as Exhibit E?

A The new sewer rates for the residents would be going from one \$136.92 to \$142.77.

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The commercial rates would be going from \$7.74 per thousand gallons to \$8.21 per thousand gallons. BOD's are going from \$650.35 a ton to \$693.75 a ton. Suspended solids are going from \$768.76 a ton to \$778.20 a ton. Chlorine demand is going from \$201.72 per million gallons to \$207.05 per million gallons. The ground water remediation is going from \$1.90 per thousand gallons to \$1.98 per thousand gallons.

Q Can you take a look at what has been marked as Exhibit H. Can you describe to me what that is?

A Exhibit H is the water division rate resolution, which basically has the new

connection fee in there which is being increased to \$2,825.00 from the current rate of \$2,703.00. And there is one other change in there, which is the hydrant meter deposit, which is going from the current rate of \$1,000.00 to proposed rate of \$2,000.

Q It was you that authored that resolution?

A Yes, I am.

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Q Now, based on your experience and your expertise, are you making a recommendation to the Commissioners today that they adopt each of the two resolutions, one for the increase in water and one for the increase in sewer rates?

A Yes, I am.

MR. JACOBS: I don't have any other questions for Mr. Florek at this time, but the next witness will be Michael Roy. If you can swear in Mr. Roy, please.

(Whereupon, the witness was sworn in)

M I C H A E L R O Y, Having been duly sworn according to law, was examined and testifies as follows:

DIRECT EXAMINATION BY MR. JACOBS:

Q Mr. Roy, can you state your position that you fill at the Authority?

A I am the in-house Authority engineer.

Q I am going to ask you to look at what has been marked as Exhibit C. Is that something that you prepared?

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A Yes, it is.

Q Can you describe to me what that is?

A It's a five page calculation that takes Middlesex County Utilities Authority or MCUA's adopted rate increase for the year 2015 and recalculates what the Authority's sewer rates should be based on the additional charges imposed on us from MCUA.

Q Can you tell me what the conclusion is that you reached in your report that is marked as Exhibit C?

A The conclusions are that the rates are increased to various percentages based on whether it is a flow and loading because each one of those components were raised differently from MCUA, and so what I did is, I took historical sewage flows and loadings, which is the strength of the sewage, and I incorporated both the new MCUA fixed rates and

the new MCUA debt service rate from the 2015 MCUA rate structure to recalculate our Authority's cost to MCUA for contributing our Flow, BOD, which is biological oxygen demand, TSS, total suspended solids, which is also a

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loading of the strength of the sewage and the Chlorine demand for treatment.

Then with those revised expenses, along with the needed sewer revenues to be recovered, as Steve mentioned earlier, and the number of service connections, I calculated the cost for the fixed residential sewage rate per thousand gallon commercial sewer rate and the per thousand gallon ground water remediation sewer rate, the industrial sewer rates for BOD per ton. Total suspended solids and total chlorine were also determined from these calculations and all of those rate calculations were presented to the Comptroller, Steve Florek, and in this five page calculation for him to incorporate into the rate structure.

Q Based on your knowledge and experience, do you know whether those rates were calculated in accordance with statutory requirements?

A Well, they were done by good engineering practice and they were fairly calculated across all class of users as long

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as that fits with the law.

Q Do you recommend to the Commissioners that they adopt the rate increases as testified to by Mr. Florek?

A Yes, I do.

MR. JACOBS: No further questions for Mr. Roy. Robert Allison is the next witness.

(Whereupon, the witness was sworn in)

ROBERT ALLISON, Having been duly sworn according to law, was examined and testifies as follows:

DIRECT EXAMINATION BY MR. JACOBS:

Q Mr. Allison, what is your position with the Authority?

A I am the auditor.

Q What, if anything, did you or did your firm do with respect to the calculations made by Mr. Florek that he has testified to today?

A We checked for the mathematical accuracy of the calculations. We verified the

opening numbers, agreed to the prior years

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ending numbers and we verify the actual debt service that is used in the amortization of the bonds themselves.

Q Based on your review, experience and expertise, do you believe that Mr. Florek and Mr. Roy made their calculations in accordance with statutory requirements and generally accepted principals?

A I do.

MR. JACOBS: I don't have any further questions.

I don't have any further testimony to present, so at this time I would like to open up the floor to any Commissioners to ask any of the witnesses questions that they might have.

MR. DONATELLI: I have a question on the resolution you have, I think three items, sewer connection increases, water connection increases and the sewer rate, how are we going to vote on those?

MR. JACOBS: Well, there is two resolutions, each resolution will be voted on separately.

MR. DONATELLI: What are the two resolutions?

MR. JACOBS: Water and sewer.

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MR. DONATELLI: That includes the rate increase?

MR. JACOBS: Yes.

MR. DONATELLI: This is a personal observation and nothing to do with the MUA. I always see this term pass-through. As far as I am concerned, there is nothing about pass-through. It is a pass on. You know, it is like I am thinking about a period when we lost tragically a short time ago Robin Williams, I think you can make a great skit on this. It is like having a meal at dinner and it passes through, but this is all about constipation because it doesn't pass-through. It is you are stuck with it, so I want to make sure. That is just my personal observation, it is an increase and it is not a pass-through. It is an increase that we are getting from Middlesex County Utilities Authority that we have to absorb, and I mean, I am not going to be political about it, I will vote for it because there is nothing we can do, I just want to make a comment and in all fairness tell everybody this is what

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you're getting, you know, from an entity that we have no control over and it is very

unfortunate.

MR. JACOBS: Thank you, Commissioner Greene.

Anybody else from the Commissioners?

MR. WEBER: On the comparison chart on the Old Bridge O and M has the highest one. South Amboy is number two. Any explanation?

MR. ROY: A lot of that is on me because what these are, this is your estimated payments.

These are not the actuals. So, when we saw that we were running high this year, because at the end of this year we are going to owe MCUA Sayreville, we'll owe MCUA Edison, we'll owe -- everybody is going to owe MCUA. This year we had a meeting with them, not many other towns do this. I think Parlin is the only other town that had a meeting with MCUA. They don't go over like guy and I and Steve, we saw what is happening. There is going to be a major reassessment. I prepared and moved things up twenty-five percent. Some of these other towns will be over by three hundred, half a million dollars. They adjusted up five

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percent.

So, what I did is, I saw the numbers coming in between a range. I took the higher end of the range, but what happened is because nobody else did that, we look like the highest one, but all that is. Like I said, it is like an estimated tax payment. It really doesn't have anything to do with reality. At the end of the year, we may get money back from the MCUA. We will only pay them what we actually send them.

MR. WEBER: Okay. Thank you.

MR. JACOBS: Any other comments from the Commissioners?

MR. HANEY: No. Just to add, what was said by Commissioner Greene, we deal with this every year, always have. Middlesex County Utility Authority is the source of which we send our sewage for treatment. This has been decided twenty-five, thirty years ago when they set up the South Gate Project. In the long run it is actually less expensive today than us having our own treatment facilities and upgrading on a consistent basis, but it is predicated on

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their cost and we have no other options but to deal with that. We have in the past and present been in contact with MCUA, have disputed their increases, have done everything in our power to ensure that their minimized or don't exist at all.

So, we play a very active role in trying to control the cost that we receive from them, but regardless of what takes place, the cost, the increase comes through and we need to pass it through or pass it on as, Mr. Greene pointed out, to the rate because it is not something that can be absorbed and paid for by the Authority without doing that.

Obviously, the Authority tries to keep things as economically efficient as they can, but we still have to run this business and make sure that the public is receiving the best quality of services that they can possibly receive.

So, to all of us, are all of us happy about this, no. Do all of us want this to happen, no, but to do our job and our responsibilities here, we have to make some decisions on this and that's where we are.

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MR. WEBER: Just as an observation, and maybe a question, I see senior citizens, and I am not quite sure how that is defined, I could find the language on NGSAs, would be subject to eighty percent of this increase. Is that correct, Steve?

MR. FLOREK: That is correct. That is only if they qualify under the statute, which is Mr. Greene financials.

MR. WEBER: I know I couldn't find the specific language on the site.

MR. FLOREK: The language isn't on the site. The township is actually the one who screens the senior citizens for that because if they apply to the town and qualify, they automatically get senior reduction under property taxes as well.

MR. WEBER: Very good. Thank you.

MR. JACOBS: Any other comments from the Commissioners? Seeing that there is no further comments from the Commissioners, we can open the meeting to the public. Does anybody from the public have a comment? No. Okay. I guess we should move for a motion to

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adopt the two resolutions. There is the sewer resolution and water resolution. We should probably do the sewer resolution first.

MR. HANEY: You need a motion.

MR. JACOBS: Yes.

MR. WEBER: I'll move.

MR. DONATELLI: Second.

MR. JACOBS: Roll.

MS. GREENE: MR. Testino?

MR. TESTINO: Yes.

MS. GREENE: Mr. Haney?
MR. HANEY: Yes.
MS. GREENE: Mr. Donatelli?
MR. DONATELLI: Yes.
MS. GREENE: Mr. Roy?
MR. ROY: Yes.
MR. JACOBS: That was for the rate structure sewer division resolutions and now we are moving onto the water resolution.
MR. HANEY: I will move it.
MR. DONATELLI: I will second.
MR. JACOBS: Roll.
MS. GREENE: Mr. Donatelli?
MR. DONATELLI: Yes.

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MS. GREENE: Mr. Testino?
MR. TESTINO: Yes.
MS. GREENE: Mr. Weber?
MR. WEBER: Yes.
MS. GREENE: Mr. Roy?
MR. ROY: Yes.
MS. GREENE: Mr. Jacobs?
MR. JACOBS: I believe that does it for the rate hearing, so we will make a motion to adjourn. Move to adjourn. All in favor?
MR. HANEY: Yes.
MR. JACOBS: Proposed, none. Meeting is adjourned. The rate meeting will start at noon, in about five minutes.

(WHEREUPON, THE MEETING CONCLUDED AT 11:55 A.M.)

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I Mandy J. Cellini, a Shorthand Reporter, certify that the foregoing is a true and accurate transcript of the testimony of MR. FLOREK, MR. ROY and MR. ALLISON, 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 hearing 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.

Mandy J. Cellini
Shorthand Reporter