

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
REGULAR MEETING
October 13, 2010**

Call to Order: The Regular Meeting of October 13, 2010 was called to order at 7:04 p.m. with the Pledge of Allegiance by Chairman Smolney.

Announcement by Chairman: Chairman Smolney 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:
Nicholas Smolney, Chairman
Edward Testino, Vice-Chairman
Thomas Galante, Secretary
Kiran Desai, Treasurer
Rocco Donatelli, Commissioner
Richard Greene, 2nd Alternate – Assistant Treasurer

Absent:
Reginald Butler, 1st Alternate – Assistant Secretary

Also present:
Guy Donatelli, Acting Executive Director
Michael Roy, P.E.
Stephen A. Florek II, Comptroller
Louis E. Granata, Esq.

Executive Director's Report: Guy Donatelli, Executive Director

Mr. Donatelli stated that in addition to the Drinking Water Analysis and the Monthly Distribution Report, he had a meeting with the Township with respect to a proposed Inter-local Service Agreement which will be discussed in Executive Session.

The proposed Data Center was the subject of discussion and negotiation with the Township relating to its impact on the Authority. This will also be discussed in Executive Session.

Planning documents for Crossroads Regional Interceptor, the Summerfield Sewer Replacement, and the Sewer Division SCADA System have been submitted with respect to the NJEIT loan program.

A motion was made to approve the Executive Director's report was made by Mr. Smolney and seconded by Mr. Galante.

The motion was approved by an ALL AYES vote.

Previous Minutes: Regular Meeting – July 27, 2010
Executive Session – July 27, 2010

A motion was made to approve the above listed previous minutes by Mr. Donatelli and seconded by Mr. Desai.

The following was the roll call vote:

AYES: Desai, Donatelli, Testino, Smolney.

NAYS: None.

ABSENT: Butler.

ABSTAIN: Galante.

4 Ayes 0 Nays 1 Absent 1 Abstain

Engineering Report: Michael Roy, P.E.

Report on Developers for Approval:

Route 18 Marketplace/3 EDCU's

- 1. W-10-61 – Final Water**
- 2. S10-480 – Final Sewer**

Mr. Roy reported that the Marketplace is located on the south side of Route 18 (north of the existing WaWa). Final review, inspection and connection fees have been paid.

The Authority granted Preliminary and Tentative Approval on August 18, 2010. Township Final Zoning Board Approval was granted on January 7, 2010. The Equivalent Domestic Consumer Unit (EDCU) calculation was based on retail use. The developer must inform the Authority if there will be a more intense use, (e.g. restaurant, laundromat, etc.) for billing purposes.

All technical requirements sufficient for Final Water and Sewer Approvals have been satisfied. Final Water and Sewer Approvals are recommended subject to the conditions in the Engineer's Report.

A motion was made to approve as recommended Route 18 Marketplace W10-612 – Final Water and S10-480 – Final Sewer by Mr. Desai and seconded by Testino.

The roll call was as follows:

AYES: Desai, Donatelli, Testino, Greene, Smolney.

NAYS: None.

NO PARTICIPATION: Galante.

ABSENT: Butler.

5 Ayes 0 Nays 1 No Participation 1 Absent

Superintendent's Report:

Al Lunkenheimer, Superintendent Sewer Division
Report at next meeting

Engineering Reports: Michael Roy, P.E.

1. Iresick Brook Sewer Rehabilitation – Contract 2010-02, Award Contract

Mr. Roy reminded the Commissioners that this project involved a trunk line in need of repair because of sink holes. An inspection revealed that a pipe needed realignment and relining. Bids were solicited on September 28. The low bid was from Jo-Med Contracting Corp. of Elizabeth in the amount of \$136,580.

The Engineer's Estimate was \$249,100.00. The second lowest bidder, B & B Construction, was also under the Engineer's Estimate at \$214,400. The third bidder was over the Engineer's Estimate. Two hundred thousand dollars was budgeted for this project. The low bidder is under the budget by \$63,000. There was an alternative bid set up so that we could award a portion of the project to stay under the budget, but the low bid was well under the budget for the entire job.

References have been checked; they are a good Contractor with a good price. This low bidder arrived at the bid opening time of 2:00 p.m. Greg Brady's observations of R3M Engineering are included in the letter of recommendation. Just before the bid opening, the low bidder was attempting to enter from the foyer. By the time I let her in, it was 2:00 p.m, and it was announced at that time that all bids were closed.

Subsequently, a letter of protest was received. No protest was given at the time of the bid opening.

Awarding the bid to Jo-Med Contracting Corp. of Elizabeth is recommended.

Mr. Desai expressed his concern at the low bid. His feeling is that Contractors may low bid to get the job, and afterwards require change orders. His hope is that this is a reputable Contractor.

Mr. Roy assured Mr. Desai by referring him to R3M's letter of recommendation. References have been checked and Jo-Med was found to have significant experience in sanitary sewer construction in the public works sector. Clients are generally satisfied with their work performance, time completion, and cooperation.

A motion was made as recommended to award Contract 2010-02 to Jo-Med Contracting Corp. of Elizabeth for the Iresick Brook Sewer Rehabilitation by Mr. Desai and seconded by Mr. Testino.

The roll call was as follows:

AYES: Desai, Donatelli, Galante, Testino, Smolney.

NAYS: None.

ABSENT: Butler.

5 Ayes 0 Nays 1 Absent

2. Iresick Brook Sewer Rehabilitation – Engineering Construction Services to R3M Engineering

Mr. Roy recommended authorizing R3M Engineering to proceed with the Engineering Services in accordance with their proposal.

A motion was made to authorize as recommended R3M Engineering to proceed with Engineering Services by Mr. Smolney and seconded by Mr. Testino.

The following was the roll call vote:

AYES: Desai, Donatelli, Galante, Testino, Smolney.

NAYS: None.

ABSENT: Butler.

5 Ayes 0 Nays 1 Absent

**3. Summerfield Gravity Sewer Replacement –
Engineering Design Services to R3M Engineering**

Mr. Roy stated that there is a proposal from R3M to do design work for a pump station that would allow the abandonment of the gravity sewer behind Summerfield Avenue and Lantana Way in Laurence harbor. This project has been submitted to the NJEIT for funding so that all planning and design costs can be reimbursed.

The proposal includes the design services and the regulatory permit coordination because these are wetlands. The scope of the project will include a new pump station along Summerfield Avenue, a force main connection out to Route 35 and slope stabilization and abandonment of the gravity sewer within the easement behind Summerfield Avenue and Lantana Way.

His recommendation is to authorize R3M to proceed with the design and the regulatory tasks involved with this project.

A motion was made to authorize as recommended R3M to proceed with the Engineering Design Services for the Summerfield Gravity Sewer Replacement by Mr. Smolney and seconded by Mr. Desai.

The following was the roll call vote:

AYES: Desai, Donatelli, Galante, Testino, Smolney.

NAYS: None.

ABSENT: Butler.

5 Ayes 0 Nays 1 Absent

4. Patel Cash & Carry, W207-580, S207-455, Water & Sewer Performance Bond Release

Mr. Roy reported that the installation and testing of the water is complete. As-built drawings are approved. The water meter has been installed. The water and sewer lines will remain privately owned by the commercial developer. The condition on the release is zeroing out the water and sewer escrow accounts.

A motion was made as recommended to release the Water and Sewer Performance Bonds for Patel Cash & Carry, W207-580, S207-455 by Mr. Smolney and seconded by Mr. Desai.

The roll call vote was as follows:

AYES: Desai, Donatelli, Galante, Testino, Smolney.

NAYS: None.

ABSENT: Butler.

5 Ayes 0 Nays 1 Absent

Financial Report: Stephen A. Florek, II, Comptroller

Mr. Florek presented the completed Audit for the fiscal year ending May 31, 2010. Included is a Group Affidavit and resolution for acceptance of the audit report.

Mr. Morrison (Houdlik Morrison) stated that the financial statements as presented to him for audit were found to be a true and accurate reflection of the financial status of the Authority and is in accordance with state statutes and Generally Accepted Accounting Principles (GAAP).

The Authority is considered under governmental accounting standards to be an “enterprise fund” – a full accrual accounting entity. You recognize liability for sick and vacation pay as they occur. You are recognizing an actuarially calculated amount each year as part of your expenses which includes the actual cost of health benefits for current employees plus an amount that will

accrue and accumulate a pool that should be sufficient to cover post-employment costs when current employees retire.

The Commissioners passed a resolution designating \$5 million of their unrestricted fund balance at June 30 to be placed into an irrevocable trust to fund the liability for retired employees as of the date of the actuarial valuation. Subsequent to the resolution designating the money, another action created the irrevocable trust fund which is required to take that liability and the assets and account for them separately.

The audit report shows the \$5 million as part of the unrestricted retained earnings. Next year that \$5 million will show as a separate asset with an offsetting funded liability. That action will save the rate payers \$5 million plus because paying for retiree health benefits has been taken out of the current budget process which is a fiscally responsible act.

The actual status of retained earnings is as follows: unrestricted retained earnings of \$23 million which includes non-cash items (cannot spend receivables); \$5 million of cash assets on the books (leaving \$18 million); \$3.5 of that total was used to finance the 2010-2011 budget cycle; \$1,343,000 given to the Township pursuant to enabling legislation and a request from the township; \$1.6 million of retained earnings is budgeted for capital outlay projects (should be held in abeyance); \$23 million also includes the \$5 million that is being set up as the irrevocable trust fund for the retiree health benefits. After deducting all of these items, the real number is approximately \$6,670,000 (excess cash flow).

Revenues last year were under budget due to lack of water use. Having a fund balance (retained earnings) gives a cash flow to fund operations. Since this was a dry summer, the \$3.5 million of unrestricted retained earnings used in the 2010-2011 budget cycle will replenish itself through operations. On a cash basis the Authority will end up the same as last year minus the \$5 million as designated to the trust fund.

The GFOA has issued a certificate of excellence in financial reporting. The Authority remains the only municipal utilities authority in the State to achieve this recognition.

There are no recommendations, and the Commissioners should feel confident in the accuracy of the financial data received from the administration.

A motion was made as recommended to authorize a resolution accepting the Annual Audit and Group Affidavit for submission to the Local Finance Board by Mr. Smolney and seconded by Mr. Donatelli.

The roll call was as follows:

AYES: Donatelli, Galante, Testino, Greene, Smolney.

NAYS: None.

NO PARTICIPATION: Desai.

5 Ayes 0 Nays 1 No Participation

Prior to the roll call vote the following discussion took place.

Mr. Greene asked for an explanation of a statement in the audit wherein it was stated that the Authority should consider documenting the various components of its internal controls.

Mr. Morrison responded that this is not a requirement of GAAP; it is a suggestion. The Authority operates a variety of accounting systems and functions. One of the objectives of internal control is to make sure that no one individual has complete control of a transaction from beginning to end. For example, the person awarding a contract should not be the person who is managing that contract in the field, approving the payment voucher, writing the check and making the entry into the accounting system. There should be checks and balances, and he is comfortable that the Authority's current structure eliminates every possibility for an intentional mistake. There is a proof process every month that would identify an error.

He would like to see this action codified because there is a worry about institutional knowledge leaving when employees retire. To the extent that a procedural manual can be established, it guarantees that a key person leaving will not cause a hole in the internal control system. Codification is not a requirement but is strongly recommended.

Mr. Smolney thanked everyone involved in the creation of the audit.

Mr. Testino recommended studying the implementation of a codification with respect to internal financial controls.

Legal Report: Louis E. Granata, Esq.

Mr. Granata stated that since his report relates to on-going litigation and pending negotiations, his report will be discussed in Executive Session.

Old Business: **Crossroads Regional Interceptor - Status**

Mr. Roy reported that Crossroads would be discussed in Executive Session.

Brunetti Oaks at Glenwood Development – Status

Mr. Roy reported that this will be discussed in Executive Session.

Groundwater Diversion Rights – Status

Mr. Smolney suggested that Barbara Koonz meet with the Commissioners. She is sending materials for review.

New Business: None.

Open to Public: Dr. Greenberg expressed her dissatisfaction to the proposed Inter-local Service Agreement with the Township.

Mrs. Wultzer encouraged the secretarial staff to produce the minutes of meetings in a timelier manner. She inquired about the repairs to faulty meters.

Mr. Guy Donatelli reported that hundreds of meters are repaired every month.

Seeing no other hands Mr. Smolney closed the public portion.

Executive Session: A motion was made to go into Executive Session at 7:48 p.m. by Mr. Smolney and seconded by Mr. Testino.

The motion was approved by an ALL AYES vote.

Regular Meeting Reconvened at 8:35 p.m.

During Executive Session Mr. Granata discussed with the Commissioners the Brunetti Litigation, the Crossroads Regional Interceptor cost sharing and the Township Inter-local Agreement.

Adjournment: A motion was made to adjourn at 8:36 p.m. by Mr. Desai and seconded by Mr. Smolney.

The motion was approved by an ALL AYES vote.

Respectfully submitted,

Thomas Galante, Secretary