

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
BUDGET WORKSHOP
MARCH 17, 2025**

Call to Order: The Budget Workshop of March 17, 2025, was called to order at 11:00 a.m. with the Pledge of Allegiance.

Announcement: Chairman Blair announced that this meeting is being held in conformance with the Open Public Meetings Act. Notice has been published in the Asbury Park Press on January 19, 2025 and in the Home News Tribune on January 19, 2025. Notice of the meeting has been posted at 15 Throckmorton Lane, Old Bridge; at 71 Boulevard West, Cliffwood Beach; and on the OBMUA Website at www.obmua.com.

This Public Meeting is being recorded.

Roll Call:

Present:

James Blair, Chairman
Edward Casserly, Secretary
Bruce Walker, Commissioner
Frank Weber, Commissioner
Perry Simone, Commissioner

Absent:

Anita Greenberg, Treasurer
Mark Razzoli, Commissioner

Also Present:

Michael Roy, P.E., Executive Director
Michelle Smith, Comptroller
Mitchell B. Jacobs, Esq.

Purpose of Budget Workshop:

Chairman Blair said that this Budget Workshop is being called to discuss the OBMUA Fiscal Year Budget for the Year Ending May 31, 2026.

Chairman Blair said that this Budget Workshop is open to the public. However, there shall be no public participation.

Mrs. Smith said that she will provide an overview of the budget and explain the changes in the budget compared to last year.

Overall, the operating expenses have risen by 6.3%, capital expenditures have decreased by 35.6%, and debt service has dropped by 7.8%. This proposed budget utilizes \$1.37 million in retained earnings from the Water Division and \$9.4 million from the Sewer Division.

Ms. Smith summarized the budget by major categories.

- Total debt service has decreased by \$266,000. The water division's debt service has increased by \$141,000 (8%) due to a new loan for the Laurence Harbor Water Main Replacement project. Meanwhile, the Sewer Division's debt service has decreased by \$407,000 (24%) because of the retirement of the 2006 bond issue.
- Salaries and wages have increased by \$501,000 (6.8%) due to cost-of-living adjustments and other union contract raises.
- Sewer treatment expenses have risen by \$151,000 (2.8%) due to higher rates from the Middlesex County Utilities Authority (MCUA).
- Water purchase expenses have increased by \$306,000 (6.3%) because of rate hikes from the Middlesex Water Company.
- Benefits have grown by \$275,000 (7.5%), primarily due to increased healthcare costs, with some increases also resulting from changes in employee coverage.
- Capital expenditures have decreased by \$7.5 million, mainly due to the near completion of the water storage tank project.
- Other Post-Employment Benefits (OPEB) have risen by \$263,000 (12.5%); this expense amount is based on actuarial calculations using life expectancy data, projected future claims, and interest rates.
- Administrative expenses have seen a slight increase of \$36,000 (3.1%) in insurance costs due to higher property values and new vehicles added to the policy. Other administrative costs have decreased by \$53,000 (6.6%) due to lower projected legal and trustee fees, and office expenses have remained consistent with last year.

The significant increases are noted in the utilities, operations, and maintenance categories. In the Water Division, utility costs have increased by 21%, and operations and maintenance costs have risen by 26% because of rising costs. She stated that for example, over the past few years, the cost of chemicals has risen by 46%, chlorine costs have doubled, field maintenance supplies have increased by 58%, and electricity supply costs have gone up by 43%. To cover these rising operational costs, the budget includes a rate increase in the Water Division of \$1.3 million.

This rate increase on the water bill will result in an additional \$6.83 per quarter, or about \$2.25 per month, for the minimum user, and \$10.58 per quarter, or about \$3.50 per month, for the average user. For comparison,

water companies regulated by the BPU, like NJ American Water, have 85% higher rates, Middlesex Water Company rates are 90% higher, and Gordon's Corner Water Company rates are 36% higher for the average user.

With this rate increase incorporated into the budgeted revenues, operating revenues will align with operating expenses. The retained earnings allocated in this budget will be used for capital expenditures. Without this rate increase, we would face a revenue shortfall in covering operating expenses.

The only rate increases for water consumption over the past 14 years were pass-through rate increases from Middlesex Water. However, due to the escalating costs from inflation, a water rate increase is necessary to keep up with the growing operational costs.

That is the budget summary. Does anyone else have anything to add or questions?

Mr. Weber asked about the 46% increase for chemicals and things that we buy, what is the additional dollar amount?

Mrs. Smith said \$240,000.

Mr. Weber asked if that was the biggest increase.

Mrs. Smith mentioned that the cost of Field Supplies has risen by nearly \$500,000, and Electric power cost has increased by \$240,000.

Mr. Weber said that between those three items, we have about a million dollar increase in operating expenses.

Mrs. Smith said yes, those three items represent the largest increases.

Mr. Weber said that should be the talking point for this rate increase.

Mr. Roy added that the reason that we were able to keep rates down, besides that fact that inflation had been relatively low for a period of time before the covid flu, was that for the last twenty years through two Executive Directors, Art Haney and Guy Donatelli, we "downsized" our workforce through attrition. Mr. Roy said that as that was accomplished, we were able to keep up with the costs of our operational expenses and for several decades, we were able to hold the line on operational costs just by getting leaner and meaner like every other company that downsized. We

downsized through attrition to the point that we no longer can reduce the workforce without hurting service.

Mr. Weber said that the DEP reduced that amount of groundwater that we can take out of the aquifers.

Mr. Roy said yes, and that means that we have to buy more finished water from Middlesex Water Company.

Mr. Weber said that adds to our operating costs. He asked what is the current volume of water that we buy from Middlesex Water Company?

Mr. Roy said that we purchase approximately 40% of our water demand needs today. All of the rate increases in the Middlesex Water Company rates, as you know, are passed along to the ratepayers, so what we are now talking about is our own operational costs. Mr. Roy said that we can't hold the line on our budget anymore. He said that we have gone to the point of where we have become as lean and mean as we can be.

Mr. Roy said that over the past five years, we have all seen prices just go through the roof with materials and chemicals. He said that redeveloping our wells costs 50% more than past years for that simple maintenance, and that is why it is resulting in us having to adjust our operational budget. We just can't reduce our workforce anymore.

Mr. Weber said that he knows that the proposed development is back on track in the Laurence Harbor area that has 2,300 units. Whenever it is finished, it could be ten years from now, it could add about 4,000 more people minimum, maybe 5,000 by the time it is finished. There will not be a lot of school kids, mostly one or two bedrooms. He said that the good news is that we will get money for meters.

Mr. Roy said yes more customers, but more customers also mean more operation and maintenance costs.

Mr. Blair said that he knows that materials have gone up 100 to 200 percent.

Attorney Jacobs said that the Authority structurally is a business like any other business. He said I don't know any business that is operating and not facing the same increases and costs. Attorney Jacobs said that we represent a lot of Authorities, and every single Authority is facing the same thing. He said that the Authority, except the pass-through increases from Middlesex Water Company, hasn't raised the rates for many years.

Mr. Donatelli said what we have been suggesting for years to have a small rate increase at the same time that we do our annual connection fees calculations. We could look at how the economy has impacted us in the past year and have a small increase at that time, so that we can keep up with inflation. Mr. Donatelli said that we really need a 17% increase now. He said we are taking \$1.3 million out of the bank to balance the budget. Mr. Donatelli said we have to pray for a dry summer, because that is how we get that money back which is not the best way to operate.

He said that this is something we should think about down the road of how we manage our fiscal responsibilities as we go forward. Mr. Donatelli said that if you go ten to fourteen years without an increase and then jump to an 8 to 10 % rate increase at one time, nobody likes it. It's a bad look, but if we instead are having a 1 ½ % rate increase each year, we will be meeting our needs. You won't have to make up for over a million dollars of increase expenses in three items at one time.

Chairman Blair said that a little bit each year makes sense.

Mr. Weber asked if there was a chance that the State would allow the Authority to take a higher volume of groundwater from the wells.

Mr. Donatelli said no, we have exhausted more avenues than were available to us trying to get the State to transfer groundwater withdrawal rights. He said that we tried to buy these rights from other towns but can't get any participants. Mr. Donatelli said that he and Mike have been on the hunt for years now.

Mr. Roy said that also the State will not allow us to take more groundwater out of our wells unless we can buy these rights from other users.

Mr. Donatelli said that fortunately we have some remaining groundwater rights, otherwise Middlesex Water Company would have full rein here, and the BPU would decide all the rates and we would receive monthly bills from Middlesex Water Company. He said that there are advantages to holding on to what we have.

Attorney Jacobs asked if there were any more comments from the Commissioners.

Mr. Simone asked if going forward, are we comfortable with the sewer and plant maintenance overtime expenses in the proposed budget. They seemed to be on the low side.

Mrs. Smith said that the overtime expense was really high in 2024. She said that she did increase the overtime amount and was expecting it to be a better year.

Mr. Simone said 3.26% seems a little low.

Mrs. Smith explained that she bases the amount on the historical average of overtime and adjusting it to account for pay rate increases.

Mr. Simone said that there are a lot of different things and projects going forward.

Mrs. Smith stated that overtime occurs during breaks, not for regular projects, which should not lead to overtime.

Mr. Simone said that if she was comfortable with the amount then that is fine.

Mr. Simone asked about the plant maintenance amount because that is 3.6%. He asked if that amount was high enough.

Mrs. Smith said that she believed so for what they had been historically using. The Sewer Division has less overtime than water.

Mr. Simone said that now would be the time to change it.

Mr. Roy asked what last year's percentage for the Sewer Division was.

Mrs. Smith mentioned that it was lower, around 2.6%. She explained that she increased it this year because overtime in 2024 was higher than usual.

Mr. Roy said that we are trying to have a reasonable rate increase. We are at 8 ½%, and kind of want to stay there instead of going higher. He also said that if we go with a lower rate increase we would need to take more money out of retained earnings. Mr. Roy said that if there are emergencies, we can always take money out of retained earnings.

Mrs. Smith said if we want to make any changes, she could increase the amount of appropriated retained earnings to keep the budget balanced.

Attorney Jacobs said that this is a budget, and when the dust settles, there will be line items that are overestimated and some underestimated.

Mr. Roy said that we can shift expenses around as the year goes by.

Mr. Simone said ok.

Chairman Blair asked if there were any other questions.

There were none.

A motion to adjourn the Budget Workshop was made by Mr. Weber and seconded by Mr. Casserly.

The voice vote was as follows:

All Commissioners were in favor.

No Commissioners were opposed.

The Budget Workshop was adjourned at 11:15 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ed Casserly", written in black ink. The signature is positioned above the typed name of the signatory.

Edward Casserly, Secretary