

THE LANDIS SEWERAGE AUTHORITY  
REGULAR MEETING  
June 20, 2011

Pledge of Allegiance.

The regular meeting of the Landis Sewerage Authority was called to order by Chairman Reuben at 6:00 p.m. The following members were present at roll call: Erickson, Gana, Silva, and Reuben. Absent: Galetto

The proper notice was given to all members in accordance with the by-laws.

Chairman Reuben stated that public notice of this meeting, pursuant to the Open Public Meeting Act, has been given in the following manner:

1. Posting written notice in the lobby entrance of the Authority.
2. Hand delivering notices to the offices of the Daily Journal and The Press.
3. Filing written notices in the offices of the Authority and City Clerk.

Also present:	Dennis W. Palmer	Executive Director/Chief Engineer
	A. Steven Fabietti	Solicitor
	Robert A. Schwarz	Field Engineer
	Maureen J. DePasquale	Executive Secretary
	Steve Testa	Romano, Hearing, Testa & Knorr
	Thomas J. Post	Business Manager
	Carol Ricci	Insurance Coordinator

It was moved by Gana and seconded by Erickson that the reading of the minutes of the regular meeting held on June 6, 2011, be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Erickson, Gana, Silva and Reuben voted "yes". Absent: Galetto

Steve Testa made a presentation to the LSA Board for the Year 2010 Audit. Steve advised that he reviewed the draft of the audit report in detail with the Finance Committee and with management and staff. Copies of the draft were distributed to the rest of the Authority members. Steve said that he delivered final copies of the report this evening and that no changes were made, it is the same information. Steve said he would like to give a brief overview of the report and then he will welcome any questions from the board.

Steve advised that the audit report this year shows comparisons of 2010 and 2009.

Steve said that the Authority received an "unqualified" or clean opinion on its financial statements for the year ended December 31, 2010. This is reflected on pages 1 and 2 on

the Audit Report, which essentially says, in our opinion, the basic financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority for the year 2010 in accordance with GAAP.

Since this audit is subject to Government Auditing Standards, there is also a report on compliance and on internal control over financial reporting (pages 3 and 4). With respect to internal control over financial reporting, there were no material weaknesses or significant deficiencies noted.

With respect to compliance, one instance of noncompliance was noted that was required to be reported under Government Auditing Standards and standards promulgated by the Division of Local Government Services of the State of New Jersey which is reported in the findings and recommendations section of the report (page 38).

Steve said that he would like to review some of the financial highlights first, which is the Management's Discussion and Analysis (MD&A) section on pages 5 through 9, which is a user friendly summary of financial statements that includes comparisons to the prior years information. Since the basic financial statements are now comparative, management had to add one more year to the MD&A presentation.

Exhibit B, on page 12 shows that the operating revenues total approximately 9.1 million of which approximately \$9.0 million was user charges and fees. The operating revenues were higher than the prior year by about \$374,000.00, which is an increase of approximately 4.3 percent. The operating and maintenance expenses that the Authority has some control over, consists of the cost of providing services and administrative and general expenses and they increased only about 1.6 percent. The total operating expenses for 2010 including depreciation were \$9.88 million, an increase of \$138,000.

Operating revenues less operating expenses resulted in a net operating loss of (\$763,000) which is \$235,000 less than the previous year's operating loss (positive variance).

The total non operating revenue and expenses which resulted in net expenses of \$50,000 compared to that of expenses of \$218,000 in the prior year, which is a positive variance of approximately \$168,000. Non-operating Revenues include miscellaneous income, connection fees and interest income and increase in fair value of investments, and totaled \$624,000 for 2010, an increase of \$40,000 from 2009. Mostly the result of having an increase in the fair value of investments of \$112,000 for 2010, while 2009 showed a decrease in fair value of investments of \$26,000.

The non operating expenses include interest expense, appropriation to Municipality, which was for 2009 only, amortization and for 2009, a decrease in fair value of investments. These totaled \$674,000 for 2010 compared to approximately \$802,000 in 2009, a decrease of \$128,000, which is a positive variance.

Capital contribution, your grants and any developer donated lines, totaled \$309,000, which is the same as in the prior year.

The net effect of all of that is that the Authority experienced a decrease in its net assets of \$504,000, while in 2009 experienced a net decrease of \$907,000, a positive variance of approximately \$403,000.

Those results are on generally accepted accounting principles basis as shown on Exhibit B on page 12. Schedule 4, on pages 34 and 35 is presented on a budgetary basis. On a budgetary basis your expenses exceed your revenues by about \$86,000 so that is the amount of net assets that we had to use to help fund operations. Steve noted that the Authority used \$137,000 of its net assets to subsidize operations in 2009.

Steve advised that the Authority did not meet the rate covenant contained in the Authority's bond resolution as discussed in Note 15 to the financial statements on page 27 and in the findings and recommendations section on page 38.

Steve noted that the finding on page 38 is a repeat finding.

Steve also pointed out that he has provided the board with correspondence in addition to the audit report known as the "Communication to those Charged with Governance", which in LSA's case is the full board. This correspondence explains the auditor's responsibilities, describes certain accounting practices, management's responsibilities, certain aspects of interaction with management and certain other matters.

Steve recommended having another rate increase to meet the bond covenant. Steve said that everyone here has done a good job controlling expenses. We only have the one finding, which is not an administrative problem but actually relates to our revenues not meeting the bond covenant. Steve said that the Authority members and staff should be commended for a job well done. Dennis, Tom and the rest of the staff have done an excellent job again this year.

Filing Requirement: Steve said that this evening a resolution acknowledging that the audit report for the year 2010 has been received, and that you have reviewed the report, particularly the findings and recommendations section. This resolution should be adopted and evidenced by having each of the members sign the group form affidavit. A synopsis, which is to be published in the newspaper, has also been prepared and provided to the Authority. A copy of each of these is to be filed with the NJ Division of Local Government Services. Since there was a finding/recommendation, the Authority is also required to file a corrective action plan with the State. That corrective action plan has been prepared by the Authority and should be adopted this evening as well.

Steve said that he sent a letter to the Authority advising that the maximum connection fee we can charge per state statute is \$4,061.00. Dennis advised that this charge is for capital

recovery and our policy has been to encourage growth and set our rate about 50%. We will change the connection fee to \$2,030.00.

Dennis said that we are seeking approval tonight to advertise for a public hearing in July for a rate increase to become effective in August. We have to hire a transcriber and provide testimony and documentation for the record and it will be made available to the public. Industries will have their meters read on August 1 so we will have the meter readings for our bills when they go out in December. Letters are going out to the flow based customers to make them aware of this so they can plan for it in their budgets. Tonight there is a corrective action plan on tonight's agenda and the group affidavit.

Dennis advised that our accounts receivables are becoming a problem. Mr. Silva said that he is for aggressively going after and collecting the accounts receivables. Dennis said that he will work with Steve Fabietti and look into enforcement.

The commissioners and Dennis thanked Steve and Tom.

The Chairman asked if there were any general public comments or comments on the proposed Resolutions.

It was moved by Gana and seconded by Erickson that Resolution No. 2011-85, "Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands are hereby approved and authorized for payment out of the Revenue Fund Revolving Payroll Account...\$64,753.55", be adopted. Roll call: Erickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Erickson and seconded by Gana that Resolution No. 2011-86, "Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands are hereby approved and authorized for payment out of the Revenue Fund Bills... \$339,868.25", be adopted. Roll call: Erickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Gana and seconded by Erickson that Resolution No. 2011-87, "A resolution certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2010 Audit Report", be adopted. Roll call: Erickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Erickson and seconded by Gana that Resolution No. 2011-88, "A resolution adopting a Corrective Action Plan for the Authority's Audit for the Year ended December 31, 2010", be adopted. Roll call: Erickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Gana and seconded by Erickson that Resolution No. 2011-89, "A resolution authorizing the award of a non-fair and open contract with Willis of NJ and

Colson & Gosweiler Insurance & Financial Services to supply property, general liability, commercial auto, inland marine, crime, boiler and machinery, umbrella/excess and public official's liability", be adopted. Carol Ricci advised that she also got a proposal from Statewide and we will save \$3,000 staying where we are. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Errickson and seconded by Gana that Resolution No. 2011-90, "A resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in accordance with the provisions of the Authority's General Bond Resolution...Pole Tavern Equipment Sales Corp. \$957.00 rebuild two hydraulic steering motors", be adopted. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Gana and seconded by Errickson that Resolution No. 2011-91, "A resolution authorizing correction on credits, charge-offs, refunds and cancellation of accounts in the amount of \$1,159.00", be adopted. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Errickson and seconded by Gana that Resolution No. 2011-92, "A resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in accordance with the provisions of the Authority's General Bond Resolution... Kraft Power Corporation \$2,805.00 for 3,000 hour service and trouble shoot for cogeneration ", be adopted. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

Dennis Palmer reported that the Audit Committee met and action was taken tonight. He will meet with Mayor Romano regarding grease traps following the tragedy. Dennis said that Kristi Funderburk of the Daily Journal did a nice article on our anti-nepotism policy and he will check with The Press to see if they will do a report on it as well.

Bob Schwarz reported on the following projects:

Golden Corral restaurant project. All the sanitary sewer piping has been completed as of Friday, June 17<sup>th</sup>. We are awaiting air testing, as-built drawings and TV inspection and the WQM-005 form. Completion is anticipated by November 1, 2011.

Oxford Street sewer replacement project. We have submitted a letter to the contractor to move forward on the paving and we sent copies to their bonding company. The contractor has asked the Authority for additional funds for asphalt increases and we advised them that based on the specifications asphalt increases will not apply for this project. A sink hole on Plum Street was repaired and the road re-surfaced. The lateral was defective and approximately four feet of patch material was installed over many years.

Waiting for En-tech to send us a final bill so we can close out their Oxford Street re-lining project.

Eastlyn Golf Course project should start in about 2 to 3 weeks. The force main is going in the middle of Italia Avenue.

Park Avenue between the railroad and East Avenue. Prior to the City paving the road, LSA staff cleaned and TV'd the line to assure that there are no major defects.

Steve Fabietti reported that he is working on a response to the affordable housing issue and will discuss it in a closed session.

It was moved by Gana and seconded by Errickson to accept the reports of the Executive Director, Field Engineer, Solicitor and Chairman. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

It was moved by Gana and seconded by Errickson that the Executive Director be authorized to advertise a public hearing for the purpose of a rate increase on Wednesday, July 13, 2011. Roll call: Errickson, Gana, Silva and Reuben voted "yes". Absent: Galetto

Budget & Finance Committee – Dennis advised that action was taken on the audit and also action with respect to a rate hearing. Steve Errickson gave the Treasurer's Report.

Public Relations Committee – Dennis advised that an article on the anti-nepotism policy appeared in the Daily Journal.

Insurance Committee – Dennis advised that action was taken tonight.

It was moved by Gana and seconded by Silva that the Committee Reports be approved and accepted. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

At 7:04 p. m., there being no further business to come before the Board, it was moved by Gana and seconded by Errickson that the meeting be adjourned. Roll call: Errickson, Gana, Silva and Reuben voted "yes" Absent: Galetto

THE LANDIS SEWERAGE AUTHORITY

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FRANCIS A. GANA, SECRETARY