

THE LANDIS SEWERAGE AUTHORITY  
REGULAR MEETING  
May 21, 2012

Pledge of Allegiance.

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

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

Chairman Gana 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.

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| Also present: | Dennis W. Palmer   | Executive Director/Chief Engineer              |
|               | Robert A. Schwarz  | Field Engineer                                 |
|               | A. Steven Fabietti | Solicitor                                      |
|               | Carol A. Ricci     | Executive Secretary                            |
|               | Thomas J. Post     | Business Manager                               |
|               | Stephen P. Testa   | Auditor, Romano, Hearing Testa &<br>Knorr P.A. |

It was moved by Silva and seconded by Errickson that the reading of the minutes of the regular meeting held on May 7, 2012, be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

The Chairman asked if there were any general public comments or comments on the proposed Resolutions. There were none.

Resolutions:

It was moved by Silva and seconded by Errickson that Resolution No. 2012-76, "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...\$63,724.41", be adopted. Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

It was moved by Silva and seconded by Errickson that Resolution No. 2012-77, "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...\$336,063.61", be adopted. Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

Stephen P. Testa, Auditor stated that we have reviewed the draft of the Audit Report with the Finance Committee and copies of the draft were distributed to the remaining Authority members and we have delivered final copies this evening. There are no changes from the draft that you received. Mr. Testa proceeded to give a brief overview of the report.

Mr. Testa reported that the Authority received an unqualified and clean opinion of its financial statements for the year ending 2011 and December 31, 2010 as reflected on pages one and two of the Audit. In our opinion we say that the basic financial statements present fairly and all material respects the financial position, results of operations and cash flows of the Authority for years ending December 31, 2011 and 2010 in a accordance with generally accepted accounting principles. This is a clean opinion and that is exactly what you want.

Since the Audit is subject to government auditing standards is also a report on compliance and internal control and that is reflected on pages 3 and 4 on the report. With respect to internal control over financial reporting there are no material weaknesses or significant deficiencies to be reported. With respect to compliance, we also noted no instances of non-compliance that were required to be reported under government auditing standards and/or standards promulgated by the Division of Local government Services of the State of New Jersey. It is a very good and clean report.

In reviewing some of the financial highlights, Mr. Testa stated that management prepared the required supplementary information which is the Management Discussion and Analysis section. It is a reader friendly summary of the financial statements including comparisons to the prior year's information and can be found on pages 5 through 9 Exhibit "B" which is the operating statement for the Authority on page 12 the revenues totaled \$9.1 million of which about \$9 million is from user charges and fees which is the bulk of the revenue. The operating revenues were higher than the prior year by approximately \$17,000 which is about a .19% increase. He stated that this was very flat even with the rate increase and Steve also stated that we had one of our major industries go out, Vineland Kosher Poultry which was a \$150,000 to \$170,000 customer and it was anticipated when the rate increase was put into place.

Operating and maintenance expenses which the Authority can control basically consists of providing services and administrative and general expenses have actually decreased by \$193,000 or a 2.7% decrease. So we have a small increase in revenue and a decrease in operating expenses which is very good. The total operating expenses which includes depreciation for 2011 were \$9.68 million and that total is a decrease of about \$200,000 or 2% roughly. Operating revenues less operating expenses resulted in an operating loss of



\$545,000 and it is not uncommon and it is \$218,000 less than the prior year operating loss which was a positive variance. This is a step in the right direction.

The total non-operating revenues and expenses resulted in net revenue of \$98,000. Last year it was net expenses of \$50,000. So again there is a positive variance of \$148,000. Non-operating revenues include miscellaneous income, connection fees and interest income as well as the increase in the fair value of investments and they total \$683,000 for 2011 which is an increase of \$59,000 from 2010. That's mostly the result of having the increase in the fair value investments of \$308,000 for 2011 while in 2010 the Authority showed a fair value of \$112,000 so that positive variance of \$196,000 helped offset the decrease in connection fees which went from \$308,000 in 2010 down to \$173,000 in 2011. That is a negative variance of \$135,000. In these economic times there is less construction going on therefore there are less connection fees to be recognized as revenue.

Non-operating expenses consist of interest expense and amortization and they total \$584,000 compared to \$674,000 in 2010 which is again a positive variance of \$89,000. Capital contributions, which primarily consist of grants and developer donated lines total \$93,000 and in 2010 they were \$309,000 so there is a decrease of \$216,000.

The net effect of all of this is that for 2011 the Authority experienced a decrease in net assets or a net loss of \$353,000 compared to 2010 which was a net decrease of \$504,000 which is a positive variance of \$151,000 which is again a step in the right direction. Those results are on generally accepted accounting principals basis as shown on Exhibit "B" on page 12. On a budgetary basis on pages 34 and 35, schedule #4, the Authority's revenues exceeded expenses by \$87,000 meaning that we have a net income of \$87,000 and further it means that we did not have to utilize any or our net assets to subsidize operations. In 2010 the Authority had to use \$86,000 of its own net assets to subsidize its operations which is another positive step.

Steve also reported that Authority did meet the rate covenant contained in the Authority's Bond Resolution this year and that is discussed in note 15 on page 28 in some detail and that is an improvement because it did not meet the covenant in 2010. This is primarily the result of the Authority putting in place a plan to meet the covenant knowing that it had not been met for 2 years in a row. The Authority put in rate increases in 2010 and also in 2011 together with the cutting of costs as mentioned earlier enabled the Authority to meet the rate covenant.

Mr. Testa stated that the Authority's Commissioners and staff should be commended for doing a good job again and we are in good financial condition. He also reported that Dennis, Tom and the staff have done an excellent job again administratively as evidenced by the fact that there are no findings and recommendations to be reported in the Audit report this year. He also pointed out that in addition to the Audit report, we have also provided the Board with the correspondence that is known as the "communication to those charged with governance" which is the Board and this claims that our responsibilities describe certain of your accounting practices and policies, management's responsibilities with respect to the audit and certain interactions with management in

certain other matters and this year that includes a few items we thought should be brought to the attention of the Board but at the same time did not warrant a mention in the Audit report itself. Those items were discussed with the finance committee and management and steps have already been implemented to address them for the next year. With respect to the filing requirements of the Audit, you have before you a resolution acknowledging that the Audit Report for 2011 has been received and reviewed, particularly the findings and recommendations section and there are no findings and recommendations. That resolution should be adopted by the Commissioners and the signing by the Commissioners of the Group Form Affidavit and a synopsis that should be published in the newspaper has also been provided to the Authority and a copy of that as well as the resolution should be forwarded to the NJ Division of Local Government Services. Since there are no findings and recommendations you are not required to file a corrective action with the State so those filings will be all that is required for the year. There were no questions for Mr. Testa after the report.

It was moved by Errickson and seconded by Silva that Resolution No. 2012-78, "A resolution of the Landis Sewerage Authority Certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2011 Audit Report..." be adopted. Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

It was moved by Silva and seconded by Errickson that Resolution No. 2012-79, "A resolution of the Landis Sewerage Authorizing authorizing payment from the Construction Fund of certain costs of the system in the amount of \$290.00 to Bridgestate Foundry for two manhole lids in accordance with the provisions of the Authority's General Bond Resolution..." be adopted: Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

It was moved by Errickson and seconded by Silva that Resolution No. 2012-80, "A resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$6,250.00 to G.E. Mechanical to supply labor, material and equipment to repair a section of 4" cast iron sewer pipe at 1880 Brookfield Street in accordance with the provisions of the Authority's General Bond Resolution..." be adopted: Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

It was moved by Errickson and seconded by Lewis that Resolution No. 2012-81, "A resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$6,924.15 to Water Works Supply co., Inc. for New Pear Street Pump Station bypass and valve replacement in accordance with the provisions of the Authority's General Bond Resolution..." be adopted: Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

Reports:



Executive Director:

Dennis Palmer reported that the meeting of the finance committee in relation to tonight's Audit Report involved a lot of give and take and a lot of good discussion regarding history and background. He also stated that the Authority is experiencing the same tough financial times since 2007 as many other businesses locally and nationally. He cited different cost cutting measures such as job consolidation, savings on electricity, reimbursements for employees such as licensing fees that were covered and are now eliminated. We have also been more aggressive in collecting outstanding funds.

Tomorrow we are having over 70 4H students coming to the Authority for part of their environmental ambassador program. They come in with their questions and it's a great program where they come to the plant and spend some time at the farm.

Dennis stated that Franklin Township has reached a settlement regarding Meredith Farms. They are transferring 110,000 gallons from the Meredith Farms 350,000 gallons to settle current litigation and also to provide for some failing sewer capacity and failing septic systems in the Malaga section such as Pegasus, WaWa and more that they are trying to resolve. They have to do a wastewater management place such as we did or an amendment to one. They will have to get Gloucester and Cumberland County's approval along with the City of Vineland and Franklin Township's approvals. It is a fairly expensive project to build offsite sewer for the distance they are discussing. We need to be made whole at some point regarding the lien we have on that property for the capacity we have on that property. Until the lien is paid off there will be no granting of capacity.

There were two articles in the newspaper with respect to Earth Day. The concrete pad has been poured for the new chiller for our air conditioning system and it is probably within two weeks of being delivered. Only half of the old units are operating and this addition will give us a more reliable and modern system.

Dennis reported that he and Carol Ricci had gotten some good news regarding property and casualty insurance and we have met with our brokers regarding healthcare coverage. This will be a multiple option compared to the State Plan where the employee can choose a policy which suits the financial needs. There will be 3 or 4 plans presented to the employees.

We received a proposal from Hatch, Mott, McDonald to do the preliminary engineering on the abandonment of the pumping station by the power plant. Dennis has kicked it back to Joe Isabella asking how he wants to proceed as a local service agreement or an IOU letter. If we can eliminate a pumping station and do it by gravity we will no longer have the electrical and mechanical upkeep. We are waiting for an answer from the Electric Utility.

Field Engineer:

Robert Schwarz stated that LSA staff members attended a pre-construction meeting for paving on Main Road between Chestnut and Maple Avenues as well as the intersection of Brewster Road and Chestnut Avenue. LSA staff will examine the need to replace manhole frames and covers if necessary.

Bob also reported that the borough sewer replacement project plans are almost complete. The specifications, construction estimates, soil conservation waiver, labor rates and other requirements will be complete in the near future.

The Shop Rite application packages is at NJDEP, LSA has received copy of administrative completeness letter. They should receive other approvals in near future. Bob also advised that inquiries are being made about other projects and status for sewer availability. We continue to monitor the situation.

Solicitor:

Steven Fabietti continued the conversation on Franklin Township which is the case the Authority was involved in and we were able to get the Authority dismissed from that case but the proposal in the newspaper will require some re-allocation of the Meredith Farms sewerage capacity to various sites in Franklin Township. Our position is that the Authority must approve any potential deals. Steve stated that he contacted the attorney for the developer asking for the detailed documentation of the settlement so that Dennis and I can review it and report back to you on what the specific plan will be.

On Wednesday, May 30, 2012 is the due date for a response on United Rental's litigation that arises from the contractor's lien from Solar Phase II. Steve said he has again reached out to the contractor to see if there has been any progress in getting us removed from that case but he has not heard anything as of this date.

Chairman Gana had no report.

Issues and Correspondence:

Dennis talked about one of our staff members who has taken ill and is making progress in the hospital. Regardless of how her recovery moves forward, we feel that she will be in some type of rehabilitation unit leaving us a vacancy. Therefore we are looking to hire someone in a part time basis, with no benefits and just an hourly rate to help cover vacations and additional work.

It was moved by Silva and seconded by Merighi that a motion be made authorizing the Executive Director to hire part time clerical/administrative help. Roll Call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".



Committee Reports

Engineering/Plant:

Dennis stated that we are working on the design of the pipeline and putting it out to bid. We need the printout from the Department of Labor on the prevailing wage.

Another engineering firm has asked for a copy of the work we have done on the bio-filters. It is a process in which we dispose of the odors by way of a concrete box willed with large wood chips and you take the malodorous air out of the facility and run it through the wood chips and it breaks down the odors while passing through. There is a much more expensive method by using activated carbon which is expensive to buy and expensive to dispose of. We have led the way using this method at this location, Little Robin PS and Lincoln Avenue. Dennis gave them a copy of an article he had written and was published in one of the trade journals.

Dennis cited that we helped out Carney's Point by lending them a plug that they returned today for one of their larger lines. We occasionally help out other authorities. In house we are replacing new media in the biofilter and we are also working on the new chiller.

Budget Finance:

Thomas Merighi stated again that there was a meeting of the finance committee to discuss the Audit Report. Tom thought it was a very good and informative meeting giving him a better knowledge of all of the different financing and accounts that we have regarding bonds and other issues. He also stated that everyone received a copy of the monthly statements. We were slightly over budget by 1% and was offset by a 2% decrease in expenses.

Human Resources: Dennis reported that we took action tonight regarding the part time position.

Public Relations: Dennis stated that we had 2 articles in the newspaper regarding the Earth Day poster contest and we will have 70 4H students from the Environmental Ambassadors program.

Insurance Committee:

Carol Ricci stated that she had received the final draft from our brokers Willis of NJ for property and casualty insurance citing that we will only see a 1% increase in premium. Our loss ratios are very low and with our intense safety program, the insurers look upon us very favorably. At the next meeting all of the numbers will be presented.

Health insurance agents are working diligently coming up with a plan offering choices for the employees and they will also present the State Plan so that we can review both and find the plan that will work best for the Authority. As you know we have a fully insured

medical plan, self-funded prescription coverage and a supplementary fund for dental/vision. We have to take all of those things into consideration when we make our comparison.

We will also start working at the end of the summer for our Life, AD & D and LTD policies which are currently with Assurant Employee Benefits. We have had a good relationship with this company for the past couple of years. These are not really expensive policies and are usually under the bid threshold.

Allocations/Administration:

Dennis reported that the Authority met with Shop-Rite's Engineer and their project manager and Dennis hopes to get a draft to them without using hard numbers for cost reimbursements to serve their immediate needs. There is a long standing law that deals with off site improvements and those apply to builders than when they make those extra investments they are due some sort of compensation. The numbers are usually worked out on a per gallon basis so if another store ties in and they have 10 employees and they buy 300 gallons of capacity, there is some sort of compensation on a per gallon basis. We have told them that we like to actually have bid numbers. Because the market is tight, they should get some very attractive pricing and since it is being built privately, there is no prevailing wage.

Tom Merighi asked if Shop-Rite could use their old capacity by way of just transferring it and Dennis stated that it is not possible because Shop-Rite may not own that capacity if that is a leased property.

Old Business:

New Business: Please contact Carol regarding the Chamber dinner.

Adjournment: At 6:35 p.m. there being no further business to come before the Board, it was moved by Errickson and seconded by Silva that the meeting be adjourned. Roll call: Lewis, Merighi, Silva, Errickson and Gana voted "yes".

THE LANDIS SEWERAGE AUTHORITY

  
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JOSE SILVA, JR., SECRETARY