

THE LANDIS SEWERAGE AUTHORITY  
REGULAR MEETING  
September 4, 2018

Pledge of Allegiance.

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

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

Chairman Villar 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
	Robert A. Schwarz	Field Engineer
	A. Steven Fabietti	Solicitor
	Carol A. Ricci	Executive Assistant
	Stephen P. Testa, CPA	Romano, Hearing, Testa & Knorr P.A.
	David J. Kennedy	Superintendent

It was moved by Errickson and seconded by Barse that the reading of the minutes of the regular meeting held on August 20, 2018 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Errickson and Villar voted “yes”. Merighi and Reuben abstained.

David Kennedy, Superintendent thanked the Board of Commissioners and stated that he enjoyed his time working at the Authority. He also stated that it’s good to work for an Authority that gets things done and under Dennis Palmer direction and your power to give him the authority to do the things that need to be done, it has worked out very well. I would like to thank you all, especially Dennis, Carol and Bob. I’m bringing my career to an end after 43 years and it’s time. The 14<sup>th</sup> of September will be my last day and I will go on vacation and I will be back home. I wanted to personally thank everyone for all of the time I’ve enjoyed while working for the Authority.

Stephen P. Testa of Romano, Hearing, Testa & Knorr, PA stated the following audit report for 2017:

We reviewed the audit report in detail with the finance committee and management. Copies of the report were previously distributed to the rest of the Authority members. The Audit Report has also been timely filed with NJDLGS. I would like to give a brief overview of the report at this time and would welcome any questions you may have.

There were no major changes or restatements necessary for the 2017 financial statements, although the impact of GASB 68 (Pensions) will continue to be felt as the Authority has seen its proportionate share of the Net Pension Liability, deferred inflows and outflows and pension expenses reported on generally accepted accounting principles (GAAP) basis change significantly over the prior year. I will discuss that impact during the presentation.

The Authority received an unmodified or clean opinion on its financial statements for the years ended December 31, 2017 and 2016 as reflected on pages 1-3, 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 years ended December 31, 2017 and 2016 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 4 & 5). With respect to internal control over financial reporting, there were no material weaknesses or significant deficiencies to be reported. With respect to compliance, we noted no instances of noncompliance that were required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services of the State of New Jersey.

I would like to briefly review some financial highlights.

Management prepared the Required Supplementary Information, namely the Management Discussion and Analysis (MD&A) section which is a reader friendly summary of the financial statements including comparisons to the prior year's information on pages 6 to 11.

Review Exhibit B on page 14, used our Comparison Exhibit B with the Variances. Operating revenues increased from \$10.560 million in 2016 to \$10.750 million in 2017, an increase of approximately \$190,000 or approximately 1.80%. Note that the Authority defines operating revenues as user charges and fees, connection fees, income from its farm operation, lab testing fees and receiving station income.

Total Operating Expenses, which includes depreciation, decreased from \$11.289 million in 2016 to \$10.889 million in 2017, which is a decrease of approximately \$400,000 or 3.53%. The decrease is primarily due to a decrease in the GAAP basis pension expense of \$764K.

The Authority's Costs of Providing Services decreased by \$538,000, an approximate 7.61% decrease. I would point out this is on a GAAP basis and the bulk of the decrease is the result of the pension expense recorded under GASBE 68 which was significantly

lower than the prior year. On a budgetary basis, the Costs of Providing Services actually increased by 1.54% showing the Authority is holding the line on Operating Costs.

The Admin and General Expenses increased by \$119,000 (5.77%). The main reason for the increase is the recording of the previously disputed NJDEP Permit Fees which increased \$136,000 over the prior year. On a budgetary basis the Admin and General Expenses increased by 15.4% which is again primarily due to the recording of the previously disputed NJDEP Permit fees together with increases in salaries, wages and employee benefits.

The Authority's non-operating revenue or expenses, netted to an expense of \$55,000 which is \$210,000 less than the prior year, aided by a \$54,000 decrease in interest expense and not having incurred any debt issuance costs in 2017 which was a \$149,000 savings over the prior year. The Authority also reported capital contributions of \$54,665 in 2017 with none in 2016. The net effect of all of this is for the year 2017, the Authority experienced a decrease in net position or equity of \$141,000 while in 2016 the decrease was approximately \$993,000. Note that depreciation was \$2.17 million for the year which helps create the loss and is a "non-cash" expense, as does the additional pension expense for GAAP purposes as a result of GASB 68 of \$211,000.

Those results are Generally Accepted Account Principles basis as shown on Exhibit B on page 14. On a Budgetary Basis, Schedule 2 on page 42 and 43, The Authority's revenues exceeded expenditures by approximately \$944,000. That amount was \$1,204,000 in 2016 so it is \$261,000 less than the prior year. While the revenues were \$192,000 higher in 2017 than 2016, the expenses were also higher by \$453,000. That being said, the Authority budgeted a break-even, so the results were \$944,000 better than budgeted.

The Authority did meet the rate covenant contained in the Authority's Bond Resolution as detailed in Note 2 to the financial statements on page 26.

Some of the other more significant disclosures in the notes to the financial statements are:

Note 3-page 27. Cash and Equivalents. Note that over \$19,775 million is FDIC insured because Capital Bank placed amounts under \$250,000 in a number of banks.

Note 4-page 32. The contingencies paragraph only relates to the construction projects in progress. Note that in the prior year it also included the disputed NJDEP fees, however they have been recorded as a liability and expensed in 2017, so no longer a contingency.

Note 5-Page 32. Pension note is about 6 pages long. Note the net pension liability decreased from \$13.663 million to \$9.777 million. First time it has decreased.

Note 6-Page 38. We show the breakdown of the unrestricted net position (deficit) which is \$10.3 million deficit related to pensions, \$4,885 million positive net position before the pension impact. Those net to a \$5.416 million deficit.

The Authority Commissioners, Management and its staff are to again be commended for a job well done.

Dennis, Tom and the rest of the staff have done an excellent job again this year as evidenced by the fact that there were no findings or recommendations reported in the 2017 audit report. In addition, as usual, outside of the GASBE 68 related adjustments, and normal closing entries, there were few audit adjustments required.

I would also point out that we have provided the Commissioners with a correspondence which is in addition to the audit report. This is known as the "Communication to those Charged with Governance which, in LSA's case we have taken to mean 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. There were no items to be reported in the "other matters" section of the correspondence.

You have before you this evening a resolution acknowledging that the audit report for the year 2017 has been received and that you have reviewed the report, particularly the findings and recommendations section, of which there were none. This resolution should be adopted and evidenced by having each of the commissioners sign the group 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 were no findings/recommendations, the Authority is not required to file a corrective action plan with the State. Lastly, the Authority is required to post the audit report on its website. We have provided the Authority with an electronic copy and once accepted by the Board, it should be posted to the website.

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

Resolutions:

It was moved by Errickson and seconded by Barse that Resolution No. 2018-87, "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.... \$77,432.13", be adopted. Roll call: Barse, Merighi, Errickson, Reuben and Villar voted "yes".

It was moved by Errickson and seconded by Barse that Resolution No. 2018-88, "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.... \$277,883.54", be adopted. Roll call: Barse, Merighi, Errickson, Reuben and Villar voted "yes".

It was moved by Errickson and seconded by Barse that Resolution No. 2018 - 89 “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2017 Audit...” be adopted. Roll call: Barse, Merighi, Errickson, Reuben and Villar voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2018 – 90, “A Resolution of the Landis Sewerage Authority authorizing an Interlocal Services Agreement for the sale of gear boxes to the Atlantic County Utilities Authority...” be adopted. Roll call: Barse, Merighi, Errickson, Reuben & Villar voted “yes”.

Reports:

Executive Director

Dennis Palmer reported that the last resolution authorizes that we can declare the rest of the gear boxes and motors that we haven’t sold to Atlantic County as surplus. They are not easy to find and I think there’s a market out there as well as the motors.

Hartford Steam and Boiler was here and they provide a free vibration analyzer service. It’s equipment you can put on a very large motor, large gear box that measures vibration which can be predictive of maintenance. It could be very valuable. They may provide it as a full-time service. It can cost \$25,000 to rebuild a gear box or a very large motor so it’s helpful to know these things.

The Audit is complete and we had a progress meeting on the plant last week with our engineer and the contractor. There is an issue we are still dealing with on the aeration tanks. I dropped a note to everyone. There is an issue on the aeration system where some of the drawings had shown two drops and some showed only one drop. They were somewhat generic because we were pricing with three different providers. The one that got the job definitely needs two 6-inch pipes and not one to provide enough air to meet the criteria. There may be an extra on that from the contractor. It’s stainless steel pipe so it's not cheap. It’s 16-inch diameter stainless steel pipe in some cases.

Tomorrow we open bids on the digester cleaning. It was in your packages that we received letters from DEP that our inspections were all satisfactory. Because of our facility’s size and the farm, it takes a couple of days for the inspector to do the whole inspection. Dave spends a lot of time with the DEP inspector.

Today we had a conference call on the Brewster Road Pumping Station. We had a 90% meeting and we had a couple of comments we want to see adjusted. That will come up to 100% within the next month or so.

Field Engineer

Bob Schwarz reported that the Ramada Inn Pump Station project continues to move forward. The contractor completed testing and installing a mandrel of the gravity main on West Landis Avenue. This week they are spreading top soil on the disturbed areas of West Landis Avenue.

We received a call yesterday about a sink hole on Lincoln Avenue between Dante and Edna Drive. The cause was a 1 ½ inch galvanized water service that broke from a recently demolished home across from the BB & T Bank. We advised the County that the problem was the City of Vineland Water Utility's problem and it was their responsibility to correct it. There may be other sink holes in the future because of puddling of the trench onto the sewer line that was installed more than 43 years ago.

The contractor installed 10-inch PVC pipe on DeMarco Drive for future Truck Wash. They plan to cross Garden Road on Thursday, September 6, 2018 and finish stubs in front of the car wash on Friday, September 7, 2018 weather permitting.

Solicitor:

Steve Fabietti reported that's hanging fire is our case with Sears over their challenge to the \$6,000 plus value on the easement that we condemned with the project in the vicinity. I've been trying several times to get an answer from their counsel as to whether they are going to move forward or not. I have been successful. If I don't get an answer one way or the other by the end of the month, I will talk to Dennis and suggest we file a Motion to Dismiss to force some type of action. Nothing is imposed upon us at this point. The Authority has paid the money in accordance with the Court rules and Sears has voluntarily been on hold with it. It's not as though there's anything prejudicing the Authority at this point, but I would like to see it move forward or not.

Dennis stated that the parking lot has been paved with the exception of the area around the pumping and put back in shape. Carlos Villar asked if Sears sold the property? Dennis stated that they say they are going to close. Steve Fabietti that communication is in bits and pieces that it might be under agreement and as far as we know it has not changed hands officially. They wanted to put Dennis in touch with the would-be new owner to discuss things but that has not happened on their end.

Chairman: No Report

Issues and Correspondence:

Dennis Palmer reported that Rudy's Air Port is back seeking approvals from the City, County and LSA. As a way of background, they had filed suit to toss out the City Master Plan. We filed to join the suit as the MP was one of the key bases for our Wastewater Management Plan. The City was required to hold several public hearings as a redo and the judge eventually ruled in the favor of the City and LSA. The result was our WMP was approved and our plant rerated for an additional two million gallons of capacity for new growth.

A meeting was held on August 29<sup>th</sup> at the CCVTS with representatives of the City economic development, engineering and planning, County economic development engineering and planning, Freeholder Director, the developer's team and myself representing LSA.

What has changed? Several positive issues at this point.

Our plan was approved and we have the extra 2.0 MGD. It is time to update the plan, the County now has that responsibility and is planning a submission to NJDEP by the end of September. Timing is right.

The project has been downsized with a lower density from 416 to 300 units with environmental buffers and open space. They have proposed to provide water and sewer lines to Stanley Terrace and nearby homes on small lots with well and septic systems, relieving a possible public health concern and problem.

What needs to be done: LSA would need to send a letter to County Planning to request to include this area in the updated WMP. The City would have to change or recognize this area in its Master Plan.

It was moved by Barse and seconded by Reuben that the Executive Director be authorized to send a letter to County Planner Bob Brewer to request this area to be included in the updated plan. Roll call: Barse, Merighi, Reuben and Villar voted "yes". Errickson recused himself.

Committee Reports:

Engineering/Plant:

Dennis Palmer stated that we touched on everything. We worked in house on the bid specs for cleaning the digesters and we will open those bids tomorrow. Bob and Anthony worked on the bid specs for the lining of the sewer pipe. That is just about ready for notice to proceed. They have their insurance; bond and we need their initial manning report and we will sign the contract. We had the conference call today and we had the progress meeting last week on the treatment plant.

Budget/Finance:

No report with the exception of the Audit report from Stephen Testa. Dennis stated that over the next few months we will look at the new law and how we want to implement it and include it in our process. Tom is also starting to work with the managers for next year's budget.

Human Resources

Dennis stated that Craig Wright retired last week. We have Bob and Dave approaching retirement this month. Replacements have all been hired for those positions and they are in place.

Public Relations: No Report

Insurance Committee: No Report

Allocations/Administration:

Dennis stated that we have the new connection fee and we will visit the allocation policy and the procedures manual.

Old Business: None

New Business:

Carol Ricci reminded the Commissioners of Dave and Bob's retirement party on September 14<sup>th</sup> at 12:00 noon.

Dennis also stated that AEA is sponsoring Commissioners and Executive Directors dinners. The South Jersey dinner is October 18<sup>th</sup>. ACUA is hosting it. Please let Carol know within the next week or ten days so we can get back to AEA. It's at 6:00 p.m.

Adjournment:

At 6:48 p.m. there being no further business to come before the Board, it was moved by Barse and seconded by Reuben that the meeting be adjourned. Roll call: Barse, Merighi, Errickson, Reuben and Villar voted "yes".

THE LANDIS SEWERAGE AUTHORITY

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G. STEVEN ERRICKSON, Secretary