

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
December 7, 2020

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: Barse, Merighi, Villar, Errickson and Reuben were present.

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
Anthony Tobolski	Field Engineer
Stephen D. Barse	Solicitor
Carol A. Ricci	Executive Assistant
Thomas J. Post	LSA Business Manager
Stephen P. Testa	CPA, Auditor

It was moved by Villar and seconded by Barse that the reading of the minutes of the regular meeting held on November 16, 2020 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

30 Year Service Award was presented to Eugene McClure, SSSE

Stephen P. Testa, CPA presented the 2019 Audit Report as follows:

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. Also, as requested, the Audit Report will be filed with the NJDLGS upon the Commissioner's acknowledgement of review of the report. 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 2019 financial statements. The Authority was not required to implement any GASB Statements since all implementations of GASB Statements were postponed for a year because of COVID-19.

The Authority received an “unmodified” or clean opinion on its financial statements for the years ended December 31, 2019 and 2018 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, 2019 and 2018 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. So, there were no findings or recommendations to be reported. As a result, the Authority is not required to file a Corrective Action Plan.

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 (pages 6-11)

Review Exhibit B (page 14) (used our Comparison Exhibit B with the Variances)

Operating revenues decreased from \$10.879 million in 2018 to \$10.777 million in 2019, a decrease of approximately \$102,000 or approximately 0.94%. Note 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 include depreciation, increased from \$11.163 million in 2018 to \$11.623 million in 2019 which is an increase of approximately \$460,000 or 4.12%.

The Authority’s costs of providing services increased by \$340,000 which is an approximate 4.97% increase on a GAAP basis. On a budgetary basis (Sch 2) the cost of providing services increased by \$488,000 or 7.3%. GAAP was less because the pension expense paid was higher than the GAAP basis pension expense this year. The largest increases in the Cost of Providing Services are in the areas of Salaries and Wages (\$314,000), fringe benefits (\$65,000) and chemicals (\$101,000).

The admin and general expenses increased by only \$5,000 (.024%) on a GAAP basis and \$53,000 on a budgetary basis. The GAAP increase was less than Budgetary again because the pension expense paid was higher than the GAAP basis pension expense this year.

The Authority's non-operating revenue (expenses), netted to a revenue of \$204,000 compared to a revenue of \$99,000 in 2018 which is a positive swing of \$105,000. Primary reasons are miscellaneous income and interest income increased and interest expense decreased.

The Authority also reported capital contributions of \$6,000 in 2019 compared to \$98,000 in 2018.

The net effect of all of this is, for the year 2019, the Authority experienced a decrease in net position (equity) of (\$636,000) while in 2018 the decrease was approximately (\$87,000). Note that depreciation was \$2.37 million for the year which helps create the loss and is a "non-cash" expense.

Those results are on Generally Accepted Accounting Principles basis as shown on Exhibit B on page 14. On a Budgetary Basis (Sch 2 on pages 49 & 50), the Authority's revenues exceeded expenditures by approximately \$279,000. The Authority budgeted a break even, so the results were \$279,000 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 (page 27). The required percentage of debt service coverage in the rate covenant is 110% and the Authority achieved 146.05%.

In Note 6 (page 45) we show the breakdown of the unrestricted/undesignated net position (deficit) which is \$10.52 million deficit related to pensions, \$6.061 million positive net position before the pension impact. Those net to a \$4.461 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 a very good job again this year as evidenced by the fact that there were no findings or recommendations reported in the 2019 audit report, especially considering the impact COVID had on operations, the computer issues, switch to a new computer software, etc. While most of this happened in 2020, it impacts the preparation for and performance of the Audit.

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 2019 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 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 were no findings or 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.

Steve also stated that the Authority has already introduced the budget and Dennis stated that we had heard from the State and it was reviewed and approved. They were happy with the draft even though they had not received the audit. We sent them a draft the next day and right after that we received the approval.

Dennis Palmer stated that Executive Order 190 was put out by the Governor and it directed all utilities to not impose interest or shut offs, or allow tax assessors to go to tax sale for water, electric, gas and especially cable. People are working from home and they need lights and cable. The Governor's words in the earlier part of the executive order doesn't say anything about sewer. The Department of Local Government Services put out clarification which I sent you today which is we want you to implement the intent even though it doesn't apply to you. Edmunds is trying to get to the point where they can handle this and Tom had a conversation with them and Tom stated that they are still working on it. They have reviewed the executive order and they are talking to their developers on how it can be handled.

It was moved by Villar and seconded by Barse to defer interest under the executive order until March 15, 2021 but interest that is deferred will be accruing with notice on all accounts, including commercial. Roll call: Barse, Merighi, Villar, Errickson and Reuben.

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. 2020 – 113 “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.... \$246,973.11”, be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 -114, “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.... \$369,219.52”, be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 - 115, “A Resolution of the Landis Sewerage Authority establishing allocation dates for the Landis Sewerage Authority for the 2021 administrative year...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 116, “A Resolution of the Landis Sewerage Authority authorizing a contract with NjControls LLC to provide SCADA support engineering services...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 117, “A Resolution of the Landis Sewerage Authority establishing regular meeting dates of the Landis Sewerage Authority for the administrative year beginning February 1, 2021...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 118, “A Resolution of the Landis Sewerage Authority authorizing raises to management and non-bargaining personnel...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 119, “A Resolution of the Landis Sewerage Authority authorizing Municipal Unit Purchasing pursuant to N.J.S.A. 40A:11-12, under State contracting procedures...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 120, “A Resolution of the Landis Sewerage Authority designating the official newspapers...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 121, “A Resolution of the Landis Sewerage Authority authorizing an alternate method contract with New Jersey Manufacturer’s Insurance to supply Worker’s Compensation Insurance...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2020 – 122, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2019 Audit Report...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

Reports:

Executive Director

Dennis Palmer reported that the receiving station had another good month. Each hauler has to set up a time slot on the schedule.

Field Engineer

Anthony Tobolski reported that the Brookfield Street and Diane Court pipe lining project is near completion. The mains, laterals and top hats on both roads are complete. There are two forty-foot spot repairs that have yet to be complete on Country Lane and Silverwood.

On the Landis Avenue lateral replacement project, 22 of 23 laterals are complete, the last one should be done tomorrow.

Plans for the 10" and 12" force main replacements on Mill Road are complete and should be ready to go out to bid in the near future

Solicitor: No Report

Chairman: Joe Reuben thanked Tom Post and his staff for doing such a good job on the audit.

Issues and Correspondence:

It was moved by Errickson and seconded by Barse that authorization be given to the Executive Director to advertise for the following bids in 2021. Roll call: Barse, Merighi, Villar, Errickson & Reuben.

- Laboratory Services
- Magnesium Hydroxide Slurry
- Standard Grade Hydrated Lime
- Technical Grade Magnesium Oxide

Committee Reports:

Engineering/Plant:

Dennis stated that our projects are winding down and we're waiting for our last permit from Conrail and then we can go out to bid. Next year it will be the grinders.

Budget/Finance:

Dennis stated that we took action on the Audit and the State approved the budget.

Human Resources:

We have an intern from Wilkes College and he's a civil engineer.

Public Relations: No Report

Insurance Committee:

Carol Ricci reported that in the packets you had the report about Worker's Compensation. We did really well with the Experience Mod went down and the State of New Jersey didn't change the rates for sewerage Authorities. Loss ratios were good and the premium is almost \$8,000 less than last year after the discount.

We will not have a renewal on Mutual of Omaha which is our Life, LTD policy. We're on a two-year contract with them and it's the second year.

We are working hard to get vaccines for our staff. I've been in touch with Inspira and they will notify me as soon as anything is available since we are considered essential services.

Dennis stated that AEA wrote to the Governor's office chief of staff on behalf of wastewater employees being essential workers and list us with first responders. They are doing studies where they are looking for COVID in the sewer system, well our guys are there. They have exposure.

We are looking at closing the lobby as we did in the spring, putting it on Facebook, signs in front, have the envelopes ready to go and they can put them in the drop box. Also, do we go back to split staff because we had a lot of close calls here so far.

Allocations/Administration:

Old Business: None

New Business:

We want to congratulate Tom for his award when the Chamber has their virtual gala.

Adjournment:

At 6:50 p.m. there being no further business to come before the Board, it was moved by Villar and seconded by Barse that the meeting be adjourned. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

THE LANDIS SEWERAGE AUTHORITY

CARLOS VILLAR, Secretary