

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
November 15, 2021

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, Angelo 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	Business Manager
	Stephen P. Testa, CPA	Auditor

It was moved by Barse and seconded by Villar that the reading of the minutes of the regular meeting held on October 18, 2021 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted "yes".

Dennis Palmer opened the public hearing for Final Budget Adoption as follows:

Dennis Palmer, the Hearing Officer for the public hearing advised that the public hearing on the 2022 budget was advertised and published on October 19, 2021. He advised that proper notice was given in accordance with our bonding requirements and covenants. Dennis Palmer advised that the preliminary budget was approved on October 18, 2021 and submitted to the New Jersey Department of Community Affairs. As the Hearing Officer, I am advising that the 2022 budget does not anticipate an increase in our user fees over the 2021 budget. The 2022 budget is a 3.4% increase over the 2021 budget which was \$11,150,000 and the 2022 budget is \$11,530,000. Again, I would like to note that even with the increase in the budget, there will be no rate increase to our customers in 2021. Due to conservative budgeting to recognize the impact of COVID, the LSA will also appropriate \$640,000 of net position to balance the budget.

A significant effort was put forth in 2016 with respect to a new loan of \$25,000,000 for infrastructure improvements. Most were completed by 2020 with two projects ongoing at this time. The Authority, with the new aeration system coming on line is making significant steps in energy savings in its facilities. The Receiving Station income has increased. The Authority is exercising its responsibility for asset management and making improvements to the infrastructure that constitute its sewerage system. With that opening Statement, I would like to open the floor to comments from the public. Also, in attendance tonight is Tom Post, the Landis Sewerage Authority Business Manager who has prepared the budget and is also available for your questions.

Seeing that there is no public attendance wishing to make comments, I duly close this public hearing and ask the Chairman to close the public hearing and move into the regular meeting.

It was moved by Merighi and seconded by Villar that the public meeting for Final Budget Adoption be closed. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted "yes".

Stephen P. Testa of Romano, Hearing, Testa & Knorr, CPA delivered the following audit report for the Authority.

We reviewed the draft audit report in detail with the finance committee and management. Copies of the draft report were also distributed to the rest of the Authority members. Also, as requested, the Audit Report will be filed with 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 2020 financial statements. The Authority did implement a number of GASBE Statements however none of them had a material effect on the Authority's financial statements.

The Authority received an unmodified or clean opinion on its financial statements for the years ended December 31, 2020 and 2019 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, 2020 and 2019 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 on pages 4 and 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 section which is a reader friendly summary of the financial statements including comparisons to the prior year's information on pages sssss6 through 11.

In reviewing Exhibit B, operating revenues decreased from \$10.777 million in 2019 to \$10.424 in 2020, a decrease of approximately \$353,000 or approximately 3.28%. The user charges and fees decreased \$410,000 or 4.06% due to a reduction in industrial charges and a credit issued to the Memorial Home. 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 includes depreciation, increased from \$11.623 million in 2019 to \$11.946 million in 2020 which is an increase of approximately \$323,000 or 2.78%.

The Authority's Cost of Providing Services decreased by \$21,000 or approximately .29% on a CAAP basis. On a budgetary bases, Schedule 2, the Costs of Providing Services increased by \$102,000 or 1.4%. GAAP was less because the Pension expense paid was higher than the CAAP basis Pension expense this year. The largest increases in the Cost of Providing Services are in the areas of Materials and Supplies, Repairs and Maintenance and Chemicals.

The Admin and General Expenses increased by \$59,000 or 2.84% on a GAAP Basis and \$96,000 on a Budgetary Basis. The CAAP increase was less than Budgetary, again because the Pension expense paid was higher than the CAAP basis Pension expense this year. The largest increases in the Admin and General Expenses are in the areas of Salaries & Wages, Fringe Benefits and Office Expenses.

The Authority's non-operating revenue expenses, netted to an expense of (\$912,000) compared to a revenue of \$204,000 in 2019 which is a negative swing of \$1.12 million. Primary reasons are a decrease in Interest Income and an increase in Interest Expense due to this being the first year the Authority is paying interest expense that wasn't included in the borrowing.

The net effect of all of this is, for the year 2020, The Authority experienced a decrease in net position or equity of (\$2,435,000), while in 2019 the decrease was approximately (\$642,000). Note that depreciation was \$2.65 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 Bases, Schedule 2 on pages 47 and 48, the Authority's revenues were less than its expenditures by approximately \$850,000. The Authority budgeted a break even, so the results were

\$850,000 less than budgeted. Revenues were \$406,000 less than budgeted and expenditures were \$443,000 more 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 27. The required percentage of debt service coverage in the rate covenant is 110% and the Authority achieved 349.37%. Note that without the use of General Funds that were passed through the Revenue fund in the calculation, the Authority would not have met the covenant. While this is allowable under the covenant language, it emphasizes the importance of maintaining a healthy General Fund balance.

In Note 6 on page 43, we show the breakdown of the unrestricted/undesignated net position (deficit) which is \$10.38 million deficit related to pensions, \$4.594 million positive net position before the pension impact. Those net to a \$5.782 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 2020 audit report, especially considering the impact COVID had on operations, the computer issues, switch to a new computer software, etc.

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 we consider to be 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 to the "other matters" section of the correspondence.

You have before you this evening a resolution acknowledging that the audit report for the year 2020 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 form. 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 correction action plan with the State.

Lastly, The Authority is required to post the audit report on its website. We have provided the Authority 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 Barse and seconded by Villar that Resolution No. 2021 – 107 “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.... \$86,473.78”, be adopted. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Villar that Resolution No. 2021 - 108, “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.... \$266,657.78”, be adopted. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Villar that Resolution No. 2021 - 109, “A Resolution of the Landis Sewerage Authority listing payments from the 2016 Bond Issue Construction Fund adopted July 5, 2016...” be adopted. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Villar that Resolution No. 2021 – 110, “A Resolution of the Landis Sewerage Authority approving exemption from the competitive bidding requirements for the purchase of goods and services with Reiner Pump Systems, Inc. through North Jersey Wastewater Cooperative pricing system...” be adopted. Roll call: Barse, Merighi, Villar, Angelo & Reuben voted “yes”.

It was moved by Barse and seconded by Villar that Resolution No. 2021 – 111, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2020 Audit Report.

It was moved by Barse and seconded by Merighi that Resolution No. 2021-112, “A Resolution of the Landis Sewerage Authority authorizing correction on credits, charge-offs, refunds and cancellation of accounts in the amount of \$4,454.50...” be adopted. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Villar that Resolution No. 2021 – 113, “A Resolution of the Landis Sewerage Authority authorizing the Executive Director to sign a Letter of Intent Relating to Potential Renewable Natural Gas project...” be adopted. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

Reports:

Executive Director

Dennis Palmer reported that we use six or eight different co-ops with advantageous pricing and a lot of them focus on parts that we want. Resolution No. 2021-110 is for a pump for the Petticoat Station and this is a pump that is being replaced after 25 years and it's a type that handles rags really well. We're moving to that supplier.

Steve and I have been involved in a couple of things. There are several personnel items which are not for discussion tonight and we'll be dealing with it tomorrow. We have a cascade of positions happening. We have four retirements coming up next month. We have moved two people into the shift manager positions. One was an acting shift manager and he's moving up to day shift breaker which is a little more of a management position and we're bringing in one of the guys working with the collection system, who has a license, and we're bringing him up from within. He has a lower license so both will take classes and move on to take the higher DEP licenses. We have a posting for three road crew positions and two more that are retiring in December so we'll have that as well.

Steve and I have also been working on that last resolution with different wording and verbiage with the Renewal Natural Gas Project. Digesters, vegetative waste, digester waste like we have are all things that can make new methane; clean it up and it can go back in the pipeline. For us it's a green energy thing and it can be another income stream for the Authority.

In finance, obviously we took action on the budget and the audit. For the sake of simplicity, the budget does not address a rate increase as it stands but during the second quarter, we're going to have to do it. We can't keep tapping our net position. We've done it for the last two years because of the economy. Restaurants and stores can't have people and all of the things that happened over the last two years so we kept the rates flat. We even froze interest for a while and we gave out payment plans. But we have to look at a rate increase during the second quarter of next year. We'll have a public hearing; it will have to be advertised in two newspapers and it has to be 20 days before the hearing and there must be a transcription of the hearing. It is also subject to cross examination if the public wants to come in. We'll deal with that in April to be adopted for the May billing. The models we ran back in 2016 basically looked at a rate increase in 2020 and definitely 2021 as the old debt service goes off. The debt service was a bell-shaped curve which peaked at \$1.8 million and it was down to \$1.2 million when we were done in 2019. The new debt service is flat but it's \$1.5 million and change. So, there's a \$300,000 difference that had to be made up. As Steve mentioned, increased costs, the big one being chemicals, so we have to deal with those issues next year.

Field Engineer

Anthony Tobolski reported that the force main project for Contract No. 5 on Mill Road with Pioneer Pipe is expected to start back next week and anticipates that it will take two months to complete it.

In reference to Contract No. 4 which is the comminutor project, B & H Construction will start their project the first or second week of January.

Solicitor:

Stephen Barse reported that Dennis mentioned what we are working on. We have additional labor negotiations coming up in the next couple of weeks so hopefully that will move along well. The first session was productive and cordial. Nothing happening on the appellate issues and we're still waiting to see when the Appellate Division is going to schedule oral arguments in the group litigation we're involved with.

Chairman:

Joe Reuben thanked Steve and Tom for doing a great job on the Audit this year.

Issues and Correspondence: None

Committee Reports:

Engineering/Plant:

Dennis stated that he had no report except what he had already put into the record.

Budget/Finance:

Tom Merighi stated that we did have a busy month with the Finance Committee working on the budget with Tom and I would also like to say great job to Tom and staff. We had the audit meeting with Steve, Tom and Dennis and thank you Steve for your work. For financials, our income was \$147,430 or 1.6% over budget. Our expenses are \$114,510 or 1.2% over budget and our accounts receivables decreased by \$353,183.

Human Resources:

Dennis stated that the discussion was in his report.

Public Relations: No Report

Insurance Committee:

Carol Ricci stated that she is currently getting the numbers for Mutual of Omaha which provides our Life, AD & D and LTD insurance. I have also submitted payroll numbers to Willis of NJ for our Worker's Comp renewal for January 1st.

Allocations/Administration: No Report

Old Business: None

New Business: None

Adjournment:

At 6:33 p.m. there being no further business to come before the Board, it was moved by Barse and seconded by Villar that the meeting be adjourned. Roll call: Barse, Merighi, Villar, Angelo and Reuben voted “yes”.

THE LANDIS SEWERAGE AUTHORITY

CARLOS VILLAR, Secretary