

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
June 17, 2013

Pledge of Allegiance.

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

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

Chairman Errickson 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 Secretary
Thomas J. Post	Business Manager
Steven P. Testa, CPA	Auditor

It was moved by Silva and seconded by Villar that the reading of the minutes of the regular meeting held on June 3, 2013 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Villar, Merighi, Gana, Silva and Errickson.

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 Merighi that Resolution No. 2013-83, "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.....\$64,467.98", be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted "yes".

It was moved by Silva and seconded by Gana that Resolution No. 2013-84, "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...\$305,923.42”, be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-85, “A Resolution of the Landis Sewerage authorizing the award of a non-fair and open contract with GHD Engineering for engineering review and support of future bond in the amount of \$13,400...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-86, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$9,440.00 to Hatch Mott MacDonald for investigation, design, bidding and Conrail Occupancy Permit for the Burns Avenue sewer extension in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-87, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$6,816.10 to CET Engineering Services for Wastewater Treatment Plant Re-rate from March 16, 2013 through 5/16/2013 in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Silva and seconded by Gana that Resolution No. 2013-88, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$16,848.46 for 50% payment to Repair & Protecting Technologies for repair of three (3) sodium hypochlorite tanks in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-89, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$24,155.00 to Ditschman Flemington/Ford for purchase of one (1) 2013 Ford F-150 extended cab pickup under State Contract # A83515 T2099 in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-90, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$6,187.00 to Tony Campana Plumbing to install a 4” sewer PVC schedule 40 approximately 165’ from 4” lateral to 4” cast iron sewer coming from the house, run sewer in front of house and asphalt 50’ of

driveway at 755 S. Delsea Drive in accordance with the provisions of the Authority's General Bond Resolution..." be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted "yes".

It was moved by Gana and seconded by Silva that Resolution No. 2013-91, "A Resolution of the Landis Sewerage Authority authorizing correction on credits, charge-offs, refunds and cancellation of accounts in the amount of \$976.28..." be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted "yes".

Prior to adopting Resolution 2013-92 Steven P. Testa gave the following Audit Report:

Steve Testa apologized for being late, but there was a last minute change in the language on the report, no numbers changed and since it was going to be on the website he wanted the report to be correct. Steve stated that he had the letter of those charged with governance.

The only change in the report is when you get to the quality of aspects of accounting practices, we had part of paragraph that in June 2013 the GASB issue statement #63 (Financial Reporting of Deferred Outflows and Resources, Deferred Inflows of Resources and Net Position) and basically that statement in the case of the Authority, you do not have deferred outflows and deferred inflows, the only impact with respect to the Authority's financial statement that the statement of net assets is now renamed as the Statement of Net Position and now has the assets and liabilities in a net position so the Authority's equity is now called net position. Everything else in the letter remains the same and there were no other findings of any concern. This is certainly a good thing. If you look in the Audit Report in the last two pages, there were no findings or recommendations either. There were no management type letters and if there were, they would be attached to this letter. Steve reported that the Administration and the Authority staff have done a good job again this year. There were very few Audit adjustments so Tom Post and his staff did a great job there as well.

Steve stated that we did have the opportunity to review the draft with the Finance Committee which was helpful to the Board. If we look at the Audit Report itself, pages 1,2,3 and 4, the first report is our opinion on the financial statement. We did receive an unqualified or unmodified opinion which is a clean opinion which basically says that the financial statements present fairly all material and reflects the financial position results of operations and cash flows of the Authority for the year under generally accepted accounting principles.

On the pages 3 and 4, this is the report on internal control over financial reporting and on compliance in other matters and that is as a result of the Authority be subject to government auditing standards. In that report you focus more on not an opinion on the financial statements themselves but whether the internal control over financial reporting has any issues and we knew there were no significant deficiencies or material weaknesses in internal control over financial reporting and on page #4 there were no matters of compliance that were required to be disclosed under government auditing standards or

standards promulgated by the Division of Local Government Services. That is very good as well.

If we look at some of the financial highlights, I would focus on the Statement of Revenues, Expenses and Changes in Net Position. This is on page #12 and with respect to that the Authority had then operating revenue of \$9,382,262 this year compared with \$9,135,048 the prior year which is a positive variance of \$247,000. We did have an increase in revenue which is good. If you look at your operating expenses, the ones you have control over like your cost of provided services which is the operation of the plant and the administrative and general expenses, you can see that your cost of providing services did go up by \$235,000 which is about 4% but administrative and general actually decreased by about 6.5% and depreciation stayed close with about a .5% change. Total operating expenses were \$9.8 million and last year they were \$9,679,000 so the increase of \$129,000 which is only 1.34%, that shows that the Authority is really holding the line on expenses when you factor in that you have health benefits that go up double digits, what has really helped in the utility expense coming down so the Authority is taking positive steps to hold these expenses in check.

If you take the operating revenue less the operating expenses, you end up with an operating loss of \$427,000 compared to an operating loss last year of \$544,000 so that is \$117,000 positive swing. The operating loss, so you don't get overly concerned, and I will show you on a budgetary basis why that should not be of that much concern, on a GAAP basis there is an operating loss but included in that is the \$2,090,000 of depreciation expense which is a non-cash expense which is basically just depreciating your capital assets over their useful lives. That is part of your operating loss.

Non-operating Revenues and Expenses which would be miscellaneous, connection fees which show \$188,000 which is about \$15,000 higher than last year and still not up to the levels where it once was, but of course with construction being down that will be the case. We have interest income which stayed pretty flat and it was \$190,000 compared to \$191,000 last year and a lot of that has to do with the fact that you have many of the same investments that you had last year. The interest expense has decreased as you would expect and it is \$502,000 compared to \$571,000 and that is a result of paying down debt. The only other area that is significant is the increase in fair value of investments. This year there was an increase in the fair value of \$104,000 and last year it was an increase of \$308,000 so the Authority has been very fortunate with the investments that we held because those are pretty much the same investments for those two years. While it looks like a negative variance, cumulatively it is still very positive. If you held your investments to their maturity, you would get the face value of the investment. In the interim there could be timing difference and they can decrease if interest rates start to increase and they are higher than what you are holding, you could have a decrease in fair value and the way interest rates are right now you have favorable interest rates and you are still having an increase in the fair value of your investments. The point is that if you were to sell them at this time you would have a gain.

The net of those non-operating revenues and expenses is a net of \$7,912 expense. We have a loss of before capital contributions of \$435,153 which is very close to the loss last year of \$446,639 which is about an \$11,000 difference. We had capital contributions which primarily consist of if you have a developer paid for a line that you would get control over after the developer has completed the project. It is mostly non-cash capital contributions in this case. You could have grants which would be cash contributions but have mostly non-cash. If we take our loss before the capital contributions, factor in your capital contributions, the change in your net position would be a loss of \$379,953 compared to last year which was a loss of \$353,403 which was a \$26,000 difference which was very close. Your beginning net position was \$57,133,000 and you are not at \$56,753,000. That is on the GAAP basis and if look at it on a budgetary basis, I would point you to pages #34 and #35 of the report, Schedule 4.

On a budgetary basis we had operating revenues of \$9,772,142 in operating revenues. The cost of providing services, \$6,049,576 is the same that is would for GAAP purposes as it is in Exhibit B we just spoke about. The Administrative and General which is \$1,669,611 is also the same as on Exhibit B. Interest expense is \$450,000 on a budgetary basis and the other costs funded by the operating revenues, principal paid on debt was \$900,000 and we had some minor capital outlays of \$24,163. The total of all of those costs is \$9,093,707. If move to page #35 you can see that you revenues on a budgetary basis actually exceeded your costs which is good by \$678,000 and that is a significant change over the prior year which was \$87,000 so again part of the reason for that was some of your revenues were up. You had additional billings for the industrial side that went up and the surcharges as well. The Authority held the line on expenses so the net on a budgetary basis is \$678,000 profit. The rest of that page takes you from this budgetary basis, revenue over cost, and shows you the adjustments that would bring you back down to the \$379,000 loss that we just discussed that was on Exhibit B. These are all reconciling items essentially the biggest ones being principal maturities on debt, which is an expense for budgetary purposes but not for GAAP. We had depreciation which was subtracted from that number because that is a GAAP expense but not a budgetary expense and the only other large number there would be an increase in fair value of investments which accounts for GAAP and not for Budgetary purposes. If you factor all of those in and it brings you down to the change in net position that we talked about in Exhibit B.

Steve Testa asked if there were any questions and Commissioner Carlos Villar stated that the increased fair value of investments is considerably less than 2011. Steve replied that in 2011 we had a big increase and again they are the same investments so they are not going to continue to jump by the same amount. Carlos Villar stated that he thought in 2012 that the investments actually gained much more than in 2011 or is that an actual or a comparison to 2010? Steve Testa stated that the \$308,000 is an actual for that year. From 2010-11 they increased by \$308,000 and from 2011-12 the increased another \$104,000. Steve stated that this is significant since those investments are only under \$4.4 million which is like 10%.

Carlos Villar also stated that on page #14 accounts receivable were \$450,000 less than in 2011. That is a glaring number. Steve Testa replied that they are not actually less. That is the change, but they are actually higher. That is the decrease in cash. This statement is going to take you from an accrual basis to the cash basis so we are saying that if there is a change in accounts receivable, if it was a decrease that means we received cash that would be an increase. Carlos Villar stated that he is actually not looking at a decrease of \$450,000 and Steve stated that is correct. If you have higher collections that is good. If you look at page #10, the accounts receivable is \$1,567,000 and last year it was \$1,110,000 so there was actually an increase in accounts receivable which can be concerning because of debt service coverage and its impact. It could be a red flag and it could also be a timing difference or a combination of the two because you bill for that 6 month period on December 1st and all you have to do is have a couple of industrial users that pay by December 31st so they are included in that number. I believe that it is about \$200,000 of the \$456,000 which is just a couple of customers but the fact is that they did pay subsequent to that period so it is not as concerning as you it appears. It also comes into play is that your bond resolution has a debt service covenant that you must raise enough revenues to cover your operating expenses and 110% of your debt service. Your revenues for the purposes of this calculation are really collections. Accounts receivable did not go up so we did not have trouble making that coverage and you actually did make the coverage at 135% this year. In 2010 you did not make it so you started putting in place the rate increase, cut costs and other factors that would help you make sure you would made that covenant.

Dennis Palmer stated that we had some one time payments such as FEMA for emergencies and they for run time on generators and not just the fuel and they also calculate depreciation, wear and tear value so there were several checks from the “derecho” and “Sandy” for our manpower and response. We also filed with our insurance company after full disclosure to FEMA and the insurance company pays for different values such as fuel for the generators. These are one time incomes. Steve Testa also mentioned the \$75,000 from the Meredith Farm issue and that receivable had already been written off in your allowance for bad debt. That means what you collected is unanticipated revenue.

Steve Testa asked to move to the Resolution acknowledging and adopting the receipt of the Audit and Review Reports and particularly the findings and recommendations section which there were none. The Commissioners must sign the Group Form Affidavit and that is sent to the State Division of Local Government Services. Then there is a synopsis of the Audit report that you will put in the newspaper and once that is published a copy of that will go to the State as well and because there were no findings there is no corrective action plan and no additional filing requirements for the year.

It was moved by Gana and seconded by Silva that Resolution No. 2013-92, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2012 Audit Report...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

It was moved by Gana and seconded by Silva that Resolution No. 2013-93, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction Fund of certain costs of the system in the amount of \$24,550.00 to Clearwater Solution of NJ for well pump spray irrigation funds 6 and 7, install new 40HP 650 GPM 460 volt submersible and realign well with 12” PVC w/screen in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Villar, Merighi, Gana, Silva and Errickson voted “yes”.

Reports:

Executive Director

Dennis Palmer reported that several long awaited items have come through. As we worked on Burns Avenue, Magic Sports and the Power/Water Plant, one of the things identified as the longest lead item is the Conrail Permit. That work was authorized last September, we thought it could go as long as a year and the permit came in last week. We met with the City last week representing the water and electric utility as they move ahead on their power plant. There is a little tweaking we need to do with our plans and we are about 90-95% complete on the sewer line going down Burns, Reick Terrace and Main and out to Lincoln Avenue. We will make those adjustments but the City is also moving along and we will be well ahead of both the water and electric utility.

The hydro geologist also completed his report and we received it last week with respect to the re-rating of the plant which is a multi-step process. This is a 20 year plus process given the Wastewater Management Plan went was submitted in December of 1992 and in 2011 we received the white document hanging in the Board Room. It took 19 years to receive this plan. It recognizes our future growth to about 2040 aligned with the City’s Master Plan. It will generate wastewater of 10.75 mgd. This is somewhat of a living document and there is a process through DEP where it can be amended and our position is that it is amended at no cost to the Authority. If you are a developer and you can document to DEP in the areas that they excluded, some of it is done by flyovers and sometimes with less specificity than if you sent out an environmentalist or ecologist or someone on site to look at the habitat and there are wetland maps that have some accuracy. We refilled for a NJPDES Permit last year and now we want to document in two steps, can the soils and the plant handle a higher flow and if so, how high. Our engineer has done a unit by unit process evaluation and he feels that the plant can do about 10.2 mgd with no additional construction. We can do this for two reasons. The original Wastewater Management Plan from November or December 1992 before DEP had more of these exclusionary areas, had the plant being sized for 12.2 and when we built the headworks we designed that for 12.2 mgd so we have more pumping capabilities and flow capabilities at that location. The other major thing we did in 2000, we added the two flow equalization tanks. They are like reservoirs. When the flow comes in in the morning and through the afternoon, our peak flows, it is stored there and then late at night, when flows are lower, they drain back through the plant. Instead of a rollercoaster, the plant performs much better and the DEP rates the plant at a much higher level. Our engineers are finished evaluating the plant, we are waiting for the geologist to complete

his report. He feels the soil can actually handle 11.9 to 15 mgd a day without adding anything. We do have areas in the plant on the south east side that are larger that we can add with a low amount of construction. The hydro geologists report was forwarded to DEP on Wednesday.

Steve, myself and the legal committee are working on mutual aid with Millville. Coming out of Sandy our large jet truck broke down and they said that we could borrow their jet truck but we did not need it. Their sewer department has similar equipment and they have similar training and perhaps we can enter into a more mutual aid agreement with them in case of emergencies. Public works in Vineland has similar equipment but they work in storm drains and not sewers.

We had our finance committee meeting, the Shop Rite Pump Station came on line this week and it is essentially ours as of Thursday. I have been out with Dan checking on the forester and it has been thinned but needs some cleaned up of stumps, use round up or Dan has his pesticide permits so we can beat back the greenbrier as it will choke the whole forest.

We talked with our finance committee on the future bond discussing the 20-25 year old parts of the plant. Steve, Tom, the Chairman and myself sat in on a conference call with David Kotok. We have requests out to two engineering firms, one we took action on tonight to look at parts of the plant that go back to 1967. Many other parts were upgraded in 1987 and 1989 and the last upgrade, the headworks, was the mid 1990's and the equalization tanks in 2000. The collection system goes back to 1905, the borough, the pumping station like Sears go back to the 1950's. So they will need to be looked at too. Those proposals from Hatch Mott MacDonald on the collection system, we identified certain items. They did a comprehensive system in the 1990's and recommended 75% of it and we are looking at the Sears force main as one of the items in this bond.

Tom Merighi asked what our current mgd rate was. Dennis replied that it was 8.2 mgd and we are hoping for a 10.2 re-rate. The headworks only is rated for 12.2. Tom asked what our actual flow is now. Dennis stated that with some users dropping out we are in the mid 5's but we have commitments even though Vineland Kosher closed we have a signed contract for about 130-142 for capacity that runs with the land. This is the same with Franklin Township and Meredith. We have a signed commitment for 350,000 gallons runs with the land. With those commitment agreements and permits, add them together and subtract them from 8.2 or you will have a sewer ban. In the 1980's we had a sewer ban and it is our intention to never have that again because that would stop growth. The Authority and the City miss the boom because of the sewer ban at that time. The plant was being constructed. We want to be ahead of the curve and not in that position again.

Field Engineer

Bob Schwarz reported that all topics were covered in the Executive Director's report.

Solicitor

Steven Fabietti reported that the only item he was working on was the analysis for mutual aid with the City of Millville

Chairman

Chairman Steven Errickson congratulated Dennis Palmer, Tom Post, Carol and all of the staff members at the Authority for all of their hard work in putting together the Audit. It speaks well of the whole team. Steve Errickson commented that it's not the board that makes it happen, they help out a little, but it's mainly the staff that makes it happen.

Issues and Correspondence:

Part of Resolution 2013-93 was the work being done on a well. We had a well that failed, pumping sand, the motor itself failed, the shafts and everything else that was part of the well failed. We tried to rework the well that was there and it continued to fail. We have to drill one next to it, still use this motor and pump that went with this and extend it next to it. A replacement well, if you put it within a certain radius, will be within the DEP guidelines. The well driller will get the permit, it will be part of the bid package and the package is nearly ready to go and it will open in the early part of July. We have to drill a new well, drop the mechanical equipment we have. Luckily we have been getting rain and the corn is doing well. We can't pick up hay and Mr. Gana asked about hay sales earlier and they are very brisk.

It was moved by Gana and seconded by Silva that the Executive Director advertise for bids to install a new irrigation well at the agricultural site. Roll call: Villar, Merighi, Gana, Silva and Errickson voted "yes".

Committee Reports:

Engineering/Plant

No Additions to the report

Budget/Finance

Treasurer Tom Merighi stated that he would like to commend the Authority staff and our Auditor. We had a good Finance Committee meeting last week and all of our questions were answered to the "t" and sometimes to the "z". Each meeting you learn more and more about the operation and the physical plant and I am glad the Chairman recognized all for doing a great job.

Treasurer's Report: Income is approximately \$31,222 or .78% over budget. Expenses are approximately \$90,083 or 2.66% over budget. Accounts receivables decreased

approximately \$1,313,194. The Authority continues to be affected by the economy and is keeping a close watch on its budget.

Dennis added that we are having a public hearing the \$20 rate increase on Tuesday, June 25th at 5:00 p.m. The budget had the unexpected expense of \$434,850. We transmitted to the Mayor a voucher for the first \$100,000 payment, returned to us and we will be making that outlay fairly quickly. When we break the Bond to pay the \$434,850 we will have the loss of the interest income that helped our balance sheet. This is a step towards offsetting that balance, \$20 this year and \$20 next year. If we keep tapping reserves they will be empty and will not leave us in a good position.

Steve Testa stated that there is a note in the financial statements regarding the \$434,850 that we said that we had to amend our budget to put that \$434,850 for 2013 so it is a subsequent and we wanted to make sure it was in the Audit Report so the users would know that we are positioned to help the City of Vineland.

Dennis stated that the Commissioners are invited on Tuesday for the hearing, it is not necessary that they come. I will be here as well as Steve and Tom. We will have a court stenographer to present information on the record, open for questions and comments should some chose to do so verbally or written. It usually is sparsely attended. We have gotten some phone calls about the ad. It is \$20 a year, \$10 in the August bill, \$10 plus the differential in months in the December bill and as I said we have to raise the funds to pay for it and then look at the potential as funds are drawn down, the loss of the interest income.

Human Resources

We have a couple of interns for the summer. One young man reached out to us for accounting positions in February. We sent him to people in Chamber and Rotary. He did not get a response and the worst case, we can offer you a no pay, since we have no money in the budget for interns. He has been here for five weeks working with Tom, doing inventory and he did some journal entry. We have another person approach us from Stockton, a science major. It will be the same thing, a no pay situation and they will get exposure to the facility a couple of days a week.

Clark Shimp will be retiring at the end of August, effective September 1st. I spoke with the Chairman, there will be some re-alignment and personnel issues as well as trying to fill in house or going outside and advertise.

Public Relations

No Report

Insurance Committee

No Report

Allocations/Administration

No Report except that Taco Bell is locating next to the bank next to Shop Rite and there have been discussion with them about running a sewer line under Landis Avenue.

Old Business: None

New Business: None

Adjournment:

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

THE LANDIS SEWERAGE AUTHORITY

FRANCIS A. GANA, Secretary