

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
September 3, 2019

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/Chief Engineer
	Anthony Tobolski	Field Engineer
	A. Steven Fabietti	Solicitor
	Carol A. Ricci	Executive Assistant
	Thomas Post	Business Manager
	Stephen P. Testa, CPA	Romano, Hearing, Testa & Knorr

It was moved by Villar and seconded by Merighi that the reading of the minutes of the regular meeting held on August 19, 2019 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Merighi, Villar and Reuben voted "yes". Errickson abstained.

Stephen P. Testa, CPA presented the year 2018 Audit as follows:

The Audit report was reviewed 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 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 2018 financial statements. While the Authority was required to implement GASB-75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, there was no impact on the financial statements because the Authority does not offer postemployment health benefits to retirees.

The Authority received an “unmodified” or clean opinion on its financial statements for the years ended December 31, 2018 and 2017 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, 2018 and 2017 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.

In briefly reviewing some financial highlights, management prepared the Required Supplementary Information, namely 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 (pg. 14) (Used our Comparison Exhibit B with the Variances)

Operating Revenues increased from \$10.750 million in 2017 to \$10.879 million in 2018, an increase of approximately \$129,000 or approximately 1.20%. 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 \$10.889 million in 2017 to \$11.163 million in 2018 which is an increase of approximately \$273,000 or 2.51%

The Authority’s Costs of Providing Services increased by \$301,000, an approximate 4.61% increase on a GAAP basis. On a budgetary basis (Sch. 2) the Costs of Providing Services also increased by \$303,000 or 4.75%, so GAAP and Budgetary Basis were very close this year. The largest increases in the Cost of Providing Services are in the areas of Utilities, (\$162,000), Repairs and Maintenance, (\$80,000) and Mobile Equipment Expenses, (\$64,000).

The Admin and General Expenses decreased by \$109,000, (5.11%) on both a GAAP Basis and Budgetary Basis. The main reason for the decrease is, as you may recall, in 2017 the Authority recorded all of the previously disputed NJDEP Permit Fees, so 2018 Permit Fees were actually \$124,000 less than they were in 2017.

The Authority's non-operating revenue (expenses) netted to a revenue of \$99,000 compared to an expense of (\$55,000) in 2017 which is a positive swing of \$154,000. Primary reasons are Miscellaneous Income and Interest Income increased, Interest Expense decreased, but have to net those pluses with the appropriation to the City of Vineland which was \$50,000 in 2018 and zero in 2017.

The Authority also reported capital contributions of \$98,000 in 2018, with \$55,000 in 2017, so again a positive variance.

The net effect of all of this is for the year 2018, the Authority experienced a decrease in net position (equity) of (\$87,000) while in 2017 the decrease was approximately (\$141,000). Note that depreciation was \$2.25 million for the year which helps create the loss and is a "non-cash" expense.

Those results are on a Generally Accepted Accounting Principles basis as shown on Exhibit B on page 14. On a Budgetary Basis (Sch. 2 on pgs. 49 & 50), the Authority's revenues exceeded expenditures by approximately \$772,000. The Authority budgeted a break-even, so the results were \$772,000 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 (pg. 26). The required percentage of debt service coverage in the rate covenant is 110% and the Authority achieved 144%.

In Note 6 (pg. 45) we show the breakdown of the unrestricted net position (deficit), which is \$10.51 million deficit related to pensions, \$5.596 million positive net position before the pension impact. Those net to a \$4.914 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 2018 Audit Report.

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.

Filing Requirements are as follows:

You have before you this evening a resolution acknowledging that the audit report for the year 2018 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/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 with an electronic copy and once accepted by the Board; it should be posted to the website.

Tom Merighi asked if the Capital Bank debt service calculation that we were just talking about versus the bond debt service calculation, is the 110% their requirement or is there a standard requirement. Steve Testa stated that it's in the actual bond. Tom Merighi asked that even though Capital Bank had a different method of calculation, they happen to have the same requirement. Dennis stated that it's not uncommon. Steve stated that in the old bonds they put it in as high as they can. They want you to raise as much revenue for the protection of the bond holders. Lately, it's been coming down to 110% and I have one that is 100%. As long as you can meet your debt service and your operating expenses, they are fine with it. You see a lot of 110%'s.

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. 2019-81, "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...\$83,679.90", be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

It was moved by Errickson and seconded by Barse that Resolution No. 2019-82, "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.... \$234,538.11", be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

It was moved by Errickson and seconded by Barse that Resolution No. 2019 – 83, "A Resolution of the Landis Sewerage Authority to call upon the New Jersey Legislature to reject Senate Bill 3870 and Assembly Bill 5391..." be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

It was moved by Villar and seconded by Barse that Resolution No. 2019 – 84, "A Resolution of the Landis Sewerage Authority awarding a contract to Binkley and Hurst LP for supply and delivery of one (1) farm tractor, A Challenger MT645E unit or

equivalent...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2019 – 85, “A Resolution of the Landis Sewerage Authority authorizing the award of an alternate method contract with Horizon BCBS of New Jersey to provide a fully insured healthcare plan...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Barse that Resolution No. 2019 – 86, “A Resolution of the Landis Sewerage Authority authorizing the award of an alternate method contract with Health Insurance Solutions/Express Scripts and Wellness Plan of America to provide a self-insured prescription medication plan...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

It was moved by Errickson and seconded by Merighi that Resolution No. 2019 – 87, “A Resolution of the Landis Sewerage Authority authorizing payment from the Construction fund of certain costs of the system in the amount of \$20,655.37 to Garrison Enterprise, Inc. for labor, material and equipment to excavate and fix a leaking 8-inch force main on Oak Road and Northwest Boulevard in accordance with the provisions of the Authority’s General Bond Resolution...” be adopted. Roll call: Merighi, Villar, Errickson and Reuben voted “yes”. Barse abstained.

It was moved by Errickson and seconded by Barse that Resolution No. 2019 – 88, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2018 Audit Report...” be adopted. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted “yes”.

Reports:

Executive Director

Dennis Palmer stated that we took action on the award for the tractor. We had a progress meeting with the contractor since our last meeting and there’s a lot of good movement on some of the things that were critical are starting to show up such as pieces of equipment. The blowers still need some work such as a lot of wiring.

The finance committee met and the results of that is tonight’s Audit Report.

Field Engineer: No Report

Solicitor:

Steve Fabietti reported that that he received from Ted Baker, the solicitor for the county their resolution approving the Shared Services Agreement for the SPCA line. They have included two additional copies of the agreement that they would like us to sign and send back to them. Three have already been sent and I'll have these signed tonight so I will have them, although I don't think we need them.

Dennis stated that they have to go to CCIA and Steve said they are coordinating it and it has been approved as of August 27th.

Chairman:

Chairman Reuben thanked Steve Testa for doing a great job again with the Audit and also to Tom Post and your staff. Thank you very much.

Issues and Correspondence:

It was moved by Barse and seconded by Villar authorizing a compensation adjustment in accordance with the Executive Director's email dated August 26, 2019 and approved by the Personnel Committee. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

Committee Reports:

Engineering/Plant:

Dennis Palmer reported that we have a couple of in-house projects such as pumps and the permit has been sent to DEP for the SPCA. They had about 8 comments for which they wanted answers and clarifications. It's at DEP and we've been working on getting back to them with the answers. It will be out to them this week.

Budget/Finance:

Dennis stated that Tom, purchasing and the whole staff does a really great job following the rules for a clean report.

Human Resources

Dennis stated that we advertised for two positions and the hire letters are out for both which is part of the administration gap we're having towards retiring and Jennifer leaving. We did not use the newspaper. We put it on our Facebook page, Linkden, AEA's page, the Chamber's hire page and all of those got replies. We had 700 looks through Linkden. Newspaper ads are ridiculously priced. Carol Ricci stated it's almost \$800. People saw it on AEA and went to the Chamber page to confirm it. It was interesting feedback totally using social media. We had a nice group of applicants and two very nice people coming in for those jobs.

Public Relations:

Dennis stated we have a tour with Rowan University's environmental science class next month.

Insurance Committee:

Carol Ricci stated that she would like to add something to human resources. I'm really pleased with the two new hires coming in to work, they are 50% of my staff. They are very bright, motivated and they are very sharp individuals.

For insurance, my letter was very self-explanatory. It was a 5% increase across the board strictly based on claim service. For prescriptions, we had one unusual which can't be disclosed at an open meeting and that is finished and I'm assuming that we will not have that deficit this year to make up the 5%.

Allocations/Administration: None

Old Business: None

New Business: None

Adjournment:

At 6:25 p.m. there being no further business to come before the Board, it was moved by Errickson and seconded by Villar that the meeting be adjourned. Roll call: Barse, Merighi, Villar, Errickson and Reuben voted "yes".

THE LANDIS SEWERAGE AUTHORITY

CARLOS VILLAR, Secretary