

BUDGET MEETING, DECEMBER 10, 2013

The second Budget Meeting of the Gloucester Township Municipal Utilities Authority was held on Tuesday, December 10, 2013 at 5:00 P.M. at the Gloucester Township Municipal Utilities Authority Building, 401 W. Landing Road, Blackwood, New Jersey.

The following members were present: Mr. Calabrese, Mr. Simiriglia, Mrs. Tarves, Mr. Edgar, Ms. Guevara, Mr. Pillo and Mr. Garbowski.

Also present were: Mr. Long, Mr. Lisse, Mr. Applegate, Mr. Benson, Mr. Carr, Mr. Engelbert, Ms. Tarves and Mrs. Hrynio.

Mr. Bianchini was on his way. Mr. Cardis cannot make it this evening; however, Chairman Calabrese has a report from him.

The Chairman read the commencement statement noting that the meeting was advertised in the Courier Post, and The Central Record Newspaper, and notice was placed on the bulletin board of the Township of Gloucester, and the Gloucester Township Municipal Utilities Authority; the meeting was recorded.

Chairman Calabrese stated that no action would be taken at this meeting.

Chairman Calabrese stated that we would review the Revised 2014-2015 Sewer Budget and Supporting Revenue and turned the meeting over to Mr. Applegate.

Mr. Applegate stated that the Sewer budget changes requested last month were incorporated - \$12,000 – IT Specialist. Subsequent to that meeting, the insurance numbers have come in and have been added to both budgets – Sewer and Solid Waste. The total Sewer Budget is \$5,392,102 – which is a 2.99% increase from last year. Mr. Applegate stated that was all he had.

Chairman Calabrese thanked Mr. Applegate and asked Ms. Tarves, Mrs. Hrynio and Mr. Benson if they had anything to add. They did not. Chairman Calabrese asked if the Board had any questions. Ms. Guevara wanted to know if there were changes and where. Chairman Calabrese stated that we added a line item for IT Specialist. Mr. Applegate stated that there were decreases throughout the budget to accommodate that line item. The increase of \$11,000 was due to the general insurance.

Mr. Simiriglia stated that the expenditures are now dated through November 30, 2013 and then there are projected expenditures through February

28, 2014, which is very good because it makes it very easy to figure out the budget. Mr. Simiriglia went through the various departments within the Sewer budget:

Administration – Budgeting \$675,706 - Spent \$488,345 – Projected expenditure of \$601,077.

Purchasing & Accounts Payable – Budgeting \$176,758 - Spent \$85,854 - Projected expenditure of \$102,693.

Billing & Bookkeeping – Budgeting \$220,358 - Spent \$130,549 - Projected expenditure of \$158,639.

Buildings & Grounds – Budgeting \$100,109 – Spent \$44,309 – Projected expenditure of \$55,387.

Inspections – Budgeting \$821,235 – Spent \$510,996 – Projected expenditure of \$624,384.

Pump Stations – Budgeting \$1,883,187 – Spent \$1,238,552 – Projected expenditure of \$1,521,242.

Mr. Simiriglia stated the expenditures and the projected expenditures are nowhere near what we are budgeting. He cannot understand why we are over-budgeting close to \$1,000,000 on this budget. And the idea to extend the budget date to November 30, 2013 was to get a better handle on what our expenditures are and what we are budgeting. Mr. Simiriglia asked if anybody had an answer. Mr. Applegate stated that the only thing he can offer is a couple of insights that he had. Obviously, salary and wages is picking up a lot of the increase – 3.25%. Natural gas is another line item that he saw – the projection was done where they just took 25% of what was expended through November 25, 2013 to get the projected amount. Well, you cannot do that with that particular line item because the biggest expense for gas is December, January & February – so the projections were not done with any type of insight towards each individual account. That will not account for all of the differences but there are a few line accounts that are new, pollution insurance. We have some line accounts like that. He also noticed that the expenditures to date through November 30, 2013 are not necessarily accurate. Part of the problem is, if you look at the audit line, \$19,000 has been charged there – he hasn't billed anything that should have been charged there yet. He does not know what is going on with that particular account. Mrs. Tarves asked if his bill was an annual fee. Mr. Applegate replied, yes, but it would have been paid against last year's budget as an Accounts Payable. Mrs. Tarves stated that we should know what the auditing fees are. Mr. Applegate stated that is what is budgeted for but the expenditure should not have hit yet. Mrs. Tarves stated that is something we can plan on.

Mr. Simiriglia stated the other thing we need to note is the balances in the accounts. He does not know how you can possibly budget without knowing how much we are actually starting with in each account. He thinks that is something that should be provided to the Board so they can get a better idea of the balances in all the different accounts. Mr. Simiriglia is referring to the Bank

Accounts. Mr. Applegate stated for budget purposes, it is really just one (1) bank account – Operating Account. Mr. Applegate stated that the monies are drawn down from our Revenue Account on a monthly basis. So, if the estimated expenditures for the month of November are \$300,000, we move that amount into the account. The bank balance of the Operating Account really is not going to give you a lot of information because it is designed to really be close to \$0. Mrs. Tarves stated that she believes Mr. Simiriglia was referring to the account that we are drawing from. Mr. Applegate stated that even with that, you are going to have a mixed bag. For instance, you bill your rents in January for the entire year. You have a significant amount of cash and it is prepaid – so you are going to have cash sitting in the account that is not necessarily related to this particular budget period. Mrs. Tarves asked what happens to the leftovers. Mr. Applegate asked if she meant in all the funds. Mrs. Tarves stated, for instance, we are pulling down from the one account, as we need these monies to operate. What we don't use stays in that account. Mr. Applegate stated that it stays with the Trustee. Mr. Long has stated this before, there is a series of buckets and the Bond Resolution tells you how the funds have to flow. The Local Revenue goes up to the Trustee Revenue Account. Mrs. Tarves asked how full our bucket was. Mr. Applegate stated that our fund balance, now this is dated information as of February, 2013, was \$1,000,000 in the bottom bucket. Mrs. Tarves asked what was going to be in the bucket at the end of this budget. Mr. Applegate stated that he could not answer that. Mr. Applegate stated that you have to remember that your capital program is funded out of these funds. So if you buy a truck, you have \$1,000,000 and bought a truck for \$50,000 – that is an immediate hit, cash-wise, right out of that account. That is coming right out of your R&R Account. So, there are a lot of dynamics. All the money ends up in our R&R account. Mrs. Tarves asked if the account we were pulling from was the R&R Account to operate. Mr. Applegate stated, technically, yes, but it comes from the Revenue Fund. Mrs. Tarves stated, okay. Mr. Applegate also said that whatever is excess in the Revenue Fund dumps into the R&R Account. In a roundabout way, you are pulling everything from the R&R Account. Mrs. Tarves asked if Mr. Applegate could tell us how much was in there. Mr. Applegate stated that Staff should have it for October, 2013 or November, 2013. Mrs. Tarves stated that we should know how much is in the bucket then. Mr. Applegate stated that you have to remember also, you build a budget so that the rents support the budget basically. So you are going to generate cash throughout the year as you are spending cash throughout the year at the same time. Ideally, at the end of February, 2014, you really want to be back at the \$1,000,000. Mrs. Tarves stated, yes, that is why she was asking the question. Mr. Applegate stated that what changes that dynamic is major repairs, non-budgeted expenses that come before the Board every month. That will change that calculation at the end and you hope that your rents generate enough to even cover those expenditures. Contrary to that, if you have a good connection fee year – the Premium Outlets come in and you get “x” amount of dollars – that is going to bump up your cash at the end of the year – it won't bump up your revenue but it will bump up your cash because the cash comes in before it is actually realized. So, you have a lot of

things going on that is going to affect that bottom line. Mrs. Tarves stated that the Board needs to keep an eye on this. We want to see where we are, a year later, in that R&R Account. Let's see how we are doing because that gives us a lot of information just by those numbers. Mr. Applegate stated that when the general ledger is up and running and accurate, you can just look up that number anytime.

Mrs. Tarves asked if we had the 2014 healthcare premiums for the New Year. Ms. Tarves replied, yes. Mrs. Tarves asked if a representative from the State Health Benefits Program would be coming soon. Mrs. Hrynio stated that she is waiting to hear back.

Chairman Calabrese asked if there were any other questions. There were none.

Chairman Calabrese stated that we would move on to the Proposed 2014 – 2015 Sewer Capital Budget with Funding Sources first and turned the meeting over to Mr. Leisse.

Mr. Leisse stated that he handed out a Revised Sewer Capital Budget. The total at the bottom for Unreserved Retained Earnings should be \$793,500 which represents a decrease from the original one in the packet. He will go through the individual line items, the amounts and some of the reasoning behind the budgeted figures.

- Line Item A – Emergency Repairs – We have consistently put in \$50,000 and we have seen the amount of repairs over the year to be consistent. There are steady lateral breaks in Catalina Hills, Timberbirch, Cobblestone and Blackwood Estates and that was the amount requested last year and we feel we need to maintain it for this year.
- Line Item B – Equipment Replacement – We have increased this from \$50,000 last year to \$75,000 this year. The reason for that is because we are doing a current project now for Cherrywood Pump Station to replace the controls and drives, which are so out of date that we cannot obtain parts for them. Our plan would be to do another pump station – whether it is College or Girard next year to complete the upgrade for there. The following year, we plan to do another upgrade.
- Line Item C – Telemetry – We have placed \$25,000 in that line item to keep our system and radios up and running as well as some capital monies we would like to investigate some new technologies and possibly run a pilot program or two to test those new technologies so that possibly we can look at changing our monitoring system.

- Line Item D – Standby Generators – There is a moderate increase from last year. We need an emergency generator for the old administration building and a portable generator for this building.
- Line Item E – Sewer Rehabilitation Program – We have a total budget of \$575,000 and request \$75,000 from Unreserved Retained Earnings. The \$500,000 under Other Funding Sources is previously encumbered money from Trust IV, so that is money we already borrowed. The representative from the DEP is assuring Mr. Leisse that we will get authorization to use that remaining monies. But until we have documentation to do so, we will not do any work yet.
- Line Item F – Buildings and Grounds – We have requested an increase for this line item, as well. We have some issues with the Maintenance Building, the roof in particular. We are going to need to do some replacement and some upgrades of the key fobs and card readers at that builder.
- Line Item G – Computer Upgrade – We have \$3,000. Nominal costs for some equipment.
- Line Item H – Electrical Upgrades – We have \$3,000. Nominal costs for some equipment.
- Line Item I – Pump Station Upgrades – We consistently request \$250,000. We were looking at, possibly, doing a relocation of the Somerdale Road Pumping Station - to get it out of the flood plain. We have issues with the force main location at Prospect Avenue. We have to put a flow by-pass box in for the Pierce Battery Pumping Station. Right now, we have very limited ways of bypassing the flow around that station. We are also looking at a flow by-pass box for Erial Road Pumping Station. With the new interconnection of the CCMUA interceptor, we would like to move forward of putting a design together for a flow diversion chamber in there.
- Line Item J – Maintenance Equipment/Repairs – We have put in \$50,000. We are seeing some repairs to the larger pumps are quite costly so we felt the need to increase that number.
- Line Item K – Administration Building – We are requesting a decrease from last year – just regular maintenance items and nominal upgrades.
- Line Item L – Record Recording – We are requesting \$2,500. He believes we have removed our remote storage but we still have items that require microfilming.
- Line Item M – Health & Safety - \$5,000 has been requested and is consistent for the last several years.
- Line Item N – Vehicles – We are requesting money for a dump truck. Currently, the Authority does not have a dump truck to do

asphalt repairs. He believes we put money in there for last year but we were unable to procure a truck so we rolled it over to this year.

Chairman Calabrese asked if there were any questions. Mrs. Tarves asked how much a dump truck would cost. Mr. Leisse stated \$140,000. Mr. Simiriglia asked what size truck. Mr. Leisse replied, 7 yards. Mr. Simiriglia stated \$140,000 for a dump truck seems like a lot of money. Mr. Carr stated that one (1) was brought in a few years ago and that truck was \$145,000. Mr. Benson said that was correct. Mrs. Tarves stated that she purchases them for her business, but it was never \$140,000. She also stated that we would put it out for bid.

Mrs. Tarves asked if there was any sliplining included in the 2015 Budget. Mr. Leisse stated it is under Line Item E – Sewer Rehabilitation Program. It would be \$500,000 towards sliplining and the \$75,000 would be for manhole rehabilitation and additional sliplining. Mrs. Tarves thanked Mr. Leisse.

Chairman Calabrese instructed Mr. Leisse to continue with the Five-Year Capital Plan.

Mr. Leisse instructed the Board to turn to Page 2 – Five Year Capital Plan – Sewer Operations. We have gone through the line items for 2015. In 2016, we see some decreases in the line items.

- Line Item A – Emergency Repairs – We would like to keep that consistent because we see the quantity of repairs somewhat steady.
- Line Item B – Equipment Replacement – With those upgrades to the pumping stations for the controls & drives, we can see a decrease in that line item over the next several years.
- Line Item C – Telemetry – Once we go through and obtain some spare radios and start looking at some different technology, we can look at decreasing that line item.
- Line Item D – Standby Generators – If we are able to get a generator for the old administration building and make arrangements for spare power here, that line item would also come down.
- Line Item E – Sewer Rehabilitation Program – Once that Trust loan is realized, we will be very consistent with \$100,000 each year.
- Line Item F – Buildings and Grounds – Same thing - once we look at some of the replacements and repairs for the old administration building, that line item can be decreased.
- Line Item G – Computer Upgrade – Same thing – This is a nominal cost.
- Line Item H – Electrical Upgrade – Same thing – This is a nominal cost.
- Line Item I – Pump Station Upgrades – You will see a big bump in 2016. He purposely put a large number in there because he would like to start discussions with the Board in looking at a future Trust Loan. We have been discussing some different projects. We could do Somerdale Road,

some additional sliplining work, possibly we could do a truck under a Trust Loan if the Debt Service would allow. We could look at upgrading all the radios to new technology. He put that number in there as a discussion point.

- Line Item J – Maintenance Equipment/Repairs – We have done a pretty good job of identifying some of the older pump stations and pumps and trying to cycle older pumps out with newer pumps. Hopefully, we are getting to the end of where some of the pumps that are 10, 15 or 20 years old have been replaced with newer pumps. Hopefully, we can see a decrease in that line item.
- Line Item K – Administration Building – We see a drop-off.
- Line Item L – Record Recording – He has kept those funds consistent – just anticipating if we have older documents that need to be microfilmed.
- Line Item M – Health & Safety – It has also been a very consistent line item at \$5,000.
- Line Item N – Vehicles – We just discussed – the addition of a dump truck this year – we would look at updating the fleet in the following years.

Chairman Calabrese asked if there were any questions. He instructed Mr. Leisse to move on to the 5-Year Capital Plan Funding Sources – Sewer. Mr. Leisse stated that it is just a total of all the numbers we discussed.

Chairman Calabrese stated that we would move on to the Revised 2014 – 2015 Solid Waste Operating Budget. Mr. Applegate stated that the budget increased by \$8,800 due to the final insurance figures. The end result, ironically, is another 2.99% increase, almost identical to the Sewer Budget. Chairman Calabrese asked Mr. Engelbert if he had anything to add. He replied, no.

Chairman Calabrese asked if there were any questions. Ms. Guevara asked Mr. Applegate how many more years do we have on the 1993 Debt Service Loan. Mr. Applegate stated that he believes it is done in March, 2018. He thinks it is our fiscal year “19”.

Mrs. Tarves asked if we were subject to the 2% cap. Mr. Applegate replied, no.

Ms. Guevara asked why the Wastewater Trust Debt Loans are going down each year. Mr. Applegate stated that they were nominal decreases, primarily because the interest rate goes down slightly. What they try to do is create amortization schedules and keep it the same payment year after year. So if the principal is higher one year and it drops a little bit, interest will go the other way to keep the payment the same. They have pretty unique amortization schedules for the NJEIT Trust for some reason. The goal is to keep the payment the same every year. They have pretty much accomplished that.

Chairman Calabrese stated that we would move on to the Proposed 2014-2015 Solid Waste Capital Budget with Funding Sources. Mr. Leisse instructed the Board to turn to Page 1. You will see we have no costs in there for Line Items A or B – Recycle Truck and Recycle Totes.

- Line Item C – Grass Packer – \$320,000 - We have had some discussions with the Township and gotten some feedback.
- Line Item D – Truck Body – We will revise the sheet to indicate \$0. The Township will not be getting the Truck Body.
- Line Item E – Pick-Up F-150 – This will be reduced from \$50,000 to \$25,000. Township will be supplying one (1) new pick-up truck.
- Line Item Line Item F – Miscellaneous Capital/Site Maintenance – The Township will be providing us with the \$38,000 for the site maintenance. That is for compliance for our NJDEP Compost permit.

The Solid Waste Capital Budget will be reduced a little bit and Mr. Leisse will adjust it accordingly based on discussions with Mr. Cardis. Chairman Calabrese stated that he spoke with Mr. Cardis today and the sub-committee approved the packer, pick-up truck and site maintenance.

Chairman Calabrese instructed Mr. Leisse to review the 5-Year Capital Plan – Solid Waste Operations. We are looking at a new recycling truck in 2018. We do not see any need to purchase any recycle totes at this point – possibly in 2019. We put money in for a grass packer in 2018 to start turning the fleet over. We will put some projections in there for a dump truck for the composting facility in 2017. We will have to remove or shift the Truck Body based on this year's budget. We will also adjust accordingly with the Pick-Up F-150. And the Miscellaneous Capital/Site Maintenance is another consistent fund. We would like to keep the maintenance of the swale, as well as the pond, to keep up with our NJDEP Permit.

Chairman Calabrese asked Mr. Engelbert if he had anything to add. Mr. Engelbert stated that on Page 1 – Packer - \$320,000 – that is for two (2) packers. One is \$165,000 – so we will reduce that in half because Township is purchasing one (1). The other \$165,000 will go into the following year. The one in 2018 may be pushed back if we got something next year because we are two (2) down.

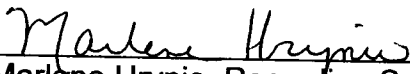
Chairman Calabrese asked if there were any questions.

Chairman Calabrese opened the meeting to the public. There was no one present.

Chairman asked for motion for adjournment.

On motion of Mr. Edgar, second by Ms. Guevara, the meeting adjourned.

All signified their approval by stating aye.



Marlene Hrynio, Recording Secretary

APPROVED DECEMBER 19, 2013 REGULAR MEETING