

REGULAR MEETING, JULY 21, 2016

The Regular Meeting of the Gloucester Township Municipal Utilities Authority was held on Thursday, July 21, 2016, at 7:00 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, Ms. Guevara, Mr. Pillo, Mr. Bianchini, Mrs. Bradley and Mr. Garbowski.

Also present were Mr. Long, Mr. Brickley, Mr. Leisse, Mr. Carr and Mrs. Hrynio.

Council Liaison Orlando Mercado was also present.

Mr. Kirk Applegate, CPA, RMA, Authority Auditor from Bowman & Company was present during the Workshop Portion of the meeting to go over the February 29, 2016 Audit/Exit Conference and to answer any questions the Commissioners may have.

Mr. Applegate stated that there are no findings in this year's Audit Report. Mrs. Hrynio, Mr. Carr & Staff have put a lot of hard work into this over the past few years to get to this point.

The big item in this year's audit report is called GASB 68. The very basic level of GASB 68 is the fact that the MUA's share of the pension liability at the State level has to be recorded as a liability on the MUA's balance sheet. The liability for the PERS Fund as of June 30, 2015 is \$47 billion. Of that amount, the State's portion is \$23 billion. It is the result of two things – loss on investments, the rate of return has decreased since the nineties and the Governors over that same period of time have refused to fund the pension.

They had to do an actuarial study and figure out what this liability is and then break it up among all the entities within New Jersey. The MUA's share of this \$23,722,000,000 is \$5,259,000. It is a big number. It is a big number for everybody. He asked that the Board look at their Exit Conference Report, Page 5. The impact of recording this is that now the surplus is in a deficit – a big deficit. We had to re-state 2014 to \$4.453 million deficit, 2015 to \$3.961 million deficit and this year, 2016, is \$3.481 million deficit. The impact is significant on the financial statements. It is just a paper entry. We are never going to have to pay this liability. The next page reflects the surplus without GASB 68. We are in

good shape – 2016 - surplus \$1.78 million, 2015 – \$1.48 million. Financially, we are doing very well. On paper – it looks bad.

He does not know what would happen if the MUA had to go out for bonds – he does not know what the rating agencies would do with that number. Would they add it back, realizing that it is not a true liability and give us the same rating prior to GASB 68. That is the most significant change to this year's audit report.

On the next page – Page 7 – shows the Service Rents. Service Fees are pretty much stagnant. \$5.325 million last year and \$5.356 million this year. The rate of collection is down a little bit from 2015 – 92.80% last year and 91.78% this year. It is not a reflection on the Authority. It is the economy – a lot more people are abandoning their homes, filing for bankruptcy and things like that. Eventually we probably will collect the remaining balances out there through the Tax Sale. Bankruptcies are protected, of course, and we do our best to try to get the bankruptcy court to honor our receivable.

The next page, Page 8, shows our connection fee revenue. You can see how volatile it is. In 2012 – \$113,000, jumped up to \$281,000 in 2013, down to \$112,000 in 2015 and we spiked up to \$497,000 in 2016. That is a direct result of the Premium Outlets and a couple of other big connections we were able to realize this year. It is probably the main contributor as to why our surplus is higher. We do not rely on these funds to support our budget – it is extra funds to generate surplus for us.

The next chart shows Interest on Investments, which is minimal. We went from \$638 last year to \$3,454 – it is not a change in the rates – just more money in the bank account.

Page 9 - Unspent Operating Budget is pretty consistent. \$663,00 unspent last year and \$642,000 unspent this year. 2016 is a little bit better because the increase in the budget wasn't as dramatic from 2015.

The other piece of this document is called "Items for Discussion". Mr. Applegate, Mr. Calabrese, Mr. Simiriglia, Mr. Carr and Mrs. Hrynio met on June 27, 2016 and went over this in great detail.

Mr. Applegate stated that he would be happy to answer any questions that the Board may have. It was a good audit and good results for sure. He believes we are moving in the right direction.

Chairman Calabrese asked if there were any questions. Ms. Guevara asked if Mr. Applegate contributes the decrease in the percentage of collection to the economy or could it be another reason? Mr. Applegate stated that we see an increase in abandoned homes and an increase in bankruptcies in the Authority's

records. The people who normally pay – pay. Since we implemented the annual billing, we have prepaid money and it is significant. A lot of people pay ahead of time, and at the same time, a lot of people forget. We collected \$883,000 in advance. The bills go out in December and people are paying for the year, however, only the 1st quarter is included in the audit. Ms. Guevara just wants to make sure the collection percentage is not down because of the annual billing.

We did have issues with how Edmunds was handling payments. Mrs. Hrynio and Mr. Applegate spent a lot of time working through it. We came up with our own solution and how we run reports using different parameters. We are happy with the result this year. Last year was a little more difficult. Ms. Guevara stated that things are getting better here. Mr. Applegate stated the more experience you have working with the software – the easier it becomes.

Mr. Carr added that we do offer e-mail reminders for our residents. Ms. Guevara stated that every little bit helps.

Ms. Guevara stated she has a question regarding Solid Waste. There is a statement - "Because the amount is almost two and a half times the annual Township share of Debt Service, the Township should be contacted and offered some of the excess funds back". Mr. Applegate stated that in the past, we never had the issue of excess funds because the Township continued to pay based on the 2007 Global Agreement rates. They are current, as of March, 2016, the Township has paid every penny of that current year's agreement. And Mr. Engelbert did not spend all of his budget, which is considered unspent funds. And since we got all the money from the Township – that money is due back to the Township. The way the agreement is written - we should keep that money and apply it to the debt service. But because it is 2 ½ times the debt service amount, he went to the Chairman and asked how he wanted to handle this. Last year, we returned the money to the Township. Mr. Calabrese and Ms. Guevara stated that it is Township's money – it is their budget.

Mr. Applegate stated that ultimately, the Township will get their money back. They can also have the excess monies applied to the next global agreement – reducing their payments for next year.

Ms. Guevara asked if we make any interest on the prepaid rents. Mr. Applegate stated yes, but not much. The rates are so low - \$3,500 is all we made last year.

Mr. Long asked about GASB 68. Our actual surplus is \$1.78 million but with the GASB 68 applied, we are in a deficit of \$3.4 million. The MUA is required to make pension contributions and send pension payments to the State every year by April 1st. We do that every year. There is another percentage that is supposed to be put in by the State. This money has been divided up and all

the local entities, 1,000 plus, is the State's portion of what hasn't been paid – is that correct?

Mr. Applegate replied, no. The \$46 billion number – they allocated the State's portion. The state's portion includes the colleges, etc. – everything in their element. The \$46 billion is the umbrella liability for it all. They backed out the \$23 billion that the State owes, leaving \$23 billion more – that number got allocated to all the local entities. Mr. Pillo stated that it is an unfunded liability.

There is money in the pension fund but the actuarial study looked at the current retirees, potential retirees and when they will retire – potential life expectancy – this is a full blown significant study that they do – and they come up with this number – the State has to fund \$46 billion to meet this obligation.

Fees on investments went through the roof in the nineties. The State was making money they didn't realize they could make – investing the pension funds. Back then – it was probably 20% - 22% on their money. Governor Whitman did not make pension payments because of the amount made on investments. She pulled it out of the State's budget. And for years, they did not fund it because the investments were carrying the plan. And then the rates tanked to 7% or 8% – the Governors said that they cannot put this in their Budget because they would have to raise taxes.

Mr. Long asked if we had to budget for this GASB 68. Mr. Applegate replied, no.

Mr. Long asked if this would affect any future NJEIT Trust Loans. Mr. Applegate stated that any rating agency should be familiar with GASB 68 – so we hope it would not. The NJEIT Loans do not go through the rating agency.

Mr. Bianchini stated that the Township has the same situation – but with a bigger number. Mr. Applegate stated that because the Township is not on the GAP basis of accounting reporting – they are on Regulatory NJ Basis – all they have are footnote disclosures. The Township does not have to record it as a liability.

This number is going to change again –this number is based on a study performed on June 30, 2014 - it is a big estimate. There was a new study performed on June 30, 2015, so the numbers will change again.

There were no other questions.

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.

On motion of Mr. Pillo, second by Mr. Simiriglia, the Minutes of the Regular Meeting of June 16, 2016 were approved.

AYE: Mr. Pillo, Mr. Simiriglia and Mr. Calabrese.

ABSTAIN: Ms. Guevara and Mr. Bianchini.

R-07-16-73 - Resolution to pay bills out of the Operating Fund.

On motion of Mr. Pillo, second by Mr. Simiriglia, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-74 - Resolution to pay bills out of the Renewal and Replacement Account.

On motion of Mr. Bianchini, second by Mr. Pillo, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-75 - Resolution to pay bills out of the Plans & Specifications Account.

On motion of Mr. Simiriglia, second by Mr. Pillo, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

PUBLIC PORTION

There was no one present.

ENGINEER'S REPORT

Mr. Leisse presented his report during the Work Shop portion of the meeting, a copy of which is attached and made part of these minutes.

R-07-16-76 - Resolution Authorizing Completion of Emergency Repair Work for a Lateral Repair at 511 Fresno Drive, By R.D. Zeuli, Inc., in Accordance with the Emergency Services Contract Authorized by Resolutions R-07-14-76, R-05-15-44 (Extension) & R-05-16-57 (2nd Extension).

On motion of Mr. Simiriglia, second by Mr. Pillo, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-77 - Resolution Authorizing the Award of a Contract to Xylem Water Solutions USA, Inc., for Pump Station Monitoring and Control Hardware & Software Upgrade, NJEIT Project No. 340364-13.

On motion of Mr. Simiriglia, second by Mr. Pillo, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

CONFLICT ENGINEER

Nothing to Report.

SOLICITOR

Mr. Long stated that his report stands as presented during the Work Shop portion of the meeting.

R-07-16-78 - Resolution Granting Authorization to Discharge Amounts Due and Owed Upon Receipt of Bankruptcy Filing.

On motion of Mr. Pillo, second by Mr. Simiriglia, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-79 - Resolution Declaring Surplus Equipment as Scrap/Salvage.

On motion of Mr. Simiriglia, second by Mr. Pillo, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-80 - Resolution Forfeiting Payment by Certain Bidders of Surplus Equipment for Failure to Claim Property in a Timely Manner.

On motion of Ms. Guevara, second by Mr. Bianchini, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-81 - Resolution Authorizing the Execution of a Hold Harmless Agreement with RRA-Colony, LLC, for Block 8401, Lots 10 & 11 (Colony @ Chews Landing).

On motion of Ms. Guevara, second by Mr. Simiriglia, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-82 - Resolution Authorizing the Acceptance of Cash in the Amount of \$3,400.00, In Lieu of a Maintenance Surety, for a Period of Two-Years for Maintenance of Sewer Facility by the Colony @ Chews Landing.

On motion of Ms. Guevara, second by Mr. Bianchini, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

There was no need for an Executive Session; therefore **R-07-16-83** was not adopted.

EXECUTIVE DIRECTOR'S REPORT

Nothing Additional to Report.

SECRETARY'S REPORT

R-07-16-84 - Resolution Authorizing the Removal of \$4,158.55 for the Month of July, 2015 for the Property Designated as GEMS Landfill, 900 Hickstown Road, Block 14003, Lot 26, Account Number 50696-0, Gloucester Township, As the Project Manager (DeMaximis) no Longer Works for the GEMS Phase Trust and Do Not Possess the Ability to Process Any Outstanding Invoices.

On motion of Mr. Pillo, second by Mr. Bianchini, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

R-07-16-85 - Resolution Certifying that Each Member of the Governing Body has Received the Annual Audit and Personally Reviewed the Annual Audit, and Have Specifically Reviewed the Sections of the Annual Audit Report Entitled "General Comments" and "Recommendations", in Accordance with N.J.S.A. 40A:5A-17.

On motion of Mr. Pillo, second by Ms. Guevara, the above resolution was adopted on a roll call vote.

AYE: Mr. Bianchini, Mr. Pillo, Ms. Guevara, Mr. Simiriglia and Mr. Calabrese.

PUBLIC PORTION

There was no one present.

COMMENTS COUNCIL LIAISON

Mr. Mercado congratulated the Authority on a clean audit. Bowman & Company had invited all seven (7) Council members to a training session to get a better understanding of the Township's audit and budget preparation process and it was very beneficial. Secondly, Township recently passed a resolution for a Shared Services Agreement with the Authority for Emergency Repairs.

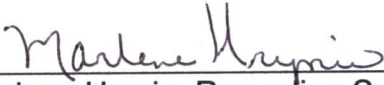
COMMENTS AND RECOMMENDATIONS FROM THE BOARD

The Board thanked the Administrative Staff for a job well done with the Audit.

Chairman Calabrese stated that July 1, 2016 marks his 30th anniversary with the Authority. He has seen a lot of things change since he first came on. Through the years, we used to treat sludge here then we got high tech and got an incinerator. We did not have to lay off any employees when the incineration program started because we made a contract with the Township to start the Recycling Program, which has worked out very well. We have made changes with our computer system and personnel changes – we have a terrific leadership team with Mr. Carr & Mrs. Hrynio. They do a fabulous job. Chairman is here at the Authority almost on a daily basis and he observes what is happening and Mr. Carr & Mrs. Hrynio keep the Chairman advised of everything. He also wants to thank our Council for all these years for putting up with him – but they will not let him quit. He also wants to thank all the Board Members who have served with him through the years. They all have been supportive and helpful and he appreciates it.

On motion of Mr. Bianchini, second by Mr. Simiriglia, the meeting adjourned.

All signified their approval by stating aye.



Marlene Hrynio, Recording Secretary

APPROVED AUGUST 18, 2016 REGULAR MEETING

ENGINEER'S REPORT
GLOUCESTER TOWNSHIP M.U.A.

July 14, 2016

1. The slip lining for the NJEIT Pipeline Rehabilitation project was completed on July 6th. Allstate is submitting the post lining videos for final review. The Authority's NJDEP inspector has scheduled a progress inspection for July 20th.
2. GranTurk Equipment Co. delivered the new sewer vacuum truck on July 12th. Training and commissioning are scheduled for July 20th. I have recommended partial payment in the amount of \$354,809.70 to GranTurk for the supply of the truck.
3. On June 24th, the Authority conducted contract negotiations with Xylem for the Pump Station Monitoring and Controls NJEIT project. On June 29th, Xylem submitted a contract offer for the project without changes to the original scope or terms and conditions. The offer has been forwarded to the Authority Solicitor for review.
4. On June 8th, a lateral issue was reported at 511 Fresno Drive in Catalina Hills. A section of the 4" orangeburg lateral at approximately 9 feet deep had deteriorated between the main and the curb. R.D. Zeuli, Inc. completed the emergency repairs and reconnected the lateral. I have recommended payment in the amount of \$8,580.90 to R.D. Zeuli, Inc. for the services provided.
5. On July 11th, startup and commissioning was completed for the Maintenance Building generator. The Orr Road generator installation has been scheduled for the week of July 25th.

End of Report