

APPROVED

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RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
REGULAR MEETING MINUTES

MAY 18, 2017

365 Old York Road, Flemington, New Jersey  
(908) 782-7453 Office (908) 782-7466 Fax

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1. **MEETING CALLED TO ORDER AT 5:00 PM**

The meeting of the Raritan Township Municipal Utilities Authority (RTMUA) was called to order stating that the meeting had been advertised in accordance with the Open Public Meetings Act setting forth the time with the RTMUA office as the place of said meeting. It was further stated that a copy of the Agenda was posted on the RTMUA office bulletin board.

2. **ATTENDANCE ROLL CALL:**

Dr. Buza	Absent
Mr. Grand	Here
Mr. Kendzulak, Jr.	Here
Chair Kinsella	Here
Mrs. Robitzski	Here

Also present were Greg LaFerla, RTMUA Chief Operator / Director; Regina Nicaretta, RTMUA Executive Secretary; Dan Madden, PE, Johnson, Mirmiran & Thompson; C. Gregory Watts, Esquire, Watts, Tice & Skowronek.

3. **PLEDGE OF ALLEGIANCE**

4. **APPLICATIONS:**

None

5. **RESOLUTIONS:**

Resolution #2017 - 10 Appointment of Assistant Secretary / Assistant Treasurer

Mr. Kendzulak, Jr. made a motion to approve Resolution #2017 – 10, Mrs. Robitzski seconded the motion.

Roll call vote:	Dr. Buza	-	Absent
	Mr. Grand	-	Abstain
	Mr. Kendzulak, Jr.	-	Yes
	Chair Kinsella	-	Yes
	Mrs. Robitzski	-	Yes

Resolution #2017 - 38 Audit Report Review for Fiscal Year Ending November 30, 2016

Mr. Kendzulak, Jr. – Mrs. Robitzski, I know you sat in on it so I don't know if you want to take the lead on it, I went through it.

Mrs. Robitzski – If you want to; I had a couple of thoughts.

Mr. Kendzulak, Jr. – I went through this; the Schedule of Findings and Questionable Costs are around the last five pages in the back. Essentially there's nothing, everything is fine, it's either not applicable or there are no deficiencies in regard to the Audit so that is good. I did have some questions for our auditor, I spoke to Mr. Cragin today with regards to concerns about our net position going down and what happened with that and one of the big things that he told me that the State now, with the GASB 68 criteria, Governmental Accounting Standards Board, what they're doing is as far as holding us accountable for future pension costs and that amount went up significantly from the prior year and that's one of the big reasons on why we've seen our numbers not look to favorable here. He's saying that we're no different than any of the other Authorities in this position that we are in. He indicated that right now we're okay with where we are but we need to start thinking in the future of where is this money going to come from because it's a new standard that's being applied and ultimately, we're going to have to look to fund this thing. He said these numbers don't come out until about five months after the Audit is complete to where they can actually put them in here. He recommends for the time being, keep putting away what we know we have to put away for the pension but I think this is something, looking down ways, that we're going to have to look to address. Again, he said we're no different than any of the other authorities he represents. That was the biggest issue I had with it.



Mrs. Robitzski – I wasn't sure if that was the States way of offsetting their pension woes and if those numbers will stay the same or if they can change them at will.

Mr. Kendzulak, Jr. – He gave this to me, if you don't mind, I'd like to read some of the notes he has on it related to this issue on why the pension costs going up and as far as the concern with our net position going down. He says, "Service charges were less than anticipated as a result of decreased industrial usage; Connection Fees were better than anticipated, which helped to offset the unfavorable balance from above; Other operating revenues were down as a result of septage being received in Phillipsburg at reduced rates." We knew that Phillipsburg opened a septage receiving station and are charging less so the haulers were going there instead of bringing it here. So that was a hit in revenues that we took. He goes on to say "The unfavorable balance for fringe benefits are a direct result of net position expenses realized as a result of GASB 68. This accounts for almost \$600,000.00 of the loss." On the next page, he says "I have highlighted four sections above to help explain the loss. The MUA's revenues essentially stayed flat from 2016 over 2015. As previously discussed, even though there was a rate increase in 2016, decreased industrial usage and septage revenue factored in heavily. The MUA's expenses increased by almost \$300,000.00. Although spending was down, increased GASB 68 expenses (\$827,000.00 for 2016 vs. \$420,000.00 for 2015) resulted in higher expenses for the year. As a result of these items you can see that the change in net position before capital contributions resulted in an additional \$200,000.00 loss from 2015. The capital contributions in 2015 was the result of loan forgiveness from the issuance of NJEIT's which helped to mitigate the loss in 2015. Going forward, expenses related to GASB 68 will continue to be an issue for not only Raritan Township MUA, but for authorities across the state. Since inception, expenses related to GASB 68 continue to escalate rapidly. 2014 MUA Pension Expense - \$260,527.00; 2015 MUA Pension Expense - \$420,301.00 (61% increase over previous year); 2016 MUA Pension Expense - \$827,299.00 (97% increase over previous year, 135% increase over 2014). There is no consensus on what the answer should be to this rapidly growing issue, but the Authority should be aware of the issue and consider it when contemplating rate increases in the future." So, this is something that was dumped on us by the State that we've got to account for. There were a couple of other minor issues.

Mrs. Robitzski – There were no Findings, so that means a super clean Audit; the small things that they mentioned under Items for Discussion, they have to, like the bank deposit being a day late because of a holiday or a weekend which was so rare and insignificant it was nothing. The payroll item that was mentioned; that can change each time, so that was nothing. The things that I noticed were this

State issue; I don't understand it. The reserve replacement requirements are a big financial issue that we have to address and the issue with Flemington Borough is still not resolved. It doesn't mean that the Audit isn't clean, it just means they are financial obligations we have that we haven't resolved. I think it's great; commend your department, the people who do the work.

Mr. Kendzulak, Jr. – I spoke to Mrs. Struening about the minor issues, she said the measures have been taken, we're all human, from time to time there are going to be things that slip.

Mrs. Robitzski made a motion to approve Resolution #2017 - 38, Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:	Dr. Buza	-	Absent
	Mr. Grand	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Chair Kinsella	-	Yes
	Mrs. Robitzski	-	Yes

Resolution #2017 - 39      Authorization to Sign Reservation of Wastewater Treatment Capacity Agreement, National Mosaic Company, LLC (Block 63.01 Lot 5.01)

Mr. Kendzulak, Jr. made a motion to approve Resolution #2017 - 39, Mrs. Robitzski seconded the motion.

Roll call vote:	Dr. Buza	-	Absent
	Mr. Grand	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Chair Kinsella	-	Yes
	Mrs. Robitzski	-	Yes

Mr. Watts – Something cropped up that's unusual but this particular block and lot is not entirely within the sewer service area so we had to be certain that the improvements to be served are within the sewer service area and they are. We came up with some additional language in the Resolution and Agreement that the Reservation "shall be contingent upon a determination by the Authority that the improvements to be served by the reserved wastewater treatment capacity are located within the Authority's sanitary sewer service area".



Resolution #2016 - 40      Amendment to Agreement for Reservation of  
Wastewater Treatment Capacity, Linque Flemington II  
& III, LLC

Mr. Kendzulak, Jr. made a motion to approve Resolution #2016 - 40,  
Mrs. Robitzski seconded the motion.

Roll call vote:	Dr. Buza	-	Absent
	Mr. Grand	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Chair Kinsella	-	Yes
	Mrs. Robitzski	-	Yes

6.      **Approval of Minutes:**      Minutes of April 20, 2017

Mrs. Robitzski made a motion to approve the minutes from the April 20,  
2017 meeting. Mr. Kendzulak, Jr. seconded the motion. All were in favor. Mr.  
Grand abstained.

7.      **Treasurer's Report / Payment of Bills:**

Mr. Kendzulak, Jr. - The bills totaled \$410,088.44; everything appears to be  
in order. If you go to the last bright yellow page, you'll see that we expended  
46.58% of the current budget as compared to last year at this time we spent 49.1%  
of the budget so we're kind of on par of where we were last year. This number  
now reflects the Audit, so everything that we were carrying in prior months, any  
expenses from last year have now been moved to last year's budget. Generally  
speaking, if you want to take a conservative approach, through the end of April,  
we should be about 42% so we're a little bit above that but we've already paid  
some bills in May so I feel pretty comfortable about where we are with that. Now,  
if you go to the next part, the white sheets, this is for the period ending November  
30, 2016, if you go back to the next to the last white page, you'll see that we're  
over budget. We went through and it was 103.95% or \$214,000.00 over budget.  
There was an explanation that was attached, and it has to do with that GASB 68,  
"The number is inflated as a result of the recording of expenses in accordance with  
GASB 68. The Authority recorded additional expenses of \$600,447.00 as a result  
of GASB 68. Had these expenses not been booked, the percentage of the budget  
used would have been 92.87%. The Authority budgets for the required contribution  
and the amount that needs to be expensed is not known until five months after  
year end. This will continue to be an issue for the Authority going forward as the

expense number continues to increase.” My concern was, do we have to come up with the \$214,000.00? What Mr. Cragin, the auditor told me was no, that’s more or less a paper expense. So really, the budget was 92.87% of where we were but it has to reflect with this new requirement that were subject to.

Mr. Kinsella – So we’ve been under funding the pension?

Mr. Kendzulak, Jr. – I think that’s what we’re finding out here, this is all new to everyone. It’s something to consider as we go into the budgeting process because what we don’t want to do is take a big hit at the end of the day, if this money has to be socked away, how do we do it? It’s probably appropriate to have Mr. Cragin come in here to talk about this a little bit more to find out how other entities are handling it and if they are handling it the same way we are. I think it would be prudent to come in here earlier on in our budget process and what we need to be looking at.

Mrs. Robitzski made a motion to approve the payment of bills. Mr. Kendzulak, Jr. seconded the motion.

Roll call vote:	Dr. Buza	-	Absent
	Mr. Grand	-	Yes
	Mr. Kendzulak, Jr.	-	Yes
	Chair Kinsella	-	Yes
	Mrs. Robitzski	-	Yes

8. **Citizens’ Privilege:**

9. **Adjourn into Closed Session by Motion, if Needed**

10. **Adjournment of Regular Meeting:**

Mrs. Robitzski made a motion to adjourn the Regular Meeting. Mr. Kendzulak, Jr. seconded the motion. All were in favor.



APPROVED

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
WORK SESSION MINUTES

MAY 18, 2017

365 Old York Road, Flemington, New Jersey  
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1. **The Work Session** of the Raritan Township Municipal Utilities Authority will be called to order upon the adjournment of the Regular Meeting.

2. **Correspondence:**

a) Kenneth Diehl of Flemington Borough to Gregory LaFerla of RTMUA regarding Main Plant Capacity

Mr. LaFerla – This is the letter I talked to you and Mr. Kendzulak, Jr. about before the Township meeting. They want a letter assuring them we have the capacity and conveyance for them.

Mr. Kinsella – Is there any reason we wouldn't be able to certify that?

Mr. LaFerla – Not that I know of.

Mr. Watts – He put in the last sentence "to address the potential shortfall." Why would he say that?

Mr. Kendzulak, Jr. – This is my take on it, basically the last quarterly report, the 4<sup>th</sup> quarter report, we had some rain there, and if you looked, we didn't have capacity, but it varies from quarter to quarter depending on how wet it is and you have to use a good dose of judgement and I think Mr. Madden went through that and explained that when we were at the Township Committee meeting. Just looking at the 4<sup>th</sup> quarter report, it doesn't look like we have capacity but you just can't look at it all in one quarter and I think that's the explanation of what would probably concern them. In regard to capacity, I don't believe Flemington Borough has an issue with the conveyance system in getting it down here.

Mr. Kinsella – Mr. LaFerla, you should write a letter to him and tell him everything is fine and their fears are unfounded.

**3. Old Business:**

Mr. Kinsella – The high school; is there anything you can tell us about this?

Mr. Watts – I conveyed the feelings of the Board from the last meeting; the Board can expect to be contacted by the Board of Education. They weren't very happy. I think they were concerned about the 50 / 50 split about some of the items and that we may have an issue funding the project. Their attorney asked if we didn't believe they'd pay us back and I said that we did believe they would pay us back but we may have a financial issue by putting out the initial funds before we get paid back. I said it had to be worked out between the principals so that's how it will go.

Mr. Kendzulak, Jr. – With Mott MacDonald, the plans are 100% done? It can be put out to bid?

Mr. LaFerla – Yes, we have TWA, we have the soil thing, and she provided us with Bid / Award Schedule, the dates will change now that the Agreement isn't signed.

Mr. Kendzulak, Jr. – Our budget is coming up, we would want to do it over the winter.

Mr. Watts – If we had signed the Shared Services Agreement, the project would have been put out to bid by now. We have everything we need for after the Shared Services Agreement; so we have to get that Shared Services Agreement hammered out.

Mr. Kendzulak, Jr. – The one other thing under Old Business is the Renewal and Replacement Account. We had talked about increasing it to either \$494,000.00 or \$749,000.00 and if you look all we have in it now is about \$95,000.00. This is all predicated on the Capital Plan and we asked Mr. Madden to take a look at the Five - Year Capital Plan and to figure out what really needs to get done with that; certainly to come up with this additional money. I don't know if you've had time to go through the Five – Year Capital Plan.

Mr. Madden – I did look at it, nothing specifically; I think some of this has to do with how you appropriate the money. Some of the things that come out of the operations budget might be actual renewal and replacement. So, if you're replacing equipment that's not normally being replaced, in other words, which pool it's coming out of, so whatever the percentage is, I've heard anywhere from zero to five percent, usually any bonded money, they want to see that you are protecting your assets.

Mr. Kendzulak, Jr. – We need to look into that closer. My understanding is what you have in your five – year plan is a certain percentage is what you should typically have for that. I think realistically we need to look at not pie in the sky but what do we really need to do here. I think it would be prudent for Bowman and



Company to come in here next month when we're getting ready to look at the budget and talk about that GASB 68 and to talk about the Renewal and Replacement Account and what we should be doing and how we should be dealing with that.

4. **New Business:**

None

5. **Professional Reports:**

- a) Attorney - none
- b) Engineer - ok

Mr. Madden – A quick summary; in the back of the packet is our review of the Commerce Street sewer. Some minor things, there was one property that was reviewed, it was an individual connection, it was part of the Flemington Junction Apartments line, that goes down by the Costco. There's been some correspondence with the DOT on some of their projects on Route 31. Mr. LaFerla and I attended two pre-construction meetings this week; one was for the Islamic Center of Hunterdon County and the second one was for the Creekside Development. The one thing that came up with Creekside, they were talking about the roads being private, so I don't know what that means in terms of us having access in the future if we need to access a line.

Mr. Watts – If they're going to remain private we'll need easements for all of the lines.

Mr. Madden – That's what I wanted to confirm. We've been tracking the SCADA data on a weekly basis, just to see what happens with some of the storms. Nothing like last summer's storms so far but these one or two inch rainfalls are pretty major events and you can see the system reacting.

Mr. Kendzulak, Jr. – As far as the SCADA stuff, Pump Station 1, what kind of reaction did you find at Pump Station 1?

Mr. Madden – Similar to what we're seeing, an immediate response.

Mr. Kendzulak, Jr. – So, you're still finding something that is reacting very quickly after we get a rainfall?

Mr. Madden – Yes; there are some issues out there and we saw it in the video of the lines on Commerce Street that could be contributing to that but there's probably more on the other side of the road.

Mr. Kendzulak, Jr. – So as far as the next step with smoke testing and all that what are we thinking about? I guess we have a pretty decent level of confidence that within regards to the what we've already looked at, we know where the problem areas are. As far as the next step in moving forward to further smoke test?

Mr. Madden – Before we do more smoke testing we go to metering first at this point, metering would probably make more sense. One thing I did find out about metering is we can get the metering done under State Contract I think, I'm not exactly sure, I heard for somewhere around \$1,400.00 to 1,500.00 per month. So, they would put the meters in, do all that work and send you the raw data and we would just have to interpret the data at that point. That's another fee and cost but we could do that part.

Mr. Kinsella – That seems to be a significant less cost than we were paying before as far as metering goes.

Mr. Madden – Again, if the State Contract doesn't include interpreting the data and all that.

## 6. RTMUA REPORTS:

### a) ADMINISTRATIVE / OPERATIONS REPORT

1. Chief Operator / Director's Report
  - a) Overtime Recap
  - b) Septage / Greywater Recap
2. Laboratory Summary
3. Maintenance Summary
4. Readington Flows

### b) COMMISSIONERS' COMMENTS

Mr. Kinsella – I just want to say one thing and Mr. Mangin is here, he called up after we had the meeting at the Township and said we did a good job that night. I think we did okay that night and Mr. Madden did a good job with the presentation and everyone seemed to learn something and answers a lot of questions people have in the community. You'll see something, we're going to be distributing something that is going to go to all of the ratepayers.



7. **Discussion:**

a) Commerce Street Sewer Repair Design Proposal from JMT

Mr. Madden – We looked at the condition of the Commerce Street line starting from the Route 202 section of Commerce Street through to where it ties into the first Neshanic Interceptor near the Starbucks. There is a hole in the line behind the 7 – 11, so we know we have a problem there that needs to be addressed. There are some other minor things in that line. It's very dirty right now, it needs to be cleaned, before we can put a final blessing on it. In the winter time when they were TVing, they couldn't run the jet truck out there. Mr. LaFerla and I discussed this, he's going to get back out there to clean it out, just to confirm that we can do the line. We looked at the others, the line isn't in great shape but there's nothing there that's causing me concern at this point. We're ninety – nine percent sure we can line both of these sections without an issue. Where there's specific holes in the one area, we have to look at a little closer but there's so much grease and debris built up we have to make sure that there's not a big void there we have to address first. Generally speaking, I'm saying those two sections, those two runs and that first run I'm recommending that you line.

Mr. Kendzulak, Jr. – Should we be moving forward as far as getting the bid documents prepped to get this thing out.

Mr. Madden – I gave you this proposal; it's not a real detailed spec.

Mr. Kendzulak, Jr. – You just want to confirm that we don't have to do any digging here.

Mr. LaFerla – I told Mr. Madden we're going to go out at the beginning of next week, depending on weather.

Mr. Kendzulak, Jr. – I would say this is something that, when you go through and you add up, and again these are estimates until the bids come in here, but we're at \$70,000.00 and that includes engineering with that and we've got \$90,000.00 budgeted for this particular project. What I would recommend is that we move forward to get this thing taken care of.

Mr. Kinsella – I have a concern about this grease; do you know where this grease is coming from? What's going on with the grease trap inspections?

Mr. LaFerla – We do the grease trap inspections once a year, they know when we're coming, they get them cleaned and then the rest of the year they know nobody's coming and we can only inspect them once a year.

Mr. Kinsella – It's our inspection? The County doesn't do it?

Ms. Nicaretta – We provide the County and the Township Boards of health with copies of the inspection forms.

Mr. Grand – Would it help if you had the ability to go more often?

Mr. LaFerla – I think it would help if we went more often.

Mr. Kinsella – How much do you charge for this?

Ms. Nicaretta - \$50.00 for an inspection and \$35.00 for a re-inspection. That amount might have been in the ordinance but I'm not sure.

Mr. Watts – We can ask the Township to make some revisions to the ordinance.

Mr. Kinsella – If there are violations...

Mr. LaFerla – You have a lot there, the Chinese food restaurant, Taco Bell, Shop Rite, a bunch of places for grease.

Mr. Grand – Does the ordinance prohibit unannounced inspections or does it have to be scheduled?

Mr. LaFerla – I don't know.

Mr. Kinsella – You would really affect operations if you just showed up. But at the same time if you did it more often.

Mr. Mangin – The Grease Trap Ordinance, do you have the number you can give me?

Ms. Nicaretta – I can email you a copy of the ordinance tomorrow.

Mr. Mangin – Is it just Commerce Street?

Mr. LaFerla – It's a couple of places, Walter Foran Boulevard, Ranch Haven Road is a bad one where we have problems quite often; Jakes and Philly Pretzels.

Mr. Watts – We should probably review the ordinance and if we would like it changed we should make a formal request to the Township pointing out areas that we would like the Township to consider.

Mr. Mangin – Send it to the Mayor, copy the Deputy Mayor, and our Township attorney and we'll do what we can. If it's becoming an issue it should be addressed if the system is becoming overloaded with grease.

Mr. Kinsella – When you tell them you're going to come out how much of a notice do you give them?

Ms. Nicaretta – A week; I'm the one who schedules the inspections. Some of them do it like their supposed to,

Mr. Madden - Traditionally they're not very big units and a lot of these places don't maintain it the proper way, they should clean them out monthly or once a week depending on how much you're generating. Or they pour hot water in and it melts it and it's in your sewer.

Ms. Nicaretta – If they do fail an inspection, or have come close to failing, I send a follow up letter and suggest that they clean it more often or if the guys say a specific time period like once a month I'll tell them that.



Mr. Watts – In Clinton Township we ask for proof that it's been cleaned out.

Mr. LaFerla – We ask for the same thing but a lot of them say they do it themselves.

Ms. Nicaretta – The ones who use a company do provide a receipt but the ones that do it themselves, they don't have receipts so what are you going to do?

Mr. Watts – That should be something that should be addressed in the ordinance.

Mr. Kendzulak, Jr. – As far as Mr. Madden moving forward with the design is it okay to cut him loose? Mr. Madden, how much of an effort will it require to get this thing ready to go out and go to bid?

Mr. Madden – We have to put the spec together; it won't be very detailed because it's just lining, we're not changing anything structurally.

Mr. Kendzulak, Jr. – So, by next month do you think you could have a spec and a plan put together?

Mr. Madden – We can have a preliminary set for you. I can talk to Mr. Watts about the legal end.

Mr. Watts – The Board's directing you to do it, we'll pass the resolution at the next meeting authorizing the expenditure.

Ms. Nicaretta – So, next month I'll do a resolution accepting this proposal and also one authorizing to advertise to bid?

Mr. Watts – Yes.

b) Informational Brochure

Mr. Kinsella – Has everybody seen this now?

Ms. Nicaretta – I made all of the changes that were requested.

Mr. Kendzulak, Jr. – Did we pass this one to people that are not familiar with it to get feedback?

Ms. Nicaretta – Yes, I gave it to a friend, my sister and to my son, he actually had a good comment about the two pictures and said it should say that they showed the proper way of discharging roof leaders and sump pumps so I added a sentence for that.

Mr. Kinsella – So what's the procedure now?

Ms. Nicaretta – If you are all okay with it, Mrs. Hallinger and I will get ready to send them out to the residential ratepayers.

Mr. Kinsella – I want it sent to all of our ratepayers, commercial and industrial.

Mrs. Robitzski – I forgot to mention for the Audit that there is another GASB coming, GASB 75 for health benefits for retirees.

**8. Adjourn into Closed Session by Motion, if Needed**

Chair Kinsella – We will be going into Closed Session for purposes of discussing contractual matters regarding our Special Projects Engineer and with the Debt Service payments with Flemington and we don't anticipate taking any formal action at the conclusion of Closed Session. Mrs. Robitzski made a motion to adjourn into Closed Session for the above stated purpose and Mr. Kendzulak, Jr. seconded the motion. Closed Session was from 6:06 pm – 6:38 pm.

**9. Adjournment of Work Session:**

Mrs. Robitzski made a motion to adjourn the Work Session. Mr. Kendzulak, Jr. seconded the motion. All were in favor. The Meeting ended at 6:39 pm.