

The regular meeting of the Little Egg Harbor Municipal Utilities Authority was held on March 12, 2013 at 5:00 P.M. at the Authority headquarters, 823 Radio Road, Little Egg Harbor Township, New Jersey.

MEMBERS PRESENT: Joseph Mezzina, Chairman (late); Joseph Koptic, Vice Chairman; Margaret DePergola, Secretary; Earl Miller, Treasurer; Richard Robins, Marie Skelly

MEMBERS ABSENT: Richard Crea

OTHERS PRESENT: Michael DiFrancia, Superintendent; Colleen Kleinow, Administrative Assistant; Alan Dittenhofer and Felipe Contreras, Authority Engineers; Christopher Connors (late), Authority Attorney

OTHERS IN ATTENDANCE PER SIGN-IN SHEET: None

Mr. Koptic opened the meeting and led the Pledge of Allegiance.

Mrs. Kleinow read the following announcement:

“In accordance with the Open Public Meetings Law, this meeting has been duly advertised in the Atlantic City Press and Asbury Park Press, also posted and filed in the Office of the Clerk of the Township of Little Egg Harbor.”

Mr. DiFrancia advised the Board that our Attorney called and said he would be late.

PRIOR MINUTES

A motion was made by Mr. Miller, seconded by Mrs. DePergola to approve the minutes of the regular meeting held February 11, 2013. Roll call vote, Earl Miller – yes, Margaret DePergola – yes, Marie Skelly – yes, Joseph Koptic – yes.

TREASURER’S REPORT

A motion was made by Mr. Robins, seconded by Mr. Miller to approve the Treasurer’s Report as submitted. Roll call vote, Earl Miller – yes, Richard Robins – yes, Margaret DePergola – yes, Marie Skelly – yes, Joseph Koptic – yes.

BILLS RESOLUTION

A motion was made by Mrs. DePergola, seconded by Mr. Robins to approve the operational account bills resolution. Roll call vote, Earl Miller – yes, Richard Robins – yes, Margaret DePergola – yes, Marie Skelly – yes, Joseph Koptic – yes.

ENGINEER'S REPORT

Mr. Dittenhofer stated that unless anyone had questions, he only had one thing to point out to the Board. The maintenance bond for the Sea Oaks Tank & Well is due to expire in June. His office will do an inspection to make sure everything is in accordance with the bond requirements and our rules. If everything is okay, we will recommend release to the Authority. That is all he has for his report.

There were no further comments or any questions on the report.

A motion was made by Mr. Robins, seconded by Mrs. DePergola to approve the Engineer's Report as submitted. All in favor.

EXECUTIVE DIRECTOR'S REPORT

Mr. Koptic stated the Director submitted his report for March 2013. Authorization is requested to bid the annual chemical contracts, emergency repair of water and sanitary sewer mains and services, and plant supplies.

Mr. Koptic also stated that the Authority received another letter from John and Janice Sesta.

Mr. Koptic advised the Board that one of our employees, Ms. Urezzio, informed the Authority she would be out due to surgery, and the Director recommends granting a leave of absence. It was the unanimous decision of the Board to grant a leave of absence to Ms. Urezzio as recommended.

Mr. Koptic also advised there were no performance guarantees due to expire; however, there are two maintenance guarantees expiring.

Mr. Miller stated that he wanted to go back to the Sesta item. This is ridiculous that they are still writing to us. He spoke to the Chairman about this in a prior meeting, and he thought it was over and done with, but they will not stop writing. We should not even respond to these people anymore. We had decided that this was a dead issue; case closed.

Mr. Miller suggested that we refer the Sesta matter to our Attorney for future handling. The Board agreed.

Mr. Mezzina arrived at this time.

Mr. Miller advised the Chairman of the Sesta matter.

Mr. Mezzina stated that the Attorney should reply as he sees fit.

Mr. DiFrancia stated with respect to item #1 of the Director's report that every year the Authority goes out to bid for chemicals, emergency repair of water and sanitary sewer mains and services, and the water and sewer plant supplies. The Director recommended to the Board in his report that the same be done this year.

A motion was made by Mr. Miller, seconded by Mrs. DePergola authorizing bids be solicited for chemicals, emergency repair of water and sanitary sewer mains and services, and the water and sewer plant supplies. Roll call vote, Earl Miller – yes, Richard Robins – yes, Margaret DePergola – yes, Joseph Koptic – yes, Joseph Mezzina – yes.

Mr. DiFrancia advised that the Director's report mentioned that the Master Plan is being reviewed for update next month, and it is on his report as well.

A motion was made by Mr. Robins, seconded by Mrs. DePergola to approve the Executive Director's Report as submitted. All in favor.

SUPERINTENDENT'S REPORT

1 – Mr. DiFrancia stated that our annual hydrant flushing will begin April 1, 2013 and will continue until the end of May. This is done to remove sediment and make sure the hydrants are operational and working correctly.

2 – Mr. DiFrancia advised the Board that the Master Plan of our water and sewer system will be ready for April's meeting.

Mr. DiFrancia advised that the last thing is the report of leaks. There were no reports of leaks in the last month.

Mr. Mezzina stated that is incredible. He doesn't remember ever seeing that before.

Mr. Miller asked whether there was any damage or saltwater intrusion on the hydrants.

Mr. DiFrancia advised there was not. They are sealed tightly.

A motion was made by Mr. Miller, seconded by Mr. Robins to approve the Superintendent's Report as submitted. All in favor.

ATTORNEY'S REPORT

Mr. Mezzina stated that since our Attorney is not here yet, if there are any questions, we'll have to address them when he arrives, but the report is self-explanatory.

Mr. Mezzina stated that he is concerned with Harbors at Stage because it mentions that our Executive Director continues to seek an updated punch list from our Engineer.

Mr. Contreras advised the Board that the punch list was provided.

Mr. Mezzina suggested that the Engineer let Mr. Connors know it was provided.

Mr. Contreras stated that he knows. He is working closely with our Attorney on it.

Mr. Mezzina stated that the report should be changed to reflect that.

There was nothing further for the Attorney's Report.

A motion was made by Mr. Koptic, seconded by Mr. Miller to approve the Attorney's Report with amendment. All in favor.

A motion was made by Mr. Koptic, seconded by Mr. Robins to accept and file all correspondence. All in favor.

Mr. Connors arrived at this time.

A motion was made by Mr. Koptic, seconded by Mr. Robins to open this portion of the meeting to the public. All in favor.

There being no public in attendance, a motion was made by Mr. Koptic, seconded by Mr. Robins to close the public portion of the meeting. All in favor.

Mr. Mezzina stated there were no matters for executive session; however, we do have something to come before the Board from the Executive Director.

Mr. Mezzina advised that he received a call from the Director this afternoon regarding bonding for storm related costs not covered by FEMA or our insurance company.

Mr. Mezzina provided the Members with information the Director prepared for their review.

Mr. Mezzina stated that the first paragraph is self-explanatory. FEMA covers 75% leaving the Authority to pay the remaining costs.

Mr. Mezzina stated there had been talk about FEMA covering 90%, but he doesn't see any hope in that.

Mr. Mezzina stated the second paragraph speaks for itself. It will be approximately \$1,000,000.00 to replace and install meters.

Mr. Mezzina asked where that number came from and was advised by Mr. DiFrancia that the Director took an average of how many houses were affected and calculated the price of the meter and MTU. He worked closely with our Operations Chief on this.

Mr. Mezzina asked Mr. DiFrancia to explain the MTU.

Mr. DiFrancia advised that water goes through the water meter and the meter head calculates the gallonage. The meter wire goes from the meter head to the MTU on the outside of the home. The MTU is the meter transmitting unit, which sends a signal back to our office to read the meter.

Mr. Mezzina inquired where the dollar figure came from and was advised by Mr. DiFrancia that amount is from HD Supply Waterworks who supplies our meters.

Mr. Mezzina asked whether we have that in writing as he is concerned that we may be underestimating our cost.

Mr. DiFrancia advised that amount is the cost when we purchase the equipment from the supplier.

Mr. Mezzina stated that he doesn't know if we have to replace the whole meter and MTU. Is this the worst-case scenario?

Mr. DiFrancia advised that this is replacement of the full meter instead of fixing it.

Mr. Mezzina stated then that this is the worst-case scenario.

Mr. Mezzina inquired how we know it will be covered by FEMA.

Mr. Contreras advised that it is an eligible cost by FEMA.

Mr. Mezzina asked with respect to paragraph three why there isn't a determination on the backhoes and asked whether we are still using them.

Mr. DiFrancia advised that we are still using the backhoes.

Mr. Mezzina stated that if they are functional, they must be in good working order. If we are using them, they are still working, but eventually they may not be.

Mr. DiFrancia stated that is correct. We are using them; however, they may have problems in the future. FEMA and insurance use a certain allotment to get vehicle to what it was before the storm.

Mr. Contreras stated that the depreciated value with insurance is so low that replacing becomes a better deal in the future and FEMA will give you 75% of the difference between the cost of a new backhoe and what you will get from insurance. Then we will make a decision of whether to fix or replace. The insurance adjuster looked at everything, and we are waiting for the price for the backhoes.

Mr. Mezzina asked what time frame we are taking about and was advised by Mr. Contreras that it is weeks right now.

Mr. Mezzina stated then that we should know by next meeting and was advised by Mr. Contreras that we will know what to do with the backhoes by next meeting.

Mr. Mezzina stated that the last paragraph of the report states that the estimated cost to the Authority will be from \$350,000.00 to \$500,000.00; that is a big spread. It is huge percentage wise.

Mr. Mezzina stated that he heard we would have to borrow money, but he doesn't see any recommendations.

Mr. Contreras stated that he doesn't want to speak for the Executive Director, but FEMA is reimbursement, so you would need to borrow money to do what you need to do and then get reimbursed.

Mr. Mezzina asked if this cost then is the 25% not covered.

Mr. Contreras stated that is correct.

Mr. DiFrancia stated that \$1,000,000.00 for the meters alone has to be put out first, and we will only get 75% back, and that is just for the meters. We also have pump stations that need work.

Mr. Mezzina stated again that there is no recommendation here. We have a \$2,000,000.00 claim possibly. Do we have to look at financing for that? That is what it seems to be. What are we supposed to do? To him, it is not just \$350,000.00 to \$500,000.00 based on what he just heard. If that is the case, a lot of people and municipalities are in trouble.

Mr. Connors stated the Chairman is correct. It is an enormous problem. Some municipalities he is engaged with have shared services agreements with the County. They had debris removal without upfront costs. The municipality will have a pro rata share, but they didn't have to pay the cost upfront and wait for reimbursement. The County paid upfront. Some municipalities need cash to make payments to vendors that they do not have, and now they have to go through the bonding process to get it. He is not conversant in the types of financing available to the Authority, but we have to wait for FEMA to make reimbursement to us. It could be within a year or the following year. If there is financing available, payments could be made with that.

Mr. Mezzina stated that we do not know the full amount of the claim.

Mr. Koptic stated that he believes we will have to borrow over two million dollars.

Mr. Connors stated that you have to borrow more than you need. You do not want to get caught short. This should be taken up with Bond Counsel.

Mr. Mezzina stated that Authorities cannot do what municipalities do such as going to a local bank or other recognized source. We have to issue bonds.

Mr. Connors stated that is his understanding.

Mr. Mezzina stated that there shouldn't be any objection from Bond Counsel.

Mr. Connors stated that there will be a lot of demand for bonding.

Mr. Mezzina stated that the Executive Director is going in the right direction with this. We should proceed with Bond Counsel and tighten up the numbers. If the conclusion is that we have to borrow, we should. We cannot make any determination on bonding amounts this evening, as it is not clear what that amount is as yet.

Mr. Connors stated that is correct. A determination cannot be made yet, and this is the first communication he saw on this matter. He believes this is just letting everyone know where the Authority is at this point.

Mr. Mezzina stated that authorization should be given to the Executive Director, Superintendent, Engineer, and Attorney to determine the costs and make a recommendation for next meeting.

Mr. Mezzina stated that it will probably be a five-year bond, which could be paid off sooner. Anything less than that would not be smart. It is very important we get the figures next meeting so bonding could be authorized. It will probably take 90 to 120 days at least.

Mr. DiFrancia advised the Board that we have all the pump stations and wells running that were affected by the storm, but there are still issues with them because of the salt water. Even though everything is running, the lights do not work for example. He has an estimate of \$180,000.00 just for electrical work alone. Items affected by the storm have to be fixed so that we do not see failure. The electrical work needs to go out to bid.

Mr. Mezzina stated that should have been in the Engineer's Report.

Mr. DiFrancia stated that the Director advised we do not have the funds for that so we have to bond.

Mr. Mezzina inquired whether there is any emergency appropriation we could get.

Mr. Connors stated that he doesn't know the answer to that, but he knows that we have to have the money in place.

Mr. Contreras stated that he could prepare documents to go out to bid, but we can wait to actually go out to bid.

Mr. Mezzina stated that we have to take care of this, but his concern is that there is nothing on any report that indicates this needs to be done. We are only talking about the bonding because of his discussion with the Executive Director this afternoon, and he is not happy about that.

Mr. Mezzina stated that if you look at the Treasurer's Report, there are more than adequate funds for this. We cannot have pump failure when we are dealing with sewer.

Mr. Mezzina stated that we have dedicated funds in tank rehabilitation that we could change and dedicate to this project. We have money in the sewer upgrade account as well.

Mr. Mezzina stated that the funds originally were not being utilized for this purpose, but if it becomes mandatory to do this project, we have to do it. We can change the funds.

The Engineer was directed by the Board to prepare the bid specs for the electrical work at our facilities and have everything ready for next meeting for the Board's review.

Mr. Mezzina stated that we may have to move funds around to cover this, but we will need to proceed with this as soon as possible.

Mr. Mezzina stated that we'll also need to get Bond Counsel and our Financial Consultant involved with this because, as Counsel pointed out, we will not be the only fish in the pond looking to bond.

Mrs. DePergola asked the Superintendent about the meters for homes that are being abandoned. A lot of homeowners do not know what they are doing yet. Some are going to demolish; some are going to rebuild. Some are abandoning.

Mr. DiFrancia advised that the Director got the number of homes affected by the storm from the Township and took an estimate and did a calculation because not all meters were affected. Some meters were under water but some were not.

Mrs. DePergola asked about the houses being abandoned.

Mr. DiFrancia advised that the homeowner has to disconnect and cut and cap the services.

Mr. Mezzina stated that they are not cutting and capping if they abandon.

Mr. DiFrancia stated that we will send a letter and try to get into the home.

Mr. Mezzina stated that since we have a system to read meters, if the meters continue to read, we know they are okay, but it doesn't mean they are okay forever. We have to look at these homes on a case-by-case basis. This goes back to what he was speaking about earlier with the numbers being on the high side or low side. We have to be sure we are not underestimating. When we borrow money, we need to be sure we are not underestimating, just in case. As he said earlier, we should be able to have the flexibility of paying the bonds off early if we can.

Mr. Mezzina also stated that he hasn't seen a written policy of what we are doing with the homes that are not habitable. We are still billing them, and he remembers talking about not charging interest, but he didn't see anything in writing. We have to create a written policy. What are other towns doing?

Mr. Contreras advised that there is a loan program that will assess how much money you are expected to lose in revenue. If it is more than 5% of the expected revenue, they would lend you the money to cover the gap and will come back at the end of the year and see how you did. If you didn't lose more than 5%, they will take the money back because you didn't need it. Mr. Mezzina inquired what source and was advised by Mr. Contreras it is the Community Disaster Loan Program.

Mr. Contreras asked where we stand and was advised by Mr. Contreras that the review just started with municipalities or whatever entities are dealing with loss of revenue. He has the information for our Executive Director.

Mr. Mezzina stated that we should be filling out this application and applying for it.

Mr. Dittenhofer advised that he doesn't believe the application process has started yet. It is new. It's the first time it's been done.

Mr. Mezzina inquired of the lending terms.

Mr. Dittenhofer stated that he believes it is 0% interest for five years capped at five million dollars per applicant.

The Board authorized the Executive Director, Attorney, and Engineer to proceed with this application as soon as the rules are in place and do whatever is necessary to submit the application when the time is ready.

Mr. Dittenhofer advised that the loss of revenue is going to be based on a projected loss of revenue.

Mr. Contreras advised that this is also for 2013, 2014, and 2015. You might be okay this year, but next year you could use it.

Mr. Mezzina stated that this program enables an applicant to go out on a three-year basis as opposed to a one-year basis.

Mr. Contreras stated that is correct. They don't want you to be short revenue and then have to raise rates.

Mr. Mezzina stated that it sounds like a great program. How do you go about figuring the revenue?

Mr. Contreras stated that we'll have the number of meters that are not going to be used and can estimate consumption from previous years.

Mr. Mezzina stated that he thinks it would be a combination of both what our Engineer is saying and an assumption of those who are not paying their bills. It'll probably be close to a million dollars. He thinks they'll have a tough time coming up with guidelines for Authorities and municipalities applying.

Mr. Connors inquired what we will do for the individual that thinks they shouldn't pay for anything if they can't use the services. If we develop a policy, how many people will be in the lost revenue area. He had an inquiry from a senior resident who wanted to know why they have to pay for the water service if they can't use it. He was advised he could disconnect and cap. If you don't use the services in the winter, you still pay for it, but because of the storm, you can't use it. We have to consider what is reasonable and what is not. In this case, they can't use the water and cutting, capping, and sealing might not be the answer because that is very costly. Maybe the policy should be if the property or improvement sustains damage to the extent it is inhabitable there would be a waiver of fees for six months or a year, and then be considered again after that period of time. That requires the Town to make a determination of whether the dwelling is habitable. If the Town stickers it uninhabitable, that is when you would give relief. However, if it is uninhabitable and being lived in, they will get a ticket for living in a house without a CO. You have to draw some lines.

Mr. Connors stated his point of view is if the house is habitable and services are available, you can pay. If the house can't be lived in, he can understand not paying the bill. Even though service is there and available and the line runs in front of your house, if you can't live in the house, maybe there could be a waiver. It isn't as simple as the service is there in the street.

Mr. Koptic stated that his concern is people that are living in the house and using the storm as an excuse not to pay the bill. He gets questioned all the time about it. People tell him that they can't live in their home and are living somewhere else, but they go there to work on the house and use the water to clean or wash their hands or they use the bathroom. That is why they are still paying the bill. They are still able to use the water and sewer.

Mr. Mezzina stated that the Auditor could probably best describe our position. The Authority has operational costs to provide service including maintenance of the facilities. Without revenue, we couldn't supply the service. There is a certain portion of revenue that goes to basic maintenance and operation, and we have to remain operational. We have to be able to provide water and take away sewer. We have a base rate and a usage rate. The base rate allows us to operate the Authority and pay our bonds, which gave us the facilities and the ability to expand, improve, and maintain our system.

Mr. Connors stated that is correct. There is a cost shift if you choose not to charge the homeowners affected by the storm. If you don't charge them, then someone else has to pay more, and that is an equitable and legal reason. If the homeowner doesn't want to pay their bill, then they will have to cut and cap. People who simply can't occupy their homes should be the only ones that don't pay.

Mr. Mezzina stated that by next meeting we have to have something in writing as to what our policies are.

Mr. Mezzina stated that he doesn't want to create more committees. The Plans or Water Committee should draft the policies and submit to the Members before the next meeting. This should be at the top of our list.

Mr. Mezzina stated another option, although it might not be the best option, is to look into whether our bonds are callable.

Mr. Mezzina suggested the Director and Bond Counsel check into this and look at the overall picture. Maybe we should do a refinancing. That might be wise. The stock market being what it is there seems to be a lot of money coming to the surface, and a lot of it is tax-free bonds. We might need to think about refinancing our bonds.

A motion was made by Mr. Koptic, seconded by Mr. Robins authorizing the Executive Director, Engineer, Attorney, Bond Counsel, and Financial Consultant to prepare the necessary information for bonding, short term loans, and refinancing for presentation to the Board at our next meeting. Roll call vote, Earl Miller – yes, Richard Robins – yes, Margaret DePergola – yes, Joseph Koptic – yes, Joseph Mezzina – yes.

There being no further matters, a motion was made by Mrs. DePergola, seconded by Mr. Robins to adjourn. All in favor.

SECRETARY

Approved on (date)