



Board of Commissioners

Senator Robert Singer, Chairman

Raymond Coles, Commissioner

Anne Fish, Treasurer

Samuel Flancbaum, Assistant Secretary

Michael Sernotti, Commissioner

Craig Theibault, Alt. Commissioner

P. G. Waxman, Vice Chairman

THE LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Regular Meeting Minutes

August 12, 2014

- I. Senator Singer opened the meeting at 10:05 A.M. in the Conference Room of the Lakewood Township Municipal Utilities Authority, 390 New Hampshire Avenue, Lakewood, New Jersey.
- II. It was announced that in accordance with Chapter 231, Public Law, adequate notice of this meeting was given and that a notice of this scheduled meeting was filed with the Township Clerk and posted in the Municipal Building in a place accessible to the public and by means of public notices in the Asbury Park Press on February 7, 2014 and The Tri Town News on February 12, 2014.
- III. **Salute to the Flag**
- IV. **Roll Call of Commissioners**
On the roll call the following Commissioners were present: Mr. Theibault, Mr. S. Flancbaum, Mr. Coles, Mr. Waxman, Mrs. Fish and Senator Singer. Mr. Flancbaum was seated as an alternate. The following professionals and key personnel were present: Mr. Norman Smith, Esq., Mr. Gerwin Bauer, Auditor, Mr. Justin Flancbaum, Executive Director, Mr. Daniel Rappoccio, CFO, Mr. Paul Morrill, P. E., Mrs. Nancy Lapa, Secretary and Mr. Robert Farina, Instrumentation Department Supervisor.
- V. **Minutes**
A motion to approve the minutes of the Regular Meeting held on July 1, 2014, was made by Mr. Coles and seconded by Mr. Waxman. On a **voice vote**, all members present voted "**Aye**". **Motion carried.**
- VI. **Chief Financial Officer Report**
Mr. Rappoccio will discuss the results as of June 30, 2014. All results and reconciliations have been completed. A full review of the trial balance has been done with the Auditor, Mr. Bauer. There were no significant issues to report. As you can see on report handed out, the results as of June 30, 2014 show the Authorities net profit at approximately \$1.2 million which is approximately \$446,000 ahead of the June 2014 Budget. The operating revenue of \$5.7million is ahead of budget by \$272,000. This is

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driven mainly by connection fee and residential service fees. The operating expenses are \$4.5 million, which is slightly below the budget by approximately \$174,000. This is due to some seasonal delay, items in the budget that have not emerged.

Senator Singer asked, compared to last year, how is the Authority doing in revenue. Mr. Rappoccio said that the Authority is slightly ahead in revenue by around \$200,000. Senator Singer asked if this might be weather related or better collections. Mr. Flancbaum said he thinks because of better collections. Senator Singer said he would like at some point a report on how many customers the Authority had one year ago and how many today. This will give an idea of how the Authority is doing dollars and cents wise. Senator Singer said he knows that the Authority's revenue is also weather driven to a certain extent in the summer time. When it is hot, a lot more water is pumped.

Mr. Rappoccio prepared and performed a detailed analysis of both revenue and expense line results. This was reviewed with Mr. Flancbaum. A detailed review of the 2014 capital plan was done in preparation of the budget. This was also reviewed with Mr. Flancbaum. We have come across some opportunities that will be reviewed in greater detail once work will start on the budget, which should be next month.

A proposal was received from AON Hewitt for their firm to conduct an actuarial study for post-employment benefits. This study has been proposed at a cost of \$8,000. It should be completed by November. The Final Report provided will be completed under Governmental Accounting Standards and will include a summary of current plan provisions, a summary of all assumptions and methods applied in developing plan expense and liabilities, a projection of the cash flows to provide a forward looking estimate of financial impact to the Authority and also all additional detail and tables required.

Senator Singer asked if the department heads get a monthly statement as to where their budget stands. Mr. Rappoccio said that it is not set up yet. He is reviewing it with Mr. Flancbaum. Senator Singer said this way the heads know where they are standing with the budget, if they need to be careful or if there is an item that the head would like to purchase they can see if they can make the purchase. This is a tool for them. Also, these days we need to be more on top of how the money is spent.

Senator Singer asked Mr. Bauer if there are any comments he would like to make. Mr. Bauer said he is very pleased with how things are progressing with Mr. Rappoccio. Mr. Bauer said he has been in a couple of times and went over different aspects and accounts with him. Preliminary work is being done on the 2015 Budget.

Mrs. Lapa read **Resolution # 14-82 Awarding Contract For Actuarial Analysis GASB 45 Valuation Services**. Motion was made by Mr. Coles, seconded by Mr. Waxman. On a **voice vote**, all members present voted, "**Aye**". **Adopted**. Senator Singer wanted to thank Mr. Rappoccio for doing this as this puts the Authority in a better position with the State.

VII. Engineer's Report

1. Update of Rules and Regulations

- Resolution Approving Changes to the Rules and Regulations

This is for Detail Number 35. A better product was found for the abandonment of water services. It is a little expensive so it will be limited to requiring it for asbestos cement pipe. Mr. Morrill feels that it protects the Authority's system better. Mrs. Lapa read **Resolution # 14-83 Approving And Adopting Revisions To The Lakewood Township Municipal Utilities Authority Rules And Regulations.** Motion was made by Mr. Coles, seconded by Mr. Waxman. On **roll call**, all members present voted, **"Yes". Adopted.**

2. Chestnut Professional Building

- Resolution Accepting Terms of Developer's Agreement
The Schedule B was submitted through emails to all the commissioners. The highlights are listed in the report. Senator Singer asked if construction started yet. Mr. Morrill said the lot was cleared so far. Mrs. Lapa read **Resolution # 14-84 Authorizing The Execution Of The Developer's Agreement Chestnut Professional Building.** Motion was made by Mr. Waxman, seconded by Mr. S. Flancbaum. On a **voice vote** all members present voted, **"Aye."** Senator Singer then asked if this is Dr. Morgan's building. The Executive Director said it is. Senator Singer then said he has to recuse himself. Mr. S. Flancbaum recused himself as well. Senator Singer then asked for a **roll call**, Mr. Coles, Mr. Waxman and Mrs. Fish voted **"Yes"**. Senator Singer and Mr. S. Flancbaum abstained. **Adopted.**

3. Lanes Mill Road 15 Lot Development

- Resolution Accepting Terms of Developer's Agreement
The Schedule B was sent out by email and the highlights are listed in the report. Mrs. Lapa read **Resolution # 14-85 Authorizing The Execution Of The Developer's Agreement Lanes Mill Road 15 Lot Development.** Motion was made by Mr. Waxman, seconded by Mr. S. Flancbaum. On a **voice vote**, all members present voted, **"Aye". Adopted.**

4. New Hampshire Avenue and America Avenue Office

- Resolution Granting Technical Approval
The Technical Approval will be conditioned on the terms of the review letter of July 8, 2014. Senator Singer asked where this project is located. Mr. Morrill said that it is located by Public Works, directly behind the Authority. The shopping center is on one side of the roadway and the office building will be on the opposite side. Mrs. Lapa read **Resolution # 14-86 Grant Of Technical Approval New Hampshire Avenue And America Avenue Office Building.** Motion was made by Mr. Coles, seconded by Mr. Waxman. On a **voice vote**, all members present voted, **"Aye". Adopted.**

5. Locust Grove

- Resolution Granting Technical Approval
The Technical Approval will be conditioned on the Authority's review letter of July 16, 2014. Mr. Flancbaum said that this is for Somerset Development. Mrs. Lapa read **Resolution # 14-87 Grant Of Technical Approval Locust Grove Subdivision.** Motion was made by Mr. Coles, seconded by Mr. Waxman. On a **voice vote**, all members present voted, **"Aye". Adopted.**

6. Tuscany II

- Resolution Granting Technical Approval

This is on County Line Road. The Technical Approval is conditioned on the Authority's review letter of July 17, 2014. Mr. Waxman will not vote on this item. Mrs. Lapa read **Resolution # 14-87 Grant Of Technical Approval Tuscany II**. Motion was made by Mr. Coles, seconded by Mr. S. Flancbaum. On a **voice vote**, Mr. S. Flancbaum, Mr. Coles, Mrs. Fish and Senator Singer voted, "**Aye**". Mr. Waxman abstained. **Adopted**.

7. New Hampshire Avenue Treatment Plant

- Resolution Awarding Change Order #14

This is a Change Order for several different items. The total comes to a credit of \$22,203.00. Mrs. Lapa read **Resolution # 14-89 Authorizing Change Order No. 14 New Hampshire Avenue Treatment Plant**. Motion was made by Mr. Waxman, seconded by Mr. Coles. On a **voice vote**, all members present voted, "**Aye**". **Adopted**.

8. Cell Antennas Airport Tank

- Resolution Closing Out Contract

This is for the contract with Remington Vernick for Verizon's modifications to their equipment on the Airport Road Tank. This is to return the unused portion of the \$4,000.00 escrow account that the Authority has for inspections. Mrs. Lapa read **Resolution # 14-90 Closing Out The Contract At The Airport Road Water Storage Tank For Work Related To Cellular Antennae Installations**. Motion was made by Mr. Coles, seconded by Mr. S. Flancbaum. On a **voice vote**, all members present voted, "**Aye**". **Adopted**.

9. Towbin Avenue Sanitary Sewer

- Resolution Rejecting All Bids

Bids were accepted on August 5, 2014. The range of bids was from \$488,000 to \$588,000. All of them were over the budgeted amount. This is being looked at again to revise the scope of work to keep it within the budget. Mrs. Lapa read **Resolution # 14-91 Rejecting All Bids Towbin Avenue Sewer Line Replacement**. Motion was made by Mr. Coles, seconded by Mr. Waxman. On a **voice vote**, all members present voted, "**Aye**". **Adopted**.

Senator Singer said that he knows that the Authority is looking at the problem with the wells. Is that being worked on? Mr. Flancbaum said that the Authority experienced a lower residual than normal in the distribution system. Mr. Flancbaum explained that the Authority tests the chlorine residual at the point of entry, before it goes into the distribution system. The Authority also tests weekly at different spots within the system itself to see where the residual is at. Senator Singer said that State law mandates that you must have residual in the system. The residual shows that the water is kept clean throughout the system. There must be residual of chlorine in the drinking water. Mr. Flancbaum said that this is for free chlorine. The Authority is a free chlorine system. During testing a few weeks ago a lower residual than usual was seen. In certain spots it was low to a point where it raised a red flag to the Authority. One of the operators suggested that the Authority tests some of the wells to see if there ammonia at the point of entry since ammonia eats chlorine. Senator Singer said that the Authority is not required to test for ammonia. Mr. Flancbaum said that after testing, ammonia was found at the Englishtown wells. The Englishtown Aquifer is the middle aquifer. When those wells were turned off, immediately the residuals in the system increased. Senator Singer explained that those two wells do not go through the normal strippers. These are

free-standing wells. Mr. Flancbaum said that he contacted Brick MUA. Chloramines are a mixture chlorine and ammonia. The Authority closed off the Brick Interconnection thinking that this might be a reaction in the system to the chloramines in their water. For the last few weeks the Brick Interconnection and Wells No. 1 and 3 were off. These wells are the Englishtown wells. There was then an increase of residuals in the system. The Authority contacted one of the consulting engineers and the Brick MUA. The Brick MUA tested Wells No. 1 and 3 for ammonia. They will come back on Thursday to do testing at the wells and within the distribution system for nitrification, ammonia, chlorine and various different chemical compounds so we can figure out what is happening. Senator Singer said that the wells can be put back on if there is an emergency. But we are trying to solve the problem right now. Mr. Morrill said that the Authority has a contract with Remington Vernick. We were going to put out in the next couple of weeks for improvements to well houses of Wells No. 1, 3 and 5. We are looking now to see what type of solutions we need to incorporate. We may be able to put it in the contract. At this point we do not know exactly what treatment is needed. Senator Singer said he thinks this is a scientific issue. Hatch Mott MacDonald was asked to look at it because of their expertise in this area.

VIII. Attorney's Report

New Jersey Business Systems Lawsuit – Mr. Smith said he spent a lot of time with the Authority's staff and the expert putting together the answers to the interrogatories. All the various documents, reports, memos and emails were collated. Mr. Flancbaum put his signature on the final draft the other day and it is being sent to the attorneys of the insurance company. Mr. Smith hopes that this will be the benchmark that will bring the case forward. They have not answered the Authority's interrogatories. They are most likely waiting for the Authority to answer theirs first because we are the plaintiff. They have a right to see what we say before they answer theirs. Senator Singer said that as long as there is an insurance company involved in this he is happy. No matter what happens now, the claim is in. If they go out of business tomorrow, we are safe. Mr. Smith said once we both get the answers to the interrogatories, it will probably move ahead. Senator Singer asked how much is the Authority suing for. Mr. Smith said the actual money damages are a little over \$400,000. Senator Singer said that we would accept \$450,000 and attorney's fees. Mr. Waxman asked if Mr. Smith asked for treble damages. Mr. Smith said he asked for treble damages on consumer fraud account, which would make it \$1.2 million and change.

IX. Executive Director's Report

1. Resolution awarding contract to Caltech Systems for ongoing SCADA systems installations, programming, and support

After discussion with the IT and Operations Department, we feel it is necessary to renew Mr. Calabrese's contract for another year. We feel that it is crucial to have Mr. Calabrese with us in order to complete the transition at the Shorrock Street Plant and its connected wells from Bristol Babcock to GE. Upon completion of this project, the Shorrock Street Plant will be completely integrated with the New Hampshire Avenue Plant. Mr. Calabrese will also continue training our personnel, especially our new personnel in the ongoing maintenance of the SCADA system. The contract is for \$96,000 which is the same as last year. It will run from October 1, 2014 through September 31, 2015. Mrs. Lapa read **Resolution # 14-92 Awarding Contract Without Public Bidding For The Support And Maintenance Of Proprietary Computer Hard Drive And Software.**

Motion was made by Mr. Waxman, seconded by Mr. Coles. On **voice vote**, all members present voted, "**Aye**". **Adopted.**

2. Resolution to assess a 1.2% convenience fee for all credit card transactions

Four years ago the Authority implemented credit card acceptance for the customers. It was an experiment and a decision was made to absorb the transaction fees. The transaction fees are minimal because we are a utility. The merchant service rate is much lower than the typical rates. In 2010 the Authority did \$167,000 worth of credit card business. This year to date we have done \$623,000 worth of credit card business. Our fees to date have increased to about \$9,600, which the Authority is absorbing. Years ago it was just over \$2,000 per year. Senator Singer said that the convenience fee is standard with what the Township assesses. The Authority is recouping the fee that the Authority has to pay when processing a credit card payment. Mr. Waxman asked why the fee is called a convenience fee and not a processing fee. Mr. Flancbaum said that this fee is set forth by a statute and is called a convenience fee. Mr. Smith said that there is a statute that specifically authorizes this convenience fee. Mr. Flancbaum said he asked Mr. Rappoccio to work out the numbers and it was established that a 1.2% convenience fee would cover the Authority across the board. The Authority is not making any money on it. Mr. Waxman asked if the Authority pays less as the amounts get greater. Mr. Flancbaum said no, it is a set fee. The credit card companies have set fees for government and different types of businesses. Senator Singer said this is the same as the Township. Mrs. Lapa read **Resolution # 14-93 Authorizing Assessment Of Service Charges On Transactions Where Credit Cards, Debit Cards Or Electronic Funds Transfer Systems Are Utilized.** Motion was made by Mr. Coles, seconded by Mr. S. Flancbaum. On **voice vote**, all members present voted, "**Aye**". **Adopted.**

3. Request for proposals for Firewall Appliances/Network Security

A Request For Proposals was posted on the Authority's website for a new firewall as the current is expiring. This is for external firewall hardware as well as internal server hardware. Mr. Flancbaum investigated the difference between a one (1) year and a three (3) year license. The difference is nominal, approximately \$500 more. This solicitation is for a three year license. The proposal is expected to be around \$3,700. In addition to this firewall the Authority also uses Kaspersky antivirus and anti-spyware as an extra layer of protection. The proposal opening will be on August 20, 2014. Mr. Flancbaum will conduct a phone poll of the commissioners to award the contract.

4. Request for proposals for (2) Variable Speed Drives at the Shorrock St Water Treatment Plant

A Request For Proposals for the last two variable speed drives was posted on the Authority's website. This is the final phase of variable speed drive upgrades at the Shorrock Street Water Treatment Plant. The first phase went extremely well. The cost for the first phase was approximately \$29,000. This phase is expected to come back at the same price. The proposal opening will be August 20, 2014. Mr. Flancbaum will conduct a phone poll of the commissioners to award the contract.

On the Conference Room screen was a picture of the variable speed drives. Mr. Flancbaum said that when people come to the Shorrock Street Plant and see it, they are amazed at how clean it is and how neat everything is put together. Senator Singer

thanked Mr. McGregor for keeping it up so well. Mr. McGregor said the IT Department also gets thanks.

5. Resolution authorizing an Employee Benefit Program with Lester Glenn Auto Group

Senator Singer said he asked Mr. Flancbaum to meet with Lester Glenn. A request was received from Lester Glenn to meet to offer an employee discount at the Authority. Senator Singer said he has spoken to other local car dealers, Pine Belt and GMC and they are willing to make similar offers. It costs the Authority nothing and allows the employees to get a discount when buying cars. This also applies to the commissioners. Mrs. Lapa read **Resolution # 14-94 Authorizing An Employee Benefit Program With Lester Glenn Auto Group**. Motion was made by Mr. Waxman, seconded by Mr. S. Flancbaum. On **voice vote**, all members present voted, "**Aye**". **Adopted**.

6. Resolution awarding contract to Jersey Mail Systems for a Postal Mailing System

A proposal was received for a new postage mailing machine from Jersey Mail Systems. The cost is \$199 per month for sixty three months. This is a \$16 per month saving versus what the Authority is currently paying Pitney Bowes. They will also cut the Authority a check for \$3,366 to buy out the current lease with Pitney Bowes. Mr. Flancbaum recommends switching over to them. They are a local company. We expect greater customer service in addition to the savings. They have a state contract. Senator Singer said the Authority's logo will be printed. Mrs. Lapa read **Resolution # 14-95 Awarding Contract For Postal Mailing System Pursuant To State Contract No. 75255**. Motion was made by Mr. Waxman, seconded by Mr. S. Flancbaum. On **voice vote**, all members present voted, "**Aye**". **Adopted**.

7. New employee update-Assistant Billing Clerk & IT personnel

Mr. Flancbaum introduced Nancy Stansbury of Manchester, the newly hired Assistant Billing Clerk. She will work with the CFO, Ms. Gaynor and Ms. Miller, the Billing Clerk to familiarize herself with what the Authority does. Also, a new IT specialist was hired. He accepted the position and is available to start right away. He was told pending a successful background check he can start as soon we get it back. Senator Singer asked how long will that take. Mr. Flancbaum replied it should be back within the next couple of weeks.

8. Termination of service update

When shut-offs were discussed around six months ago, the commissioners asked Mr. Flancbaum to report back in six months to advise how it is going. Mr. Flancbaum said that so far it is going well. We do get questions sometimes, particularly from landlords as to why we do not do shut-offs. When it is explained to them they usually take a step back. A couple weeks ago a letter was received from The Lakewood Landlords Association. It was not signed by anybody and there was no name on it. The letter challenged what the Authority does. Mr. Flancbaum said he responded to the letter after talking with Mr. Smith. Mr. Flancbaum has not heard anything back. The Authority is not set up for shut offs. Senator Singer said even more than that, this prevents confrontations with customers. If water is shut off by a house, the people have to be evicted. If there is an action by government there is a certain responsibility with that. The Authority may have to foot the bill and go after the landlord afterwards. If there is no water in the house it is considered inhabitable. Secondly, the Authority would need

crews for shut offs. Lastly, this is the responsibility of being a landlord. Mr. Smith said that with tenants it is more complicated. Each lease will have to be looked at to see who is responsible to pay, the landlord or the tenant.

Mr. Flancbaum added two more items to his agenda.

9. Resolution authorizing the Authority to take part in the cooperative purchasing agreement

The Authority would like to move forward in the remediation and completion of the microwave radio project. The Authority can piggy back onto this cooperative purchasing agreement which is similar to a State Contract. The Authority can utilize both Let's Think Wireless and the manufacturer direct to do the work. Mrs. Lapa read **Resolution # 14-96 Authorization To Enter Into An Interlocal Agreement With A Nationally Recognized Cooperative Entity For the Purpose Of Purchasing Labor And Materials For The Repair Of The Authority's Microwave Communication System.** Motion was made by Mr. Coles, seconded by Mr. Waxman. On **voice vote**, all members present voted, "**Aye**". **Adopted.**

10. Resolution Designating CFO as Authorized Signatory on bank accounts

Mrs. Lapa read **Resolution # 14-97 Designating Chief Financial Officer As An Authorized Signatory On Authority Bank Accounts.** Motion was made by Mr. Coles, seconded by Mr. Waxman. On **voice vote**, all members present voted, "**Aye**". **Adopted.**

Mr. Flancbaum said last week Ms. Gaynor received an email from a customer that ended with "customer service at its best in my opinion!". It is appreciated when customers acknowledge the hard work.

11. Closed Session-Personnel

This will be discussed later.

X. Instrumentation/IT Department Report

1. Shorrock Street VFD status

Two of the four new drives have been successfully replaced in the Shorrock Street Water Treatment Plant last month. They are working fine. We are very satisfied with the workmanship and installation in addition to the service received from the contractor and the supplier. A Request For Proposals was posted on the Authority's website for the remaining two drives scheduled for replacement.

2. Shorrock Street SCADA equipment changeover status

Shorrock Street Water Treatment Plant SCADA equipment and wiring replacement is going forward at a very good pace while realizing great progress and accomplishing all tasks set forth by our agenda. The work is quite tedious. There will be pitfalls along the way as we try to keep the plant running with 100% efficiency while changing the guts. So far everything is going pretty smoothly, a lot better than imagined.

3. New Hampshire Avenue Fire and Security installation status

The New Hampshire Avenue fire and security alarm project installation is now complete. A startup of the equipment is due after we receive pricing quotations on the consolidation of all of our organizations monitoring needs. Mr. Farina wants to

consolidate all the field and two main plants monitoring contracts. Mr. Farina expects to receive quotes from three vendors sometime this week.

4. Well #18 rehabilitation status

The Well No. 18, which used to be Well No. 8, rehabilitation project is now complete with the electric issues now being resolved. The SCADA control system is being brought up to date with the newest GE RTU equipment. It is up and running.

5. Microwave radio replacement project status

There is a set plan on the new microwave radio equipment and infrastructure. The plan is to replace the present system. Now that we have legal approval to proceed with the procurement of materials and labor through the cooperative purchasing network, we will be moving forward.

6. IT Coordinator position

A successful IT Coordinator candidate was found. He was offered the position last week which he accepted. His tentative start date is August 25, 2014 pending a successful background check and pre-employment physical. His name is Leon McBride. He comes with a broad and extensive background in IT along with an impressive set of credentials. We look forward to having a positive and productive future with Leon and making him an integral part of the organization following his trial period of employment.

XI. Commissioners' Report

XII. MEETING OPEN TO THE PUBLIC

There was no response from the public.

XIII. MEETING CLOSED TO THE PUBLIC

XIV. MOTION TO APPROVE THE OPERATING VOUCHERS

A **motion** was made by Mr. Coles and seconded by Mr. Waxman to approve the Operating Vouchers in the amended amount of \$1,259,995.39. On **roll call**, all members present voted, "**Yes**". **Motion passed.**

XV. CLOSED SESSION

A **motion** was made by Mr. Coles, seconded by Mr. Waxman to go into closed session to discuss personnel and contract negotiations at 10:44 A.M.

XVI. OPEN SESSION

At 11:06 A.M. the meeting went into open session.

XVII. ADJOURNMENT

A **motion** was made by Mr. Coles, seconded by Mr. S. Flancbaum to adjourn meeting. On a **voice vote**, all members present voted, "**Aye**". The meeting was adjourned at 11:06 A.M.

Respectfully submitted,

Nancy Lapa,
Secretary, LTMUA