

MINUTES OF THE REGULAR MEETING OF THE SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY HELD ON JULY 20, 2011 AT THE AUTHORITY'S ADMINISTRATION BUILDING, LAFAYETTE, NEW JERSEY

1. CALL TO ORDER; ROLL CALL; PLEDGE OF ALLEGIANCE

The Chairman called the meeting to order at 3:09 p.m.

The following were present: Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer Administrator Hatzelis, Consulting Engineers Cerenzio & Enright, Sean Sauder – C&P, Chief Engineer Varro, Solid Waste Superintendent Spannon, Wastewater Superintendent Nugent, Attorney Prol, Recording Secretary Kronski

Also present: Freeholder Phillip Crabb

Absent: Chairman Petillo (entered meeting @ 3:17 p.m.), Attorney Giacobbe, Commissioner O'Halloran (excused)

Vice Chairman Sowden directed the meeting in-place of Chairman Petillo.

2. PUBLIC STATEMENT

The Vice-Chairman Sowden stated that the meeting has been duly advertised, and notice given thereof, as required by P.L. 1975, Chapter 231.

3. OPEN TO PUBLIC COMMENT

Vice-Chairman Sowden opened the meeting to public comment. Freeholder Crabb addressed the Board and noted that State Funds most likely will not be forthcoming for the Solid Waste Facility Debt Service and also indicated he will be available for discussion and would stay for the Post Landfill Closure Care Report. Vice Chairman Sowden closed the meeting to public comment.

4. AGENDA APPROVAL

The Vice-Chairman requested a motion for approval of the Agenda, as well as any additions or deletions. Commissioner Dietz moved the approval of the Agenda, seconded by Commissioner Cocula. Administrator Hatzelis requested moving Solid Waste Consulting Engineers Report re: Post Closure Care as the first order of business before entering into closed session. On voice vote (5) Ayes, (0) Nays, the motion carried.

5. APPROVAL OF CONSENT AGENDA

Vice Chairman Sowden requested a motion for approval of the Consent Agenda. Commissioner Zidek moved the approval of the Consent Agenda, seconded by Commissioner Meyer. No discussion necessary. On voice vote (5) Ayes, (0) Nays, the motion carried.

6. MINUTES

Vice-Chairman Sowden requested a motion to approve the distribution of the June 15, 2011 Pending Action Summary Sheet which was submitted to the Freeholder Board on June 17, 2011. Commissioner Dietz moved to

approved the June 15, 2011 Pending Action Summary Sheet, seconded by Commissioner Meyer. No discussions necessary. On voice vote (5) Ayes, (0) Nays, the motion carried.

Vice-Chairman Sowden asked for a motion to approve the Regular & Closed Minutes for the May 18, 2011 Meeting. Commissioner Cocula moved, seconded by Commissioner Zidek. On voice vote, Ayes (5), Nays (0), Abstain (0), the motion passed

Vice-Chairman Sowden advised that the Regular and Closed Meeting Minutes for both June 1, 2011 and June 15, 2011 have been distributed to the Commissioners for comment/review.

Vice-Chairman Sowden referred to Mr. Cerenzio for his Post Closure Care Report.

Solid Waste Consulting Engineers Report

Mr. Cerenzio reported on the Solid Waste Landfill Post Closure Care/Post 2018 Plan Report and distributed an informational handout for review. Pete indicated an updated 30 year Post Closure Care Plan, as well as, a financial plan to fund closure costs must be submitted and approved by NJDEP. Pete explained in the absence of waste flow control over an extended period, there was a significant loss of revenue and funds were not available for deposit into Closure Account.

Chairman Petillo entered the meeting at 3:17 p.m.

Mr. Cerenzio advised that the Phase 3 current landfill is projected to be at capacity in 2018, when final capping procedures will need to begin. Maintenance and operations of landfill consisting of liners, soils, vegetation, swales and stormwater drainage, LFTGE monitoring wells, and leachate removal, these tasks will need to be funded. Mr. Cerenzio reviewed Exhibit 1 in handout year-by-year of expenses for each NJDEP defined task needed with a 2½ % annual inflation rate. Approximately a total of \$12,422,109 is needed over the 30 year period. Exhibit 2 calculates how much funding is required in the PCC Account in year 2018 to cover the 30 years of post closure care, including a 3% interest earning rate per year. In 2018 landfill revenue will stop, the Authority will need \$7,684,597 in the post closure account to provide the approximately \$12 million for total costs. Current balance is \$8,775,000 in Post Closure Care account and State regulation requires \$1/ton go towards landfill post closure care, based on tonnage yet to be accepted. After landfill is at capacity, \$9,665,000 should be in the account. However, the landfill Closure Account is significantly short of funds. Due to lack of flow control and no state aid forthcoming, the Authority has been unable to properly fund this account which will require some method of funding to be developed.

Mr. Fred Eckert of Energenics entered the meeting at 3:26 p.m.

Mr. Cerenzio reviewed Exhibit 4 which detailed the landfill capping/closure funding deficit by approximately \$12 million. This shortfall will need to be covered by revenue and/or revenue bonds, since state aid is not a definitive option. Capping section 3 may not take place in 2011 - 2012 due to \$2 million shortage of anticipated funds from the State. This needs to be addressed in this report before submitted to SWAC and Freeholders. These numbers are in draft form and adjustments need to be made due to the elimination of state aid. Pete indicated a bond may be needed for the closure shortfall, but will need some form of long term

revenue to pay Bond Debt Services. Mr. Cerenzio reviewed transfer station timeline and costs as an option for revenue to pay for bond debt service. Discussions continued regarding SWAC and Freeholder review and approval. Freeholder Crabb stated transfer station is the front-runner as an option and a financial plan would need to be approved. Pete Cerenzio referred to Exhibit 6 which described all different costs associated with the transfer station including operating costs, hauling/disposal costs and debt service payments. More revenue sources will be included in final analysis taking into account Landfill Gas to Energy monies, investments, recycling markets, etc. Mr. Cerenzio reviewed debt service payments and noted that the existing debt service payments end after 2016. An updated report with number adjustments will be made and shall be reviewed again by Commissioners before submittal to SWAC. Freeholder Crabb questioned the construction cost to a conversion to a transfer station. Mr. Hatzelis noted that more storage facilities may be needed and these are rough numbers, which need additional review. Transfer Station operating budget also is higher than expected, and Mr. Cerenzio offered it was a rough number and very conservative and when more information is received a more accurate number will be provided. Concluded final draft should be presented at the August 3rd meeting for SWAC's September 2011 meeting.

Administrator Hatzelis advised that Fred Eckert of Energenics would like to present a proposal for extracting additional gas from the landfill. Mr. Varro introduced Mr. Eckert who provided a handout on his proposal. He addressed the Commissioners and explained the LFGTE system is up and running, however more gas was predicted to be extracted (currently approx. 650 cfm, should be approx. 850 cfm). Energenics hired a gas consulting firm (ERG) to review system and make recommendations for additional gas extraction. Energenics is offering to set up 3 collector pipes and 9 condensate wells to be installed in the landfill at their cost. SCMUA staff has been involved and a project manager from DCO Energy is currently on site and insurance requirements are already in place. Mr. Eckert indicated preliminary plans and drawings have been completed for review by Staff. Mr. Eckert also proposed to supply 400kw on a firm basis for the U.W. Plant and provide at a discount price, however he cautioned we need to satisfy Public Bidding requirements and are reviewing that process at this time. Construction costs for the proposed LFG improvement project is estimated at \$100,000 – \$150,000 and to be paid for by Energenics. Looking for approval from Commissioners to start work soon during the summer months when energy needs are high and decomposition is accelerated. Mr. Eckert indicated that more ID10 has been disposed of than ID13 and methane gas is high and quality is good for ID10. Commissioners discussed what landfill phase this to be done in and Mr. Varro explained piping will be in phase 3A, not on the already capped portion. Commissioners agreed that the project should be done now while contractor still on site rather than at a later date. Commissioner Cocula moved to have SCMUA staff and attorney start the process and proceed with planning for Energenics pipe installation for additional gas extraction readings, all subject to SCMUA review and approval. Chairman Petillo seconded. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Mr. Hatzelis offered that Commissioners may wish to take a tour of Landfill Gas Facility, all agreed and a tour will be scheduled in the fall.

Vice-Chairman Sowden turned meeting over to Chairman Petillo 4:20 p.m.

Freeholder Crabb thanked the Commissioners and left the meeting at this time 4:22 p.m.

7. BUSINESS

a. Closed Executive Session

At 4:35 p.m. Commissioner Zidek moved the adoption of the following resolution authorizing a Closed Executive Session seconded by Commissioner Cocula. On voice vote (6) Ayes, (0) Nays, the motion carried.

#11-85 RESOLUTION RE: AUTHORIZING CLOSED EXECUTIVE SESSION

At 6:13 p.m. Commissioners Zidek moved to adjourn the Closed Executive Session and reconvene the Open Session seconded by Commissioner Cocula. On voice vote, the motion passed.

The Open Session was reconvened at 6:22 p.m. Chairman Petillo indicated that in Closed Executive Session items discussed as specifically set forth in the resolution were negotiations and/or litigations re: Frankford - Branchville Wastewater Project; High Ridge Properties; Grinnell Recycling; Vernon Township; Hampton Commons Permit; DMR Contract 601D; C&P Payment Request and Personnel matters. When the need for confidentiality of these matters no longer exists they will be opened to the public.

b. Wastewater Program

Attorney's Report

Attorney Prol indicated he has a release document to be approved by the Commissioners for the release of an Escrow Account held for Lafayette Energy Partners. Lafayette Energy Partners were the Authority's previous representatives involved with an older gas to energy facility which is now inoperable/dismantled. Lafayette Energy Partners are no longer affiliated with the Authority and all contracts have ended or expired. Commissioner Cocula moved the release of the funds, seconded by Commissioner Meyer. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

The next issue reported by Mr. Prol was the Grinnell Matter and he is seeking Commissioner approval to notify Grinnell of the Authority's policy on accounts in arrears. This policy adopted in 1996 states that accounts significantly past due, are required to pay the cost of the load at disposal time, plus 50%. Total due 150% of load disposed of. Commissioner Meyer moved the notification to Grinnell of this policy and the requirement they be paid in "good funds", seconded by Commissioner Cocula. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Mr. Prol asked for Commissioner approval to execute a tolling agreement for the Indemnification Agreement with United Water. Commissioner Cocula moved that Counsel execute a tolling agreement with United Water to freeze expiration date of Agreement, Commissioner Dietz seconded. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Attorney Prol asked for Commissioner authorization to submit an appeal to challenge the nitrate limits included in the Final NJPDES Permit for the Upper Wallkill. Authorization was moved by Commissioner Cocula and seconded by Commissioner Sowden. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Lastly, Mr. Prol asked for authorization from the Board for the SCMUA Administrator to sign the Andover PUD standstill letter. Commissioners authorize Administrator to Execute Andover PUD NJDEP standstill letter while the Borough of Andover/Developer/NJDEP attempt to resolve issue with the NJPDES Permit. Commissioner Zidek moved authorization to sign standstill letter and Commissioner Meyer seconded. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Superintendent's Report

Mr. Nugent reported on Sussex Borough flow data from December through June 2011. John distributed a graph and highlighted exceedances which occurred mostly in March 2011. He reported that the Sussex Borough I&I project has been completed and noted rainfall has been light recently and are unable to tell whether project will have any impact on flows. Administrator Hatzelis indicated that the new Sussex Borough Administrator would like to meet to review the system improvements, and may expand improvements even further. Mr. Hatzelis advised him of the past surcharges which are around \$80,000, the Borough Administrator said the Clerk will follow up with the Borough Attorney.

Superintendent Nugent indicated that the Authority's rental house has been vacated since the end of June 2011. An independent home inspection was done and the repairs are very costly. He reported that the original resolution adopted in 1986 states that Hardyston Township will not be paid "in lieu" property taxes if house is vacant. Commissioner Cocula motioned to begin the process i.e. obtaining permits, Hardyston notification, and receive quotations to demolish house. Commissioner Meyer seconded, on roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Mr. Nugent updated the Commissioners on the Underground Storage Tank removal at the Upper Wallkill Facility. Petro Mechanics submitted lowest quote, sampling was done and proved no leaking oil from the abandoned tank. Project took 3 days to remove, many existing utilities to work around. He received letter from State for closure, and Norcon Environmental will submit closeout documents.

Attorney Prol indicated that the Commissioners may consider giving authorization to accept/award the SCMUA's Paulinskill Bids contingent upon Branchville's approval of their bids and to move forward with the Paulinskill Water Reclamation Project at their meeting scheduled for later tonight. Commissioner Cocula moved and Commissioner Meyer seconded. On roll call, the vote was as follows: Ayes (6) Commissioners Zidek, Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Commissioner Zidek left the meeting at 6:35 p.m.

Chief Engineer's Report

Mr. Varro reported on the Memorandum of Understanding with Edgewater Associates that was previously approved for staff and attorney review for a pilot/demonstration project for water conservation with microprocessor washing machines at a Hardyston location. The connection fees have been modified according to the example data received, as a pilot or demonstration project, with no change to the Authority's Rate Schedule at this time. He presented a resolution to authorize execution of Memorandum of Understanding with Edgewater Associates.

Commissioner Meyer moved the resolution and was seconded by Commissioner Cocula. On roll call, the vote was as follows: Ayes (5) Commissioners Sowden, Petillo, Dietz, Cocula, and Meyer. The resolution passed.

#11-86 RESOLUTION RE: AUTHORIZATION TO EXECUTE
MEMORANDUM OF UNDERSTANDING/AGREEMENT WITH
EDGEWATER ASSOCIATES, INC. FOR LAUNDROMAT SEWER
CONNECTION

Mr. Varro also indicated Edgewater Associates have submitted a TWA application to NJDEP for the construction of a sanitary sewer extension to serve the Hardyston Laundromat. He presented a resolution for the SCMUA to endorse the TWA application, staff has reviewed and recommend endorsement contingent upon Edgewater satisfying administrative and technical deficiencies. Commissioner Cocula moved the TWA resolution, seconded by Commissioner Sowden. On roll call, the vote was as follows: Ayes (5) Commissioners Sowden, Petillo, Dietz, Cocula, and Meyer. The resolution passed.

#11-87 RESOLUTION RE: APPROVAL OF TWA APPLICATION FOR
THE CONSTRUCTION OF A SANITARY SEWER EXTENSION
TO SERVE A PROPOSED LAUNDROMAT IN HARDYSTON
TOWNSHIP, NEW JERSEY

Consulting Engineer's Report

Mr. Cerenzio reported on the Paulinskill Project and the Frankford Town Center. He indicated he spoke with a representative from the NJDEP regarding the Sussex Commons hookup to the Paulinskill System. Information request by the NJDEP is being prepared for submittal prior to a meeting in Trenton. Howard Burkle of Sussex Commons spoke with Mr. Hatzelis and indicated he is anxious to hookup to the system and has funded the escrow and hopes NJDEP approvals move quickly. Mr. Cerenzio indicated in order to schedule a meeting with NJDEP an updated project report needs to be submitted with build-out information which would come from the Township's Engineer, who has previously stated a 150,000 gpd is sufficient, but it needs to be in writing and we have yet to receive that report. Hopefully will get confirmation of gallonage after Branchville's meeting later tonight. Bids for construction are set to expire on July 23rd, and Pete asked the Board to give authorization to ask the Authority's contractors to another thirty day extension for their bids. Branchville has not indicated if they have asked for an extension on their project bid. Commissioners discussed and confirmed there is no additional cost to asking for an extension. Mr. Cerenzio also indicated that he spoke with USDA reps. and the 45/55 split grant/loan is still in effect for funding, and will keep in contact to make sure nothing has

July 20, 2011
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changed. Also he reported that the USF&WL has accepted all of the sampling/monitoring plan changes and they are now final.

Administrator's Report

Mr. Hatzelis reviewed a handout on the Septage, Sludge & Hauled Sewage Revenues and noted a small increase in Septage. Connection fees will meet the projected budget for the year if Stop 'n Shop connects in this fiscal year.

c. Solid Waste Program

Superintendent's Report

Superintendent Sparnon reported that the Solid Waste Facility is in need of some Capital Equipment Improvements. He requested a meeting with the Construction Review Committee to discuss in detail for later consideration.

Chief Engineer's Report

Chief Engineer Varro reported to the Board that Solid Waste Advisory Council (SWAC) and the County recently approved an administrative action for the Solid Waste Facility's use of a Tarp-o-matic for landfill coverage for 72 hours (between close on Saturday and open on Monday). Approval was sent to the NJDEP, to which they denied as an Administrative Action, but approved the use of the tarp-o-matic to be included in the Solid Waste Permit.

Mr. Varro indicated the Authority has been involved with Gabel Associates for Renewable Energy Consultation Services including selling gas, payment methodology, marketing plan and now has a need for consultations regarding the potential sale of electricity to wastewater facility. He requested approval of a resolution for execution of agreement for extraordinary, unspecifiable services for renewable energy consulting services. The proposal is a not to exceed amount of \$14,500. Commissioner Cocula moved the resolution with Gable Associates for renewable energy consultation services with a not to exceed amount of \$14,500. Seconded by Commissioner Meyer, on roll call the vote was as follows: Ayes (5) Commissioners Sowden, Petillo, Dietz, Cocula, and Meyer. The resolution passed.

#11-88 RESOLUTION RE: AUTHORIZING EXECUTION OF AN AGREEMENT FOR EXTRAORDINARY, UNSPECIFIABLE SERVICES FOR RENEWABLE ENERGY CONSULTING SERVICES

Administrator's Report

Administrator Hatzelis reported on Solid Waste Tonnages and revenues which are up and average tip fee is currently \$97/ton. Recyclables to market are very strong and revenues are high, may be reversed for 2012.

He also indicated that he received word from Senator Oroho that there is no appropriation in the State Budget for Solid Waste Aid for Landfill Debt Service. The SCMUA 2012 Budget will have to be balanced without going into the County deficiency agreement or using revenue from the Cell Closure Account. Most likely we will be looking at a tip fee increase for 2012.

d. Authority Business

Administrator's Report

Mr. Hatzelis indicated that he received a letter from the State Treasurer's Office regarding the contract audit conducted last month. The Authority passed the inspection of documents/contracts.

He also reported that the new SCMUA website is up live and much more information is available to view. Commissioners commended SCMUA staff (R. Casapulla; J. Kinney; T. Kronski; Connor Parrott) on a job well done.

Mr. Hatzelis informed the Board that the new data system upgrade and the Solid Waste Technologies System/ Access System is working well together and should be up and running on a trial basis in August and will be running in tandem with old system. He indicated the staff will make sure the new program is running successfully before final transition in November.

e. Personnel Matters

Mr. Hatzelis indicated there will be significant changes in the State Pension and Benefits program effecting the Authority's employees. He noted we have not received much information from the State, however it seems to be current employees will be contributing a higher percentage for Medical Benefits. Contribution is now at 1.5% of salary, but will gradually be increased over a 4 year period to as much as 35% of benefits. New hires will start at the higher percentage. Regarding Pension Contributions, starting October 2011 the increase will be 1% to 6.5% of salary and eventually 7.5% over 7 years will be put towards pension. More detailed information will be forthcoming from the State and will be forwarded to Commissioners.

Administrator Hatzelis reviewed the need for Authority's/County Agencies to review post retirement benefit costs for the Other Post Employee Benefits (after retirement). Administrator asked for Commissioners approval to accept proposal from the Hay Group for actuarial services of GASB45 required Other Post – Employment Benefits analysis for the Authority, not to exceed \$7,000. Vice Chairman Sowden moved acceptance of proposal, seconded by Commissioner Cocula. On roll call: Ayes (5) Commissioners Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

Mr. Hatzelis indicated Commissioner O'Halloran has requested an excused absence from today's meeting. Commissioner Cocula moved granting an excused absence for Commissioner O'Halloran, seconded by Commissioner Dietz. On roll call: Ayes (5) Commissioners Sowden, Petillo, Dietz, Cocula, and Meyer. The motion passed.

8. FINANCIAL TRANSACTIONS

a. Payment of Bills

FINANCIAL CONSENT AGENDA – Chairman Petillo requested a motion to adopt the Financial Consent Agenda. Commissioner Meyer moved the adoption of the following resolution authorizing passage of the Financial Consent Agenda, seconded by Commissioner Sowden. Discussions requesting additional information on C&P voucher #63879, Mr. Cerenzio asked for an approval pending upon review/approval from the

Construction Review Committee of additional voucher backup information. This was agreed to by the Commissioners. On roll call, the vote was as follows: Ayes (6) Commissioners Sowden, Petillo, Dietz, Cocula, Meyer and O'Halloran. The resolution passed.

#11-89 RESOLUTION RE: AUTHORIZING PASSAGE OF FINANCIAL
CONSENT AGENDA

9. OPEN TO PUBLIC COMMENT

The Chairman opened the meeting to Public Comment, no public present, the Chairman closed the meeting to public comment.

10. COMMISSIONERS' COMMENTS/REQUEST

No Commissioner Comments.

11. ADJOURN

Vice-Chairman Sowden moved to adjourn the meeting, seconded by Commissioner Meyer. On voice vote, the motion passed. The meeting was adjourned at 7:15 p.m.

Respectfully submitted,

Andrea Cocula, Secretary