

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
November 21, 2022

Pledge of Allegiance.

The regular meeting of the Landis Sewerage Authority was called to order by Chairman Reuben at 6:00 p.m. The following members were present at roll call: Barse, Miranda, Angelo and Reuben were present. Villar was absent.

The proper notice was given to all members in accordance with the by-laws.

Chairman Reuben stated that public notice of this meeting, pursuant to the Open Public Meeting Act, has been given in the following manner:

1. Posting written notice in the lobby entrance of the Authority.
2. Hand delivering notices to the offices of the Daily Journal and The Press.
3. Filing written notices in the offices of the Authority and City Clerk.

Also present:	Dennis W. Palmer	Executive Director
	Thomas J. Post	Business Manager
	Stephen D. Barse	Solicitor
	Carol A. Ricci	Executive Assistant
	Stephen P. Testa, CPA	Auditor

It was moved by Miranda and seconded by Barse that the reading of the minutes of the regular meeting held on November 7, 2022 be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Miranda, Angelo and Reuben voted “yes”.

Stephen P. Testa, CPA presented the 2021 Audit report as follows:

We reviewed the draft audit report in detail with the finance committee and management. Copies of the draft report were also distributed to the rest of the Authority members. There were no changes from the draft to the final report. The Audit Report will be filed with the NJDLGS upon the Commissioners’ acknowledgement of review of the report. I would like to give a brief overview of the report at this time and would welcome any questions you may have.

There were no major changes or restatements necessary for the 2021 financial statements. The Authority did implement a number of GASB Statements as noted in the Governance Letter, however none of them had a material effect on the Authority’s financial statements.

The Authority received an unmodified or clean opinion on its financial statements for the years ended December 31, 2021 and 2020 as reflected on pages 1-4 which essentially

says, in our opinion, the basic financial statements present fairly in all material respects the financial position, results of operations and cash flows of the Authority for the years ended December 31, 2021 and 2020 in accordance with GAAP.

Since this audit is subject to Government Auditing Standards, there is also a report on compliance and on internal control over financial reporting on pages 5 and 6. With respect to internal control over financial reporting, there were no material weaknesses or significant deficiencies to be reported.

With respect to compliance, we noted no instances of noncompliance that were required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services of the State of New Jersey. So, there were no findings or recommendations to be reported. As a result, the Authority is not required to file a Corrective Action Plan.

I will briefly review some financial highlights. Management prepared the Required Supplementary Information, namely the Management Discussion and Analysis section which is a reader friendly summary of the financial statements including comparisons to the prior year's information, pages 7-12.

Review Exhibit B, page 15, used our comparison Exhibit B with the variances. Operating revenues which the Authority defines as user charges and fees, connection fees, income from its farm operation, lab testing fees and receiving station income, increased from \$10.424 million in 2020 to \$10.966 million in 2021, an increase of approximately \$543,000 or approximately 5.21%.

The User Charges and Fees increased \$479,000 or 4.94% due to additional industrial flows and because in 2020, a credit was issued to the Memorial Home which reduced the 2020 revenues.

Total Operating Expenses, which includes depreciation, decreased from \$11.946 million in 2020 to \$10.966 million in 2021, which is a decrease of approximately \$954,000 or 7.98%.

The Authority's costs of providing services decreased by \$743,000 or approximately 10.38% on a GAAP basis. On a budgetary basis (schedule 2) the costs of providing services increased by \$38,000 or 0.52%. GAAP was less because the pension expense paid was higher than the GAAP basis pension expense this year. The largest increases in the cost of providing services are in the areas of salaries, benefits and chemicals.

The admin and general expenses decreased by \$297,000 (13.90%) on a GAAP Basis and \$76,000 on a budgetary basis. The GAAP decrease in expenses was more than the budgetary decrease, again because the pension expense paid was higher than the GAAP basis pension expense this year.

The Authority's non-operating revenue (expenses), netted to an expense of (\$545,000) in 2021 compared to an expense of (\$912,000) in 2020, which is a positive swing of \$367,000. The primary reason is an increase in miscellaneous income consisting of insurance proceeds as a result of fire damage of trailers.

The net effect of all of this is, for the 2021, the Authority experienced a decrease in net position (equity) of (\$572,000) while in 2020 the decrease was approximately (\$2,435,000) so that was a positive swing of \$1.86 million. Note that depreciation was \$2.74 million for the year which helps create the loss and is a non-cash expense.

Those results are on a Generally Accepted Accounting Principles basis as shown on Exhibit B on page 15. On a budgetary basis, Schedule 2 on pages 47 and 48, the Authority's revenues exceeded its expenditures by approximately \$181,000. The Authority budgeted a loss of \$250,000, so the results were \$431,000 better than budgeted. Revenues were \$406,000 less than budgeted and expenditures were \$443,000 more than budgeted.

The Authority did meet the rate covenant contained in the Authority's Bond Resolution as detailed in Note 2 to the financial statements on page 28. The required percentage of debt service coverage in the rate covenant is 110% and the Authority achieved 363.84%. Note that without the use of general funds that were passed through the revenue fund in the calculation, which is allowable under the covenant language, the Authority still would have met the covenant for 2021 with 120.65%. The difference in the coverage percentage emphasizes the importance of maintaining a healthy general fund cash balance.

In Note 6, page 43, we show the breakdown of the unrestricted/undesignated net position (deficit), which is \$9.23 million deficit related to pensions, \$3.267 million positive net position before the pension impact. Those net to the \$5.960 million deficit.

The Authority Commissioners, management and its staff are to again be commended for a job well done. Dennis, Tom and the rest of the staff have done a very good job again this year as evidenced by the fact that there were no findings or recommendations reported in the 2021 audit report.

I would also point out that we have provided the Commissioners with a correspondence which is in addition to the audit report. This is known as the Communication to those Charged with Governance, which in LSA's case, we consider to be the full board. This correspondence explains the auditor's responsibilities, describes certain accounting practices, management's responsibilities, certain aspects of interaction with management and certain other matters. There were no items to be reported in the other matters section of the correspondence.

You have before you this evening, a resolution acknowledging that the audit report for the year 2021 has been received and that you have reviewed the report, particularly the findings and recommendations section, of which there were none. This resolution should be adopted and evidenced by having each of the Commissioners sign the group affidavit

form. A synopsis which is to be published in the newspaper, has also been prepared and provided to the Authority. A copy of each of these is to be filed with the NJ Division of Local Government Services. Since there were no findings/recommendations, the Authority is not required to file a corrective action plan with the State.

Lastly, the Authority is required to post the audit report on its website. We have provided the Authority with an electronic copy and once accepted by the Board, it should be posted to the website.

Dennis W. Palmer, Executive Director and Hearing Officer opened the public meeting for the 2023 budget with the following statement.

My name is Dennis W. Palmer, Hearing Officer for the public hearing. The public hearing on the 2023 budget was advertised and published on October 21, 2022. Proper notice was given in accordance with our bonding requirements and covenants. Also, the preliminary budget was approved on October 17, 2022 and submitted to the New Jersey Department of Community Affairs. As the Hearing Officer, I am advising that the 2023 budget is a 3.2% increase over the 2022 budget which was \$11,530,000 and the 2023 budget is \$11,900,000. Again, please note that even with the increase in the budget, there will be no rate increase to our customers in 2023. The increase is tied to present inflation impacts on chemicals and fuel.

A significant effort was put forth in 2016 with respect to a new loan of \$25,000,000 for infrastructure improvements. The Authority, with the new aeration system coming on line is making significant steps in energy savings in its facilities. The receiving station income has increased. The Authority is exercising its responsibility for asset management and making improvements to the infrastructure that constitute its sewerage system. With that opening statement I would like to open the floor to comments from the public. Also in attendance tonight is Tom Post, the Landis Sewerage Authority Business Manager who has prepared the budget and is also available for your questions.

Seeing that there is no public in attendance within to make comments, I duly close the public hearing and ask the Chairman to close the public hearing and move onto the regular meeting.

Chairman Reuben asked for a motion to close the public hearing. It was moved by Miranda and seconded by Barse that the public hearing for 2023 Budget be closed. Roll call: Barse, Miranda, Angelo and Reuben voted "yes".

The Chairman asked if there were any general public comments or comments on the proposed Resolutions. There were none.

Resolutions:

It was moved by Barse and seconded by Miranda that Resolution No. 2022 – 107 "Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands

are hereby approved and authorized for payment out of the Revenue Fund Revolving Payroll Account.... \$163,213.07”, be adopted. Roll call: Barse, Miranda, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Angelo that Resolution No. 2022 - 108, “Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands are hereby approved and authorized for payment out of the Revenue Fund Bills.... \$402,805.68”, be adopted. Roll call: Barse, Miranda, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Miranda that Resolution No. 2022 - 109, “A Resolution of the Landis Sewerage Authority listing payments from the 2016 Bond Issue Construction Fund adopted July 5, 2016...” be adopted. Roll call: Barse, Miranda, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Angelo that Resolution No. 2022-110, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2021 Audit report...” be adopted. Roll call: Barse, Miranda, Angelo and Reuben voted “yes”.

Reports:

Executive Director

Dennis Palmer reported that some of us were at the AEA conference and it’s been a little slow. We had the finance meeting; the treasurer’s report and we’re moving forward with getting the budget approved by DCA. When Yari gives his treasurer’s report, we continue to show positive move on income and a positive move on the expense side.

Field Engineer

Dennis Palmer reported that the manhole installation project at Mill Road and Landis Avenue was completed last Friday by Perna Finnigan and the road restoration project on East Walnut Road was completed last Friday by Arthur Henry Construction.

Also, the road restoration project on Fruit, Finch and Conley Drive was completed last week by LSA staff and Final Touch Paving.

Solicitor: No Report

Chairman:

Chairman Reuben wished everyone a Happy Thanksgiving.

Issues and Correspondence: None

Committee Reports:

Engineering/Plant:

Dennis stated that as the city comes out with their new list for paving next year, we go out and TV the lines so we see what we have to deal with.

Budget/Finance:

Yarilee Miranda reported that income is \$458,129 or 4.8% over budget and expenses are \$204,546 or 2.1% under budget. Accounts receivable decreased \$112,850. The Authority continues to be affected by the economy and is keeping a close watch on its budget.

Human Resources:

Dennis stated that we have a new intern from the University of Delaware studying civil engineering. She's coming in on Wednesday for an interview as an intern.

Also, one of our employees, Tim Foyle is retiring and we're having a party for him on December 16th.

Public Relations: No Report

Insurance Committee:

Carol Ricci reported that she received a handwritten calculation for the NJM Worker's Comp renewal. We did very well even though our experience mod went from .721 to .799. The State of New Jersey dropped their rates for our classification. The Plant went from 6.47 to 5.24 and the farm dropped from 5.87 to 4.96 and when all is said and done, it looks like our premium will decrease, with the discount, about \$12,000 and the final number will be about \$130,000 for the year even with an ongoing claim.

Allocations/Administration: No Report

Old Business: None

New Business: None

Adjournment:

At 6:25 p.m. there being no further business to come before the Board, it was moved by Miranda and seconded by Angelo that the meeting be adjourned. Roll call: Barse, Miranda, Angelo and Reuben voted "yes"

THE LANDIS SEWERAGE AUTHORITY

PERRY D. BARSE, Assistant Secretary