



**SPECIAL MEETING
PUBLIC HEARING
2012 CONNECTION FEES
MAY 1, 2012**

1. Meeting called to order by Chairman Dator at 7:30 p.m.
2. The Chairman read the statement in compliance with C.231, PL 1975.
3. Roll Call: the following Commissioners were present: Chewcaskie, Dachnowicz, Gabbert, Kasparian, Kelaher, Plumley, Salazer, Dator.
4. Salute to the Flag. The salute to the flag was led by Chairman Dator.
5. Chairman's remarks. This is a public hearing to adjust the 2012 Connection Fee.

Commissioner Chewcaskie stated that all the Commissioners should have received the report prepared by Lerch, Vinci & Higgins, dated March 8th and was distributed by the Executive Director on March 9th, which was the Study Update. At the last meeting there was a package which had the information required from Paul Lerch, Keith Henderson and Howard Hurwitz, which is the statutory required information in order to establish the connection fee.

In lieu of having the testimony, since everything is set out in writing, it was suggested that the public hearing be conducted by incorporating into the minutes the Study Update and the testimony that has been established in writing for Mr. Lerch, Henderson and Hurwitz which was in our last meeting packet rather than read it aloud. Commissioner Chewcaskie made the suggestion that the minutes reflect that the board established the connection fee based upon the documentation provided.

6. Public Hearing – Adoption of 2012 Connection Fee.

The public hearing was opened to the public for any comments on the fees. Having no public present, except for County Counsel, there were no comments from the public.

Vice-Chairman Kasparian noted that consistent with our past resolutions to this effect we are passing a connection fee of \$2,070, which is 50% of what is allowable by law. This is a decision that was made when we initially approved the first

resolution in December 2006. He feels it is the right decision to continue the policy.

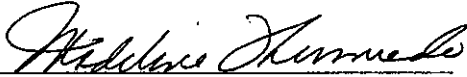
Discussion on Resolution #34-2012 by the Commissioners to adopt the 2012 Connection fee. There was no further discussion on the resolution.

7. Vote on the Resolution.

Commissioner Chewcaskie made a motion that the record on the public hearing consists of the four documents that were previously identified; the report from Lerch, Vinci & Higgins and the three documents that contain the written summation of what the testimony would be from Mr. Lerch, Henderson and Hurwitz. This was his motion, prior to any action on the resolution. Seconded by Commissioner Kasparian. All Commissioners present voted in favor of the motion.

Resolution #34-2012 Authorization to adjust Connection Fee. The resolution was offered by Commissioner Plumley, seconded by Commissioner Kasparian. All Commissioners present voted in favor of the Resolution.

8. Adjournment. Commissioner Chewcaskie made the motion to adjourn, seconded by Commissioner Dachnowicz. All Commissioners present voted to adjourn the meeting at 7:35 p.m. and proceed into the Regular Meeting.



Madeline Thumudo, Secretary

THE NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED - UPON PROCEDURES**

2012 SEWER CONNECTION FEE RATE STUDY UPDATE

**Prepared By
Lerch, Vinci & Higgins, LLP
Dated: March 8, 2012**

LERCH, VINCI & HIGGINS, LLP

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Honorable Chairman and Members
of the Board of Commissioners
The Northwest Bergen County Utilities Authority
30 Wyckoff Ave. at Authority Drive
Waldwick, New Jersey

We have performed the procedures enumerated below, which were agreed to by management of the Northwest Bergen County Utilities Authority (the "Authority" or "NBCUA"), solely to assist you in resetting the sewer connection fee effective April 3, 2012, for new users connecting to the existing NBCUA Wastewater Treatment System for the first time.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures were as follows:

- Review of statute N.J.S.A. 40:14B-22 "Sewerage Service Charges" which defines the current formula and procedures for the imposition of a sewer connection fee.
- Prepare an analysis of debt information based upon the official statements and closing documents for all Wastewater Treatment System Bonds and Notes issued from date of inception. We prepared an analysis of: i) sources and uses of funds, ii) projects associated with each bond issue, iii) bonded debt issued, iv) capitalized interest by issue, v) amounts subsequently refunded, and vi) amounts paid by issue.

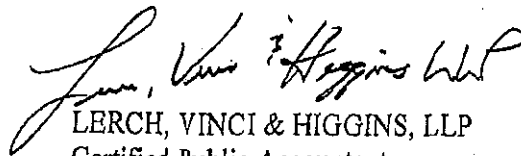
- Review audits for the years ended December 31, 1961 through December 31, 2010 for State and Federal Grant funds received to determine if any amounts received were used to defease and/or pay down bonded debt previously issued.
- Compare interest expense in the audits for the years ended December 31, 1961 through December 31, 2010 to interest paid on debt service as provided in our analysis of debt information. Investigate all differences between interest expense and interest paid on debt service as provided in our analysis of debt information.
- Compare principal paid in the audits for the years ended December 31, 1961 through December 31, 2010 to principal paid on debt service as provided in our analysis of debt information. Investigate all differences between principal paid per audit and Authority financial information and principal paid on debt service as provided in our analysis of debt information.
- Review audits for the years ended December 31, 1961 through December 31, 2010 for amounts paid from Capital Outlay.
- We reduced the total investment in the System by the amounts paid for Vehicles & Office Equipment, as these do not represent investments in the Wastewater Treatment System.
- Prepare an analysis of Equivalent Dwelling Units ("EDUs") for the Authority's Wastewater Treatment System. The NJDEP currently recognizes 300 gallons per day or 108,000 gallons per year as the average sewage flow for a single-family residence, which is 1 EDU. The number of EDUs utilized in our report was based on a five-year average of EDUs presented in sewage flow reports provided by the Authority.
- Calculate the 2012 Sewer Connection Fee Rate per EDU by dividing the total investment in the System through December 31, 2010 by the total number of EDUs.

The results of our procedures were as follows:

- The 2012 Sewer Connection Fee Rate per EDU was calculated to be \$4,140 as presented in Exhibit A.
- The total principal and interest paid by issue net of refunding for the period January 1, 1961 through December 31, 2010 is presented in Exhibit C. The total interest paid in this report is adjusted to reflect capitalized interest on applicable debt issued as indicated in Exhibit B.
- Based on our review of audits for the years ended December 31, 1961 through December 31, 2010, \$3,071,137 of Federal and State Grant funds received were used to defease bonded debt service on the 1973 A Bond Issue. In addition, \$620,000 of Federal and State Grant funds received were used to pay down the principal on the 1974 Bond Anticipation Notes.
- Based on our review of audits for the years ended December 31, 1961 through December 31, 2010, the principal and interest paid as presented in Exhibit B is reasonable when compared to amounts per audit.
- Based on our review of audits for the years ended December 31, 1961 through December 31, 2010, \$14,035,343 was spent for Capital Outlay from budgeted amounts raised.
- Audits for the years ending December 31, 1967 and 1968 as well as audits prior to 1961 were not available for review.
- Our analysis of debt information based upon our review of closing documents and official statements is presented in the appendix of this report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying financial information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Board of Commissioners and management of the Northwest Bergen County Utilities Authority and is not intended to be and should not be used by anyone other than these specified parties.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants

Fair Lawn, New Jersey
March 8, 2012

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY
SEWER CONNECTION FEE RATE STUDY
RATE PER EDU

Net Investment in System through 12/31/10	\$ 141,808,622
# of EDUs	<u>34,257</u>
COST PER EDU	<u>\$ 4,140</u>

HISTORICAL FLOW INFORMATION

<u>Year</u>	<u>Flow (in thousands of Gallons)</u>
2006	3,821,647
2007	3,556,481
2008	3,689,414
2009	3,651,858
2010	<u>3,779,192</u>
5 Year Total	<u>18,498,592</u>
5 Year Average	3,699,718
divided by :	
108,000 Gallons/EDU	<u>108</u>
# of EDUs	<u><u>34,257</u></u>

**NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY
SEWER CONNECTION FEE RATE STUDY
TOTAL INVESTMENT IN SYSTEM**

Total Debt Service Paid through 12/31/10:

Principal	\$ 60,001,717	
Interest	<u>82,447,052</u>	
		\$142,448,769
1973A Bonded Capitalized Interest for Bonds		(2,021,177)
1973A Bonded Capitalized Interest for Notes		(1,171,000)
Grants Used to Pay 1974 BAN Principal		(620,000)
Grants Used to Pay Debt Service on 1973A Bond		(3,071,137)
1984 Bonded Capitalized Interest for Bonds & Notes		(6,452,527)
1984 Bonded for Renewal and Replacement		(250,000)
2009 BCIA Bonded Capitalized Interest for Bonds		(120,448)
Capital Outlay		<u>14,035,343</u>
Total Investment in System - 12/31/10		142,777,823
Vehicles & Office Equipment		<u>(969,201)</u>
Net Investment in System - 12/31/10		<u><u>\$141,808,622</u></u>

NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY
SEWER CONNECTION FEE RATE STUDY
DEBT SERVICE PAID BY ISSUE - NET OF REFUNDED DEBT
FOR THE PERIOD JANUARY 1, 1961 TO DECEMBER 31, 2010

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1965 BANs		\$ 4,125	\$ 4,125
1966 BANs		28,500	28,500
1967 BANs		307,853	307,853
1968 BANs		700,000	700,000
1969 BANs		361,500	361,500
1969 A - 1st Issue		667,304	667,304
1969 A - 2nd Issue		630,267	630,267
1970 BANs - 1st Issue		100,574	100,574
1970 BANs - 2nd Issue		67,787	67,787
1970 B - 1st Issue		403,233	403,233
1970 B - 2nd Issue		1,533,829	1,533,829
1971 Series C		179,930	179,930
1971 - First Additional		140,254	140,254
1973 Series A	\$ 6,585,000	12,073,076	18,658,076
1973 BANs		21,700	21,700
1974 BANs	620,000	13,950	633,950
1980 Project Notes		426,250	426,250
1981 Project Notes		1,680,000	1,680,000
1982 Project Notes		1,543,833	1,543,833
1983 Project Notes		761,250	761,250
1984 Series	5,380,000	10,771,727	16,151,727
1986 Series	1,325,000	19,915,839	21,240,839
1992 Series	1,440,000	15,552,839	16,992,839
1993/2003 Wastewater Loan	11,885,693	3,678,568	15,564,261
1996 Series	13,105,000	3,640,479	16,745,479
1997/2006 Wastewater Loan	5,606,702	2,345,055	7,951,757
2004 Series	13,575,000	4,477,649	18,052,649
2008 Solar Bonds	479,322	42,658	521,980
2009 BCIA Bonds	-	377,023	377,023
	<u>\$ 60,001,717</u>	<u>\$ 82,447,052</u>	<u>\$ 142,448,769</u>

NBCUA
CONNECTION FEE HEARING
APRIL 3, 2012

PAUL LERCH

Educational Background

1986 – William Paterson College, Bachelor of Arts in Accounting

Year of CPA License

1990

When did you begin the practice of accounting

1986

Have you practiced accounting continuously since then

Yes

Serve as Auditor for NBCUA

Since 2003

Chairman qualifies Paul as Expert Witness in accounting

Did you perform an investigation for the NBCUA with respect to proposed connection fee program?

Yes

Did you render a report to the NBCUA with respect to the results of that investigation?

Yes, our report is dated March 8, 2012.

Mark Report as NBCUA – 1

Are you familiar with N.J.S.A. 40:14B-22?

Yes

In particular, are you familiar with the formula for calculating connection fees in that statute?

Yes

Did you follow that formula in preparing the report marked NBCUA –1?

Yes

1. The first step in the calculation is to determine the total investment of the Authority in the existing system?

Correct

In that context, what was the first thing you did in your investigation?

Gathered historical financial data contained in audits, bond closing documents and public offering statements for the purpose of determining amounts paid toward the cost of the sewer system funded by bonded debt, loans and temporary financings.

What did you include as amounts paid toward the cost of the sewer system?

I included all principal paid on bonded debt and loans and interest paid on bonded debt, loans and temporary financings.

How far back did you go in determining the principal and interest paid?

I went back to debt issued in 1961 and included all payments made for principal and interest through 2010.

What records were available to you in that context?

Audits and/or official statements provided the information for all principal and interest payments made on Wastewater Treatment System Bonds and Notes issued.

What records were not available to you?

Audit reports for the years 1967 and 1968, and for the years prior to 1961 were not available. Official Statements for the following debt issues were not available: 1965 BANs, 1966 BANs, 1967 BANs, 1968 BANs, 1969 BANs, 1970 BANs (2 issues), 1973 BANs, and 1974 BANs.

How did you deal with the absence of that data?

The combination of available Audits and Official Statements provided all of the information necessary to compile the principal and interest payments made on all Wastewater Treatment System Bonds and Notes issued.

What was the total amount of principal and interest which you determined?

\$142,448,769

Where does that appear in your report, NBCUA – 1?

Page 6 – Exhibit C

What steps, if any, did you take to confirm or prove the correctness of that figure?

We compared principal and interest paid as provided in the analysis of debt information contained in our report Exhibit C to principal and interest paid per the audits for reasonableness.

Did you include any adjustment for inflation?

No

Did you include any compounding of interest?

No

How did you treat defeasance or refunding bond issues?

Any bonded debt which was subsequently defeased or refunded was not included in the amounts paid toward principal and interest. The defeased amounts were eliminated from the scheduled debt service payments contained in the closing documents and official documents and therefore was not included in the total cost

In other words, you were careful not to count the same principal amounts twice in the case of bonds which were defeased or refunded.

Correct

How did you treat capitalized interest?

Capitalized interest was not included in the calculations and was eliminated from the scheduled debt service payments for interest contained in the official statements.

Again, you were careful not to include the same interest payments twice in your calculation

Correct

How did you treat scheduled future debt service requirements?

Future debt service requirements as of December 31, 2010 were not included in the calculation. The sewer connection fee should be adjusted on an annual basis to reflect the future debt service payments as they occur.

Where do those items appear in your report?

Page 18 – Exhibit G

2. Did you determine the total capital expenditures funded by capital outlay, in other words, any amounts paid for capital expenditures from the Authority's own funds and not from the proceeds of bond issues?

Yes

How did you go about determining the amount paid from capital outlay?

Summarized the amount of capital outlay which was expended per the Authority's audits for the period 1961 through 2010.

How did you treat vehicles and equipment in this context?

In order to be conservative, we assumed that all purchases made for vehicles and equipment not related to the sewer system were paid from capital outlay expenditures. The amount of capital outlay expenditures was then reduced by the amount paid for vehicles and equipment not related to the cost of the sewer system.

How did you go about determining the value of the vehicles and equipment purchased (i.e. – non-infrastructure assets)?

I reviewed the audited fixed asset report for vehicles and equipment as of December 31, 2010 to determine the portion of amounts paid for vehicles and equipment which were not paid toward the cost of the sewer system.

What were the results of that determination?

I determined that out of the \$14,035,343 spent from capital outlay for the period 1961 through 2010, \$969,201 was spent on vehicles and equipment.

Where does that appear in your report?

Page 5 of my report – Exhibit B

3. Under the statute, the next step is the total of all gifts, contributions & subsidies

Correct

What investigation did you do in that context?

Review audits for the years 1961 through 2010 as well as financial data to determine if any grant awards, gifts, contributions or subsidies were used to defease debt.

How do you know that Grant Proceeds were not included in the capital outlay spent as part of the budget process?

The grant awards have guidelines established which require that these funds are separately accounted for outside of the budget process. I reviewed audits to ensure that the grant awards were not included in the operating budget where capital outlay is paid from.

What did you determine as to whether any grants or gifts needed to be included in the calculation?

**\$3,071,137 of Federal and State Grant funds received were used to defease bonded debt service on the 1973 A Bond Issue.
\$620,000 of Federal and State Grant funds received were used to pay down the principal on the 1974 Bond Anticipation Notes.**

What did you determine as to whether any contributions or subsidies needed to be included in the calculation?

There were not any contributions or subsidies received that needed to be included in the calculation.

4. The next prong under the statute is the amounts paid to the NBCUA by any public entity on account of capital costs

Were there any such costs paid?

There were no costs paid by any public entity toward capital expenses as per NBCUA representation.

5. Did you then calculate the NBCUA's net investment in the sanitary sewer collection and treatment system permissible under the statute?

Yes

How did you go about calculating that amount?

The results of my calculation are presented in my report on Page 5 – Exhibit B.

What did you determine the net investment in the system to be?

\$141,808,622

6. The next step under the statute is determining the average daily flow from the average single family residence in the service area to compute a base service unit

Correct

How did you go about determining that number?

I contacted the NBCUA's consulting engineer Keith W. Henderson from T&M Associates and relied on his recommendation of 300 gpd as the average daily flow for a single family residence, which has been used to determine the equivalent service unit for the NBCUA

7. The next step was a determination of the total number of equivalent service units in the service area

How did you go about determining that?

I used the NBCUA 2010 Historical Flow Information for the last 5 years by member municipality. I then averaged the 5 years and divided the sum by 108,000 gpy (or 300 gpd) to determine the number of equivalent service units.

Why did you average 5 years of flow?

In order to be conservative and discount the possibility of an aberrant year based on above average or below average rainfall

What did you determine to be the number of equivalent service units in the NBCUA system?

34,257

Where does that appear in your report?

Page 4 – Exhibit A

8. The next step was the calculation of the connection fee cost per service unit.

How did you go about that calculation?

We divided (i) the net total investment in the system (i.e., the total debt service and total capital costs paid) by (ii) the number of equivalent service units

What did you determine that number to be?

\$4,140

9. The connection fee statute requires that the combination of the NBCUA's service charges and the connection fees will meet the requirements of N.J.S.A. 40:14B-23. What is your understanding of that statutory requirement?

That the combination of service charges and connection fees of the NBCUA will at all times be adequate to pay all of the expenses of operation and maintenance of the system without creating a windfall to the Authority.

Does the combination of the service charges and the proposed connection fees meet that requirement?

Yes

NBCUA
CONNECTION FEE HEARING
APRIL 3, 2012

KEITH HENDERSON

What is your educational background?

I have been awarded a Bachelors Degree in Civil Engineering from Drexel University, a Masters Degree in Environmental Engineering from Manhattan College and a year of post Masters study in Biochemical Engineering at Drexel University.

What licenses do you hold?

I hold Professional Engineering Licenses in New Jersey and Pennsylvania. I am also a Licensed Professional Planner in New Jersey and a Licensed Land Surveyor in Pennsylvania.

How long have you been an engineer?

I have been an engineer for 34 years and a Professional Engineer for 31 years.

How long have you served as Engineer for NBCUA?

I have served as one of the NBCUA's engineers since 2004.

What is your recommendation as to the daily flow for a single-family residence to determine the equivalent service unit for the NBCUA?

The amount of flow attributed to a single family, three-bedroom residence is 300 gpd. This is the industry and NJDEP standard and is widely utilized to estimate sewage flows.

What is that based upon?

The NJDEP standard was established in NJAC 7:14A-23. The regulations also include flow standards for many other types of buildings and uses that have been incorporated into the NBCUA's connection fee program.

NBCUA
CONNECTION FEE HEARING
APRIL 3, 2012

HOWARD HURWITZ

After determining the connection fee cost per service unit, the Authority requested that you apply a reduction across-the-board to reach a lower fee.

The Commissioners determined that the cost of \$4,140 was onerous and asked that the staff investigate connection fees at other facilities. Based on this investigation, I recommended to the Commissioners that a reduction (of approximately 50%) be applied to the actual cost of \$4,140.

By applying the reduction of 50% across-the-board, is the resulting reduced fee fair and reasonable?

Yes. The recommended 50% reduction will result in a Connection Fee of \$2,070, which is considered fair and reasonable when compared with other connection fees within New Jersey.