

NORTH HUDSON SEWERAGE

AUTHORITY MINUTES OF

REORGANIZATION MEETING

FEBRUARY 4, 2016

At approximately 6:38 p.m., Assistant General Counsel, Michael I. Rubenstein called the meeting to order. In attendance at the start of the meeting were Commissioners Marotta, Soares, Velazquez, Gardiner, Kappock, Assadourian, Vargas and Zucconi. Commissioner Roque participated by phone.

Counsel Rubenstein advised that this was the annual reorganization meeting, which was a regularly scheduled meeting of the Authority, and that pursuant to the Open Public Meetings Act, notice of the same had been sent to the Jersey Journal, Star Ledger, the Clerks of Hoboken, Union City, Weehawken and West New York and the Hudson County Clerk, with a copy thereof posted on the Authority's bulletin board.

Upon motion by Commissioner Assadourian, seconded by Commissioner Marotta, Resolution 16-001 electing Brian Kappock as Chairman of the Authority was adopted with a vote of seven in favor and Commissioners Kappock and Commissioner Roque abstaining. Thereupon, control of the meeting was transferred from Counsel Rubenstein to newly elected Chairman Kappock.

Upon motion by Commissioner Kappock and seconded by Commissioner Assadourian, Resolution 16-002 authorizing the election of Libero Marotta as Vice Chairman of the Authority was unanimously adopted.

Upon motion by Commissioner Kappock, seconded by Commissioner Marotta, Resolution 16-003 authorizing the election of Anthony Soares as Treasurer was unanimously adopted.

Resolution 16-004 was not voted upon as there was not to be an Assistant Treasurer.

Upon motion by Commissioner Kappock, seconded by Commissioner Marotta, Resolution 16-005 authorizing the election of Commissioner Zucconi as Secretary of the Authority was unanimously adopted.

Upon motion by Commissioner Kappock, seconded by Commissioner Assadourian, Resolution 16-006 authorizing the election of Commissioner Velasquez as Assistant Secretary of the Authority was adopted with eight (8) in favor and Commissioner Velasquez abstaining.

Thereupon, Chairman Kappock next made the Committee Assignments as follows:

Finance and Personnel Committee: Chairperson Brian Kappock, Members: Libero Marotta, Anthony Soares, Linda Kish and Richard Wolff.

Facilities Review Board Committee: Chairperson Libero Marotta, Members: Brian Assadourian, Brian Kappock, Frank Leanza, Fred Pocci and Richard Wolff.

Education/Communication Committee: Chairperson Ericka Zucconi, Members: Ruben Vargas, Brian Assadourian and Richard Wolff.

Litigation Committee: Chairperson: Alejandro Velazquez, Members: Libero Marotta, Brian Kappock, Frank Leanza and Richard Wolff.

Executive Director Wolff explained the items listed on the consent agenda. It was decided that each resolution on the Consent Agenda would be separately considered and voted upon:

Resolution 16-007 The Designation of Official Newspapers. N.J.S.A. 10:4-6 requires that the Authority transmits notices to two newspapers, one of which shall be designated by the public body as the official newspaper to receive public notices because they have the greatest likelihood of informing the public, within the service area of the Authority, of its meetings and notices. This Resolution designates the Jersey Journal as the Authority's Official Newspaper.

Upon motion by Commissioner Velazquez, seconded by Commissioner Assadourian, Resolution 16-007 for the designation of Official Newspapers was unanimously adopted.

Resolution 16-008 The Designation of Official Depositories. The Authority is required by law to designate New Jersey institutions which will be depositories of its funds for the ensuing year. This Resolution designates the Bank of New York and TD Bank as the Authority's official depositories which did not change from the prior fiscal year.

Upon motion by Commissioner Assadourian, seconded by Commissioner Soares, Resolution 16-008 for the designation of Official Depositories was unanimously adopted.

Resolution 16-009 Establishing the Schedule of Meetings for Fiscal Year 2017. Meetings occur on the third Thursday of each month. The only exceptions are the November and December meetings which are scheduled a week early due to holidays.

Upon motion by Commissioner Marotta, seconded by Commissioner Velazquez, Resolution 16-009 establishing the schedule of meetings for fiscal year 2017 was unanimously adopted.

Resolution 16-010 Establishing the Schedule of Holidays for Fiscal Year 2017. This Resolution approves the list of paid holidays for Fiscal Year 2017.

Upon motion by Commissioner Marotta, seconded by Commissioner Assadourian, Resolution 16-010 establishing the schedule of holidays for fiscal year 2017 was unanimously adopted.

Resolution 16-011 Designating the Authorized Representative of the Authority. The Authority recognizes the need to designate authorized representatives to approve and certify various documents which pertain to the execution of ordinary Authority business, such as, but not confined to, the approval of permits and applications to the NJDEP, the transfer of Authority funds and the execution of contracts approved by the resolution of the Board, the approval of Arrears Agreements with delinquent ratepayers and the direction of work performed by the various firms doing business with the Authority. This Resolution designates Richard J. Wolff, Executive Director, as the authorized representative of the Authority. Additionally, Fredric J. Pocci, P.E., Authority Engineer, is designated as the authorized representative of the Authority for the purpose of executing permits, applications and reports to the N.J.D.E.P., guiding the direction of operations and engineering work performed by firms doing business with the Authority and the execution of capital contracts approved by the resolution of the Board.

Upon motion by Commissioner Velasquez, seconded by Commissioner Assadourian, Resolution 16-011 designating the authorized representative of the Authority was unanimously adopted.

Resolution 16-012 Designation of the Public Agency Compliance Officer. The Authority is required by the New Jersey Department of the Treasury, Affirmative Action Office, to designate a Public Agency Compliance Officer. This Resolution designates Belissa Vega to be its Public Agency Compliance Officer.

Prior to motion, second and vote, Commissioner Kappock inquired if there was special training that was required for this position to which Director Wolff advised that there was not.

Upon motion by Commissioner Velazquez, seconded by Commissioner Soares, Resolution 16-012 designating the public agency compliance officer was unanimously adopted.

Resolution 16-013 Designating a Custodian of Records. New Jersey's Open Public Records Act (OPRA), requires among other things, that governmental entities of the State of New Jersey to designate the custodian of such records as to whom requests for access are to be presented. This Resolution designates Sharon Jicha as the custodian of records pursuant to

OPRA.

Upon motion by Commissioner Velasquez, seconded by Commissioner Assadourian, Resolution 16-013 designating a custodian of records was unanimously adopted.

Resolution 16-014 Approving the Wastewater Service Charge Resolution for FY 2017. The Resolution seeks approval of the User and Facilities Charge Rates for sewerage collection, conveyance and treatment services to be rendered to customers in NHSA's service area including minimum bills and available exemptions to User Owners based on age and disability. Pursuant to NJSA 40:14A-8, the Authority is authorized to set rates and collect service and facilities fees to defray the cost of operations and maintenance, to pay debt service and to establish adequate reserves. Earlier in the evening, Assistant General Counsel, Michael Rubenstein conducted the rate hearing taking testimony from Authority Financial Advisor, Edward Markus.

Director Wolff spoke of the importance of the passage of the rate resolution that essentially confirms budget approval and to ensure institution and follow through with capital maintenance and operations programs and projects such as the Hoboken manhole project. He noted a 4.8% budget increase from the prior year much attributed to DEP mandated capital improvements and fees paid to North Bergen and Jersey City for treating a portion of the flow from Union City. But for these items, the increase would have been only 1.5%. He noted that the portion of the budget allocated to professional service contracts does not represent any increase at all from last year. He further noted that the budget for personnel represented only 2.5% of the budget and the operations budget increase related to OMI represented only a cost of living increase. Finally, Director Wolff noted that the rate increases were an inevitable part of continuing fiscal responsibility and to ensure that the Authority could fulfill its responsibilities to the DEP and member municipalities to ensure the integrity of the sewer system infrastructure and payment of significant debt service costs. He further noted that the 4.5% rate increase was less than the prior year.

Upon motion by Commissioner Assadourian, seconded by Commissioner Soares, Resolution 16-014 seeking approval of the Wastewater service charge resolution for Fiscal Year 2017 was rejected because the required 7 votes in favor of the resolution were not secured. The actual vote yielded 6 in favor and 3 against with Commissioners Roque, Marotta and Velasquez voting against the resolution.

Whereupon, a discussion ensued among the Commissioners concerning the impact of the rejection of the rate resolution and rate increase. The commissioners that voted "no" all concurred that their "no" vote was geared toward protection of their constituents in the cities that they represent who were having difficult times making ends meet and could simply not afford to pay the rate increase that was contemplated.

Commissioner Soares noted that the result of the failure of the resolution will mean that capital maintenance and repair plans will suffer cutbacks which would have negative ramifications for all member municipalities and the people that live there. He stated that the

Authority runs a lean operation and there is not a lot of excess in the new budget and that the commissioners would be best to reconsider so that this resolution could be passed.

Director Wolff noted that 65% of the budget is devoted to debt service and only 2.5% to personnel and much of the rest to DEP/EPA mandated projects and that the rate increase ensures that the Authority could satisfactorily do its work and complete the projects. That, the short term response to rejection of the rate increase would be to shrink capital programs because there is no other place in the budget that \$3,000,000 in cost reductions could come from. He noted that our past efforts with capital improvements and maintenance ensures that our sewer system remains operable and in good condition and this eliminates the disasters endured that have arisen in other sewer districts because of the lack of attention paid to the condition of their systems.

He further noted that much of the Authority's approximately \$380 million in debt began in 1989 and continued through the Authority's acquisition of the West New York plant and the evolution of this debt pertained to the spending on sewer infrastructure and maintenance and was unrelated to daily operations. He noted that recent EPA inspections yielded no required system upgrades while Jersey City had to spend \$55 million and they do not have a treatment plant.

Commissioner Soares again noted that we could ill-afford to allow a reduction in infrastructure spending since each municipality and its residents would suffer. He specifically noted that if any resident was concerned about a rate increase, it was telling that no member of the public appeared to be heard at the rate hearing that was conducted just prior to the reorganization meeting despite notice of the meeting being duly advertised.

Director Wolff then discussed an affordability program and initiative that has been in the planning and discussion stage. It was noted that the Authority is cognizant that any rate increase would have a more significant impact on ratepayers of lesser financial means. Accordingly, the Authority is exploring the institution of an affordability program that might grant some accommodation such as free sewer service up to a certain number of gallons or reduction in sewer billings to those in need. In addressing ratepayer qualification for the program, Director Wolff gave hypothetical examples of eligibility criteria such as Section 8 or other energy assistance program qualification while actual qualification requirements for the Authority's affordability program have yet to be determined.

Director Wolff also noted that the recent S&P report confirms that the Authority's billings for sewer use constitutes only 1.3% of Hudson County median income which is a very small percentage. He also noted that with the rejection the resolution, 1st quarter bills would have to be sent with last year's rates and there would be a significant and unfortunate lack of revenue.

Commissioner Soares asked the commissioners that voted "no" to reconsider given the impact on the Authority's capital and infrastructure improvement plan and the good work being

done with respect to the affordability initiative would give a break to those ratepayers that truly could not afford to pay the rate increase given their financial circumstances.

Director Wolff then entertained Commissioner questions about changing the rate and re-voting on the resolution with a lower rate at the next monthly meeting on February 18th. In response, it was noted that with a new rate, there would have to be state approval and a new rate hearing and that could not be accomplished before the 1st quarter bills had to be sent. Once sent based upon the prior fiscal years rates, that increased revenue would be lost and could not be recouped on a retroactive basis.

Whereupon, after much discussion that included the Authority's dedication to its affordability initiative including comment from Authority Financial Advisor, Edward Markus that this affordability plan has been in the planning stage for the Authority and has previously been instituted with his assistance in other jurisdictions where he also serves as financial advisor, it was decided that the Commissioners would then move forward with a second vote on Resolution 16-014 seeking approval of the Wastewater User Charge Resolution.

Upon motion by Commissioner Assadourian, seconded by Commissioner Zuconi, Resolution 16-014 seeking approval of the Wastewater service charge resolution for Fiscal Year 201 was adopted by a vote of 7 in favor and 2 against with Commissioners Marotta and Velasquez voting against the resolution.

Chairman Kappock called for new business and hearing none, accepted Commissioner Marotta's request for comment. Marotta noted that certain Hoboken Council persons had commented that public impression about the Authority was that its activities were shrouded in secrecy as evidenced, for example, by public meetings that lasted all of 20 minutes. In response, Commissioner Marotta took umbrage with such comments as being wholly inaccurate.

Commissioner Velazquez then read into the record a letter from Mayor Brian Stack that set forth his firm belief that the 4.5% rate increase was not in the best interest of his constituents and was not in accord with a recent bill that he supports that seeks to cap municipal budget increases to 2%.

Next, Commission Soares asked Director Wolff if NHSA was entitled to state aid in the manner of certain municipalities and Director Wolff commented that it was not.

Whereupon, Chairman Kappock called for public comment. Seeing no members of the public who wished to be heard, at approximately 7:39 p.m., upon motion by Commissioner Assadourian, seconded by Commissioner Velazquez, it was unanimously resolved to adjourn the meeting.