

Minutes of a Special Meeting of the Mayor and Council, held on the above date in the Keyport Central School All Purpose Room, Broad Street, Keyport, N.J. pursuant to being called by the Mayor and Council in accordance with the Open Public Meetings Act. Notices were faxed to the Asbury Park Press, Courier, Independent and Two River Times and posted on the Bulletin Boards.

Mayor Merla called the meeting to order at 7:02 P.M. and read the Sunshine Law Notice.

ROLL CALL

On Roll Call the following were present: Councilmembers Hyer, Stalter, Green. Absent: Councilmembers Bergen (arrived 7:50 P.M.), Atkins, Doyle (arrived 7:07 P.M.). Other present: Mr. Kain, Borough Attorney, Mr. Freda, Borough Engineer, CFO Fallon, Gina Carle, Special Legal Counsel and Noreen White, Special Financial Counsel and Judy Verone.

HEARING

1. **The Borough of Keyport providing for the acquisition of the borough of Keyport's Water and Wastewater Systems.**

Mayor Merla said this is the first of two Special Meetings. The second meeting will be held on October 9, 2003 at the Keyport First Aid Building, 1927 Atlantic Street, Keyport, NJ. The Mayor thanked the Board of Education for allowing the Borough to use their facility.

The Mayor introduced the professionals in attendance: Noreen White, Financial Advisor, Judy Verone, Gina Carle, Esq., Engineer Freda, Attorney, Kain and CFO Fallon. Dennis Sullivan is President of Middlesex Water Company who was the highest bidder for this project.

Mayor Merla said Phase I of this project is to introduce an Ordinance which was done (Ordinance 21-03) and hold hearings. A question will be listed on the November Ballot. Should the Borough stay in the water business and provide some quality or get out of the water business, sell to a private company who would be providing the same service.

Mr. Doyle arrived at 7:07 P.M.

Mr. Sullivan introduced Mike Walsh of Shorelands Water Company and Rich Risolde, Water Quality Specialist. Middlesex Water Company is located at exit 131 off the Parkway. The main treatment plant is in Edison and has been there for 30 years.

A slide presentation was given regarding water and wastewater. Middlesex Water Company has been in business over 100 years and serves a quarter of a million people (Metuchen, South Amboy, Old Bridge, Aberdeen, etc). Middlesex Water is owned by shareholders and regulated by the Board of Public Utilities and the DEP. Delaware PSE has subsidiaries that operate in Perth Amboy for about 6-7 years.

Mike Walsh of Shorelands said since 1926 they have provided water on an emergency basis. In 1990 they began to provide water to NJ American. Shorelands has 30 employees and is close for an early response that may be needed; they respond to Hazlet, Holmdel, Union Beach and Aberdeen. As far as infrastructure, Shorelands works on small and large mains. They have renewed unlined ductile pipes, scrap out, build up and line. Shorelands has a testing lab for water quality and the municipalities are copied on the reports.

The Shorelands Treatment Facility provides water, security and back up generation during storms; there were no outages with Hurricane Isabel. As far as security, Shorelands is doing a lot. They communicate with local agencies and their Health and Emergency Management Departments. Perth Amboy has a successful operation with their water plant and wastewater systems. Improvements have been done to the treatment plants, fire flows, etc. The value is to work with the customers; people are trained for this system and Shorelands would like to be partners with Keyport.

PUBLIC PARTICIPATION

The Meeting was opened to the public for comments or questions at 7:16 P.M. Sam Minar, First Street, asked what were their charges vs. Keyport. In 2004 Keyport's rate would be 40% and in 2011-20% to recoup our investment. The Borough would be charged for the water meters. Mr. Sullivan said it will cost money to improve the system. Mr. Minor said he would vote for Keyport to keep the water and wastewater systems. The Borough has purchased two fire trucks. Middlesex Water will charge us for everything they do. The Mayor said he appreciated Mr. Minor's comments. The law states that the municipality must do what they have to do. For over 17 years there have been a lot of issues to run the municipality; we take each item on its own merit. This meeting was called to inform the residents of what may take place. This is a Borough issue that involves everyone and Council is trying to make an educated decision. The Borough does not have a leak detection program for the plant.

Jennifer Henning, 102 Main Street, asked if the Borough was expecting a detailed analysis. Mayor Merla said the Borough professionals are handling this. Mrs. Henning asked about Perth Amboy and if a contract would be needed to operate the systems. Perth Amboy owns their system and they set the rates. It was asked if there is a figure of cost on the infrastructure. Mike Walsh, Shorelands, said Keyport did not have a study done and Shorelands is going in "blind". The proposal submitted met the documents. An assessment of need will dictate the rate increase.

Mr. Bambi, Atlantic Street, asked why the systems would be awarded to Middlesex Water. This is a Capital Program (\$8-9 million); bonding or stockholders would provide the funding. It was asked if there were State loans for an Infrastructure Trust if the Borough kept the systems and would we be eligible; yes. Mr. Bambi asked if Middlesex Water or Shorelands Water are candidates for take over (their company could be bought).

Mitch Meyerson, Church Street, asked if the company works for a profit (do they get paid)? Yes. The water rate could be increased 52.3% and the sewer rate could be increased 54.0%. The cost of buying the system would be what sets the rate increase. If a pipe breaks, Keyport would fix it. It was asked if someone would work on the Keyport Management team. Mayor Merla said there would be a flyer distributed to educate people. Preventive Maintenance is required for the system. The decision that is made would be in the best interest of the Borough of Keyport. The Mayor said 40% may be high after the leak detection is done and 40% would balance the budget. As the streets are paved, the water and sewer lines can be replaced. Channel 14 stated the Borough would be better off to stay in the water business. Mayor Merla said this matter has to be put on the ballot. The Mayor clarified with Ms. Carle, Legal Counsel, that the Borough cannot sell the water systems unless it is on the ballot. Mrs. Henning said the Borough did not have to be put on the ballot.

Mr. Doyle said the meetings were advertised.

Bob Wilson, Chingarora Avenue, asked about the fire hydrant charge and if \$125,000 was for the whole town. The Borough could have spent money on rebuilding and there are 150 hydrants.

A Broad Street resident asked if someone is buying a home in town and an inspection is done, would the dividends go to the stockholders; yes. Mr. Sullivan said it depends on the amount of money paid and what improvements are made; the rates that are set on that basis by the Board of Public Utilities.

Frank Vella, Maple Place, said at the September 5th meeting there were attendees against the sale. He asked if the Borough could undertake such major improvements. With regard to the quality of water, Mr. Vella said he has filters. He asked if the same water will flow whether the Borough keeps the systems or sells them. Mr. Walsh, Shorelands, said the waters are treated by DEP Standards through Shorelands and NJ American Water.

Mayor Merla said the Borough sends a CCR report each year to the DEP and he did not see anything bad in the report. It was asked if the Borough was

completely flushed; no, some hydrants (private) were not opened. Keyport ran the Plant for 7 months of the year and the other 5 months we purchased water. The water is being treated at the Water Plant daily; either way, the quality of water will be the same. It was asked if the plants will be relined; yes. Mayor Merla said a leak detection program would be done and the bad spots would be repaired first; the Borough does have the ability to reline. It was asked if it could be determined how far the Borough can go with the infrastructure; the Borough may have to go outside.

Ms. McLaughlin asked why Middlesex Water or Shorelands are interested in buying the systems. Mr. Walsh said they are in the business, would be making an investment; they are involved with the water process and could operate the plant efficiently and better.

Mr. Bergen arrived at 7:50 P.M.

Fran Tango, Washington Street, said the consensus appears to be not to sell the plant. The Borough should focus on the numbers; there will be an increase from day one and the rates would be higher than if we owned and ran the plant ourselves. The problems with the systems should be dealt with according to severity. The increase (40-20-20) does not matter as long as the system is repaired. Mayor and Council are here to serve the residents and must provide all of the facts. The Borough cannot afford to sell the systems and the decision will be made at the November election. Keyport can fix the problems.

Mayor Merla said there are meetings, an Ordinance was introduced and scheduled for adoption and the residents are allowed to speak at the Hearing. In 1990 the Borough received criticism and was told it could not operate the Water Plant 12 months of the year. The Borough did not fight hard enough against the BRSA and in the end Keyport lost. Mayor and Council are here to give the residents a choice; no one on Council has stated they are in favor of selling the plant. Ms. Tango said it is her money paying for this, so it is her water. She said her bills were \$80 and now they are \$200. Ms. Tango said she has a right to a Hearing and a right to vote. She said she came to this meeting to hear the facts and be educated and to be civil. If the Borough were smart, it would go for grants and keep sight of the numbers. The Mayor said the Borough's debt is spread out. Mr. Bergen said the question does not address future rates. Ms. Tango recommended the facts be put on the cable channel and the Borough's website. Mr. Bergen said Middlesex may have rate increases and he does not agree with Keyport's rate increases which generate surplus. Ms. Tango said Council is naïve, these companies are here to make profit; the CFO has the figures. In 1988, surplus was over \$600,000. Ms. Tango said she would like the facts presented to her and would like the financial figures. After the Borough repairs the bad spots, the rates should stabilize. Mr. Bergen said the repairs may not reduce the resident's cost. Mayor Merla said the Borough never did an audit on unaccounted water; this is a big loss. If the borough can fix the unaccounted water loss, it can reduce the rate to under 5%. Mr. Bergen said the water is pumped to the homes and if the costs stay the same or they go up, it affects the rates. Mr. Bergen said \$400,000 could be generated and rain water is being treated at the BRSA, we are operating less at capacity.

Karen Dunn, Broad Street, asked what Highland Park's cost was to reline the lines. The Mayor said they did the water portion first (\$12 million) and then the sewer portion (\$12 million) through bonding for 20 years. The Borough has 26 miles of roadway.

Joanne Staeger, Main Street, asked if this was contingent upon BPU approval and when it would take place; yes, after the November election.

Mrs. Wilson asked what the debt is; we have \$1.1 million outstanding debt.

She asked about Keyport's Water Plant and what happens if they have no use for it; the Mayor said he was not sure. It was asked what the 40% increase is for? CFO Fallon said there was a 22 year projection done by the Financial Advisor and Engineer. In 2004, there was a 40% rate increase and the Borough had \$4,000 in surplus which barely balanced the 2003 budget. The Borough owes \$800,000 more to the BRSA. CFO Fallon said 2003 was a rainy year so we owe an additional

\$500,000. Mr. Bergen said the Borough receives an estimated bill and the actual bill that comes in March is different.

CFO Fallon said to replace meters, the cost would be \$121,000, we have a Capital Reserve of \$50,000 each year; at the end of 2004 we were left with \$60,000. The Replacement project is a \$32 million project. In 2006, the Borough would initiate a program to repay the fund. Rates should be set for longer than one year. Mr. Bergen said the Borough has employees that work for the utilities; \$492,000 in salaries. A portion of these salaries are charged to the utilities and insurance. If the Borough moves the costs from the Utility Fund to the Current Fund, taxes will go up. Residents pay for taxes and water and sewer. The Mayor said there was a surplus in the 1980's.

Sam Minor said there is a \$27,000 increase from New Jersey American and asked why the Borough is rushing? The Mayor said this started two years ago and the Borough has followed the letter of the law. Mr. Doyle said everyone is here this evening so the public can listen to the expert's opinions.

Ray Weber said he owns property in Keyport and is a customer of Shorelands Water and Keyport Water. He asked what the rate per cubic foot is. Keyport is \$36.50 per 450 cubic foot, Middlesex Water is \$2.60 per 1,000 gallons and Shorelands is \$3.47 per 1,000 gallons.

Mitch Meyerson asked how much would 40% be on a \$32 million infrastructure. CFO Fallon said in 2004 nothing; we have the BRSA cost and there was no surplus. The figure of \$32 million was received from the Borough Engineer; it was asked what this figure was based on? Engineer Freda said there was no study done it was based on the Request For Proposals. Information was based on research, the Licensed Water Plant Operator and Public Works' records; an accurate number cannot be given.

Jennifer Henning questioned Council not knowing the status of the infrastructure it has. She asked why the study was not done before this came to be? Engineer Freda said this should have been done 20-30 years ago. Mayor Merla said two years ago a company conducted a leak detection on Beers Street and a large portion of the town was looked at.

Noreen White, Municipal Advisory Partners, said she did services regarding managing the Plant vs. selling the plan. The first step was looking at a management contract; this was not cost effective. Companies expressed an interest in purchasing the plant. Questions were raised regarding Keyport keeping the system and the cost involved. Rates would be raised for 5 years on average. There will be BRSA increases in 2004. The Engineer felt the project would cost \$32 million over 20-30 years (Trust Program at the loan). The projection is based on the data that that you have and once you are in the system, you can prioritize the needs. There was a question on how to make the plan self-sufficient. Ms. White said the projections are in the Clerk's Office.

Gina Carle, Legal Counsel, said she gave advice on the transactions of the Water/Sewer portion of the project. She said she was hired at the end of 1999 to conduct a private/public investigation. She said for the Borough to retain the system and rates, the numbers were not manageable. There was an interest from someone to purchase the system. Ms. Carle said she looked into another State Statute, prepared the bid and the Borough is required to adopt an Ordinance to place a question on the November ballot. If the public votes against the sale of the Plant, there is no authorization to sell and if the public votes in favor of the sale, the Borough can vote against it. These hearings are not required under the Statute. If the sale is approved, then the Borough can negotiate the sale.

Mr. Wedick, 17 Therese Street, asked about the Public/Private scenario. It was asked about money on the Capital Improvement? Ms. White said it would be above the \$25,000-\$50,000 range for private industry. This is a major Capital improvement and the Borough would be required contractually; we would bond and use rate fees. An emergency appropriation could be done.

Ms. Henning asked if four Councilmembers were for the public/private scenario and two Councilmembers for the purchase of the Plant. Mr. Bergen said Middlesex Water was the only one to bid \$7.5 million.

Mrs. Wilson asked what was the cost of the study; CFO Fallon said \$30,000 for both processes.

Mr. Meyerson asked where the surplus went. The last rate increase was in 1994; we went from 140% to 160% on the sewer rate. For 9 years, the Borough did not move the water/sewer surplus to the current. The Insurance charged to the utility brought the cost to a reasonable amount. The surplus was used in the current fund for tax relief. Mr. Bergen said it was transferred for Tax Relief.

Mayor Merla said in 1990, the State mandated the Borough to purchase water; at this time the sewer rate was 200% and was rolled back to 140% and then increased to 160%.

Mrs. Henning asked if the Borough could set the rate at any percentage. Mayor Merla said the water/sewer surplus was transferred to the current account and the formula was O.K. by 4 CFOs. Mr. Bergen said the Borough's contract with Manasquan water runs out in 2013. The Mayor said it was a direct order from the State and the fines were waived by the state (Mayor Flynn was 10 days behind in signing the contract). The Borough has spent \$7 million since the order was signed to purchase water.

Engineer Freda said municipalities as far down as Brielle were told they could not pump water. Mr. Bergen said the Borough will generate more revenue as development is done throughout the Borough. Our sewer connection fee is too low and should be raised for new construction.

Mayor Merla said the Borough is not a voting member of the BRSA. We opposed the expansion of 8 million gallons to 16 million gallons per day; as of this date, the Borough has not met the 8 million gallons. The unaccounted water is from the large properties.

Ms. Carle asked why the Borough is being charged so much and Hazlet and Holmdel pay less. The Mayor said most of the BRSA bill is debt service. Mr. Bergen said Hazlet has a sewerage authority. Union Beach is lower than Keyport.

Mrs. Henning asked if the Water Systems are sold, what happens to the water plant? Engineer Freda said it would be decommissioned and the property would be reverted back to the Borough. A Capital Improvement would be needed in the water plant; they would do testing. Mrs. Henning asked what would happen to the Water Plant personnel? The Mayor said a scenario could be lay offs and his opinion was to keep the personnel for Public Works and look at the Tax Office personnel. They would not need as many employees if there was not any billing. Engineer Freda said if the systems are sold, the employees may work for the company; the Borough will protect its employees. Mrs. Henning said a referendum is putting the cart before the horse. She asked the Mayor and Mr. Bergen if they would like to sell? They both answered no.

Mr. Kain said the Council's opinion was over the past two years; they looked at the Management option and then moved to the option of selling. The people at this meeting (35 people) represent 1% of the voters. The Mayor said he has received a few opinions and approximately 6 letters regarding this matter.

Mr. Minor asked if a flyer with the information would be distributed throughout town.

Engineer Freda said this forum is excellent and it is the Borough's responsibility to allow the public to speak and Mayor and Council and the professionals are here to listen.

The Mayor said no one works harder than the Board of Education to get the voters out to the polls. Mr. Bergen said the people who are present this evening are representatives of the Borough. The Mayor asked Mr. Hyer about the two employees in Public Works that have not given an opinion. He asked what they do and would the Borough like to retain them. Mr. Doyle said he is afraid of what will happen and stated that it frustrates him that his opinion is needed.

Middlesex Water said they run a good operation.

Mayor Merla said Mayor and Council will formulate an opinion. There are problems that the Borough needs to get a grip on. The Borough will not make any decisions on its own (professional advice is needed). The Mayor said in his opinion, based on the rates, Keyport is not as high as Middlesex Water.

Mr. Stalter said when he was campaigning he was asked about the Water and Sewer Rates. He said he felt Middlesex Water coming this evening would have presented the facts; he said he needs more hard facts. Keyport's Department of Public Works is an excellent department. Mr. Stalter said he is not leaning toward selling, but he is staying open minded.

Mr. Meyerson asked if at the next meeting, the Water Plant Operator would attend; yes.

Mrs. Staeger said this is not what she expected to happen this evening; not a presentation. Mayor Merla said New Jersey American Water did all of the leg work to get yes votes for the sale of their plant. Mrs. Staeger said she comes to the meetings as a resident and asked Council to be considerate. There are letters appearing in the newspapers

Mayor Merla said he does his homework. The person who is writing to the newspapers does not attend the meetings, but has an opinion.

The last day to register to vote is a Monday in October.

All residents will be noticed by flyer about the next meeting and what it is about.

The First Aid Squad will be asked to put a notice on their marquee.

Mrs. Allen said they should read the newsletter that is circulated in the Borough.

ADJOURNMENT

Motion to Adjourn moved by Councilman Bergen, second by Mr. Hyer with Ayes by all present.

Time of Adjournment: 10:15 P.M.

Respectfully submitted,


Judith L. Poling, RMC/CMC
Borough Clerk


per Allyson M. Cinquegrana, RMC
Deputy Borough Clerk