

MINUTES
HARDYSTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
November 7, 2016

The meeting of the Hardyston Township Municipal Utilities Authority was held on Monday November 7, 2016, 7:00 p.m., at the Municipal Building located at 149 Wheatsworth Road. Members present were: Mr. Cicerale, Mr. Kula, Mr. Roof, and Mr. Kaminski. Absent: Mr. Marples, Mr. Albanese, and Mr. O'Grady. Also present Ryan Scerbo, Mike Vreeland, Marianne Smith, and Bob Shultz.

After salute to the flag, Mr. Cicerale stated compliance with the Open Public Meetings Act.

Minutes: A MOTION was made by Kula, seconded by Roof, to approve the minutes of the October 3, 2016 meeting. In favor, Cicerale, Kula, Roof, Abstain, Kaminski.

As there are representatives from Crystal Springs, the subject of Crystal Springs will be discussed first on the Agenda.

OLD BUSINESS:

Crystal Springs:

Shotmeyer Tract/ Bypass- Marianne stepped aside from the discussion.

Mike explained last month's discussion regarding the expired TWA permit and phone conversations were held with Crystal Springs. They are requesting the resolution, permit and conditions updated.

The meeting was opened to the public.

Andy Mulvihill representative from Crystal Springs stated his appreciation to the board for allowing discussing the issues at hand and the time the Board spends representing the township and MUA.

When Crystal Springs expanded into the Grand Cascades golf course area the flow would increase in the existing lines. This line was going to be fairly deep and Mike Vreeland and Bob Guerin were concerned with the depth. Since there would be an increase in the flow Bob and Mike wanted to reduce the risk of not being able to access the line should a repair need to be done. Instead of having the risk it was suggested and agreed upon to install a By-Pass. It was further agreed upon that the By-Pass would not be done right away as the flow would not be as much until several residences were constructed. A compromise was made and once a certain number of units were reached, the By-Pass would be installed/constructed to reduce the risk. It was a way to work things out to meet the concerns of the town's engineers in a reasonable fashion. We had agreed on a number and a date, then the market crashed, and there were a couple of extensions of which we passed. But, the unit count we haven't even come close to. It has become an issue to us because what is going on is the project has stopped and the lender is in

the process of foreclosing on the properties. The good news we are in the process of re-capitalizing. Unfortunately, we had a couple of things happen. We had the crash in the real estate market, and the rebound in Sussex County is not the same as it has been in the rest of the state. This rural area has not been rebounding very well. In fact, the price of homes in Sussex County has been down every year since 2006, including last year. The good news is the volume of sold homes is up so the inventories as they get absorbed, makes the prices go up. Crystal Springs has been a highlight in Sussex County and the prices have gone up in addition to the volumes. That has to do with we have a second home and retiree market unlike the general market. Many other developers within the same market has crashed and gone bankrupt and lost everything. We have been holding on by the skin of our teeth. The other problem is one of our elderly partners passed away. He held all the financial risk and his children have decided not to fund the project. The good news is we are in the midst of recapitalizing and have two very strong prospects. One of the things the prospects want is to put everything in order prior to closing the deal. The current owner has the assets, but not the cash so we have to be very careful in what is done. If we could get a little help with this project it would be very helpful. We don't feel the flows are at a point where the HTMUA feels uncomfortable and it would allow the recapitalization to flow smoothly. There are about 300 homes to go and each home would pay approximately \$10,000 per year in taxes. This could be a great deal of revenue flowing through the town without the burden of children passing in the school system minimizing the tax burden. We are aware that there are taxes which are behind and need to be paid. Our backs are against the wall but we see a light at the end of the tunnel. We would appreciate if we could move forward.

Mike confirmed that we are not close to the number of the units noted in the initial resolution. During the course of this project the Shotmeyer pump station was constructed and some of the flow was going to the Craig. There were also other conceptual plans where there was going to be a new regional pump station in the village center area. When that project was complete the additional flow was going to no longer utilize the pipe behind the Craig, instead it would go to the new regional pump station. The concern for the additional flow was going to be mitigated through the regional pump station or the bypass. There were two mechanisms we were relying on to reduce the risk to the HTMUA. The market has stalled and the village center hasn't moved forward, and the original timetable was set to coincide with the TWA permit expiration. As we spoke about last month, this TWA does not have a flow associated with it; it is only for a construction permit to put a pipeline in. There is not a lot of risk with the NJDEP as the flow is already committed, and there is no flow associated with it. The one thing that has happened is the time has lapsed and the concern is that if we made them apply for a permit tomorrow the reality is that the pipe would not be constructed until that number of units are complete and in all likelihood the TWA permit would expire again before the unit count was reached. There isn't much upside to apply for a permit which we know is going to expire before the work is going to be completed and then have to apply again. But, there is probably some mechanism to make sure the work gets done.

Mr. Cicerale stated we want the business to be successful and that it certainly isn't our intention to see it fail. But, when you went for this permit initially we did not make sure any performance guarantee was attached to it and now its several years past the due date. There is fault on both parties for not following up. We don't know what the market is going to be like in the future, no one knows. We would like to see some sort of guarantee that the work is done, somehow get it

done eventually, such as a performance bond. Mr. Cicerale inquired if the board members had any other ideas? We wouldn't have to start it tomorrow, but instead when the board and the engineer think it is appropriate.

Ryan Scerbo stated the timing of putting a security bond up prior to the recapitalization might pose to be difficult given the situation. They might be willing to put up a security but the focus as they see now is going through with the deal. This is not the focus of the board; instead the preference would be to post a security at a later date.

Mr. Mulvihill stated he is comfortable putting up a bond as long as we have this issue resolved as we want to get this project going.

Mr. Cicerale questioned if the deal does not go through then the HTMUA is stuck with the project. Mr. Mulvihill stated that the institution or developer would take over. In his personal opinion, he doesn't foresee a problem because of the worth of the property. This is something the board needs to decide for themselves.

Mr. Mulvihill and Ryan stated as a condition of the resolution could be that when permits are pulled the taxes need to be paid, prior to the permits being approved and also the bond could be posted.

Mike stated that we are not at any more risk if they don't have the ability to post the bond today. If Crystal Springs is willing to accept a condition that additional permits could not be pulled unless the bond is posted.

Mr. Mulvihill stated that there is a townhouse building that is framed and two single family homes which are started. There could be a way to get these completed but with \$200,000 of bonding, this could be problematic. If there could be an ability to allow these to be finished by reactivating the permits and the resolution would state the bond would have to be posted if there are new permits pulled. That would be helpful. There are two single family homes and 6 townhomes which would need to be completed. One of the partners is talking about putting up the money to get these done, but just enough for these. If we were to have to tell the investor in order to get these home complete a \$200,000 bond would need to be posted, it could kill the deal. If the investors agree to the deal these outstanding homes could be completed in six months. The taxes would have to be paid as well and is part of the number with the investor.

Mike stated there is a total of 67 units which are already in progress, which is about half of the original resolution agreement. Numbers will need to be configured for the performance bond.

A MOTION was made by Roof seconded by Kula for the original resolution with Crystal Springs to construct a Bypass at the Shotmeyer Tract dated October 2008 to be revised. The new condition would allow Crystal Springs to complete the construction of two single home properties and 8 Townhouse buildings by reactivating the construction permits for said units after properly submitting payment of any and all taxes which are due for said properties (referred to herein as the "approved units". Crystal Springs shall be required to provide the HTMUA engineer with an update on the status of its transaction on or before March 1, 2017 and again on October 1, 2017. New permits would require a posting of a performance bond in the amount of

the then updated construction cost estimate of the by-pass, as approved by the HTMUA's engineer, prior to construction permits being pulled on any units in addition to the approved units. In favor, Cicerale, Kula, Roof, and Kaminski.

Indian Fields:

Phase II As-Built Plans- Mike state nothing new at this time.

Phase III Conveyance – Mike referred to a memo as shown in the correspondence, the items on the punch list have been completed and escrow monies were received. The next step would be a list of documents which are required to proceed with the conveyance.

Ryan stated we have reviewed the items and although all the documents are good on our end, there is a bargain deed of sale which needs to be issued to the Association. They gave them a quick claim deed in their absence. It could have been when the Association was not a legal entity and the correct name was not used. We can't determine who owns what, so we have both parties conveying everything over to us, which will solve the issue. One or both of them own the assets involved. We are waiting for Beazer Homes to get back to us and hopefully we will have a progress report before the next meeting.

Bonds – Marianne stated Fred Semrau has not heard anything to date. We will reach out to him.

Well #3- Mike stated the well driller ordered the pipe and repaired the pit less adapter and has the well casing hooked back up to the water system. The rehabilitation work will be completed once he has freed up from individual homeowner's with well issues due to the drought. A new pump will be installed and then he will run a post rehabilitation test to determine if we are back to capacity. An e-mail from Brian Schrock from the NJEP was received of which we updated him on the rehabilitation work and once this is complete we will convey the decision on Well #2. He was satisfied with the status.

High Ridge Properties:

Marianne stated the appeal from Sussex Borough is still in court and the lien holder is behind in paying the prior year and this year as well. A conference call is scheduled for the end of this week.

Mountain Ridge (Ridgefield Commons) Emergency Interconnection –

Mike stated nothing has been received to date. There is progress on the Planning Board side.

North Church Technical Center:

Marianne stated the counsel had authorized Mike to go ahead with a bid spec and design of the system. Fred has been authorized to go back to the system owner and re-negotiate and resurrect the three party agreements. There will be a date set for a meeting with the representative for the

homeowner's. The best way to complete this has been identified and the owner's now realize after understanding the issues and requirements.

New Business

Nothing new at this time.

PAYMENT OF BILLS:

A MOTION was made by Kula and seconded by Roof to pay the bills, for November 2016 as per the bill list. In favor: Cicerale, Kula, Roof, and Kaminski.

CORRESPONDENCE:

A MOTION was made by Kula and seconded by Kaminski to accept the correspondence as presented, for November 2016. In favor: Cicerale, Kula, Roof, and Kaminski.

OFFICER'S REPORTS:

Frank stated that Mr. Albanese has resigned, and as such he was the Treasurer for the HTMUA.

At this time we would like to nominate Randy Roof as the Treasurer. A MOTION was made to nominate Randy Roof as the Treasurer of the HTMUA. In favor: Cicerale, Kula, Roof, and Kaminski.

METERING:

Gail stated we are in the midst of updating meter information and noting repairs made by logging into inventory. Follow up letters were mailed to 4 neighborhoods to schedule any repairs or meter replacements.

Marianne stated there is a meeting being held with the Crystal Springs master association next week. We will be updating them on the metering project.

Mike stated during leak inspection at a home on Sugar Maple in Crystal Springs, it was found that the irrigation system is not flowing through the meter. This is a situation which we will need to address as we go along. Further discussion was held.

Insurance Appointment:

A MOTION was made by Kula seconded by Roof to appoint the Fund Commissioner as Marianne Smith as members of the Statewide Insurance Fund and to appoint the Morville Agency Division of Gallagher Bollinger as the local Risk Management Consultant for the HTMUA. In favor; Cicerale, Kula, Roof, and Kaminski.

RESOLUTION APPOINTING RISK MANAGEMENT CONSULTANT

WHEREAS, Hardyston Township Municipal Utility Authority (hereinafter "Local Unit") has joined the Statewide Insurance Fund (hereinafter "Fund"), a joint insurance fund as defined in N.J.S.A. 40A:10-36 *et seq.*; and

WHEREAS, the Bylaws require participating members to appoint a Risk Management Consultant, as those positions are defined in the Bylaws, if requested to do so by the "Fund"; and

WHEREAS, the Local Unit has complied with relevant law with regard to the appointment of a Risk management Consultant; and

WHEREAS, the "Fund" has requested its members to appoint individuals or entities to that position; and

NOW, THEREFORE, BE IT RESOLVED by the governing body of "Local Unit", in the County of Sussex and State of New Jersey, as follows:

1. Hardyston Township Municipal Utility Authority hereby appoints The Morville Agency Division of Gallagher Bollinger its local Risk Management Consultant.
2. The HTMUA Administrator (*authorized representative of the public entity*) and Risk Management Consultant are hereby authorized to execute the Risk Management Consultant's Agreement for the year 2017 in the form attached hereto.

RISK MANAGEMENT CONSULTANT'S AGREEMENT

THIS AGREEMENT entered into this 7th day of November, 2016, among the Statewide Insurance Fund ("FUND"), a joint insurance fund of the State of New Jersey, Hardyston Township Municipal Utility Authority ("MEMBER") and The Morville Agency Division of Gallagher Bollinger ("CONSULTANT") through a fair and open process, pursuant to N.J.S.A. 19:44A-20.4.

WHEREAS, the CONSULTANT has offered to the MEMBER professional risk management consulting services as required by the Bylaws of the FUND; and

WHEREAS, the CONSULTANT has advised the FUND that he/she is familiar with the terms, conditions and operations of the FUND; and

WHEREAS, the MEMBER desires these professional services from the CONSULTANT; and

WHEREAS, the MEMBER has complied with relevant law in regard to the appointment of a Risk Management Consultant; and

WHEREAS, the Bylaws of the FUND require that members engage a CONSULTANT and that the CONSULTANT comply with certain requirements set forth therein.

NOW, THEREFORE, the parties in consideration of the mutual promises and covenants set forth herein agree as follows:

1. For and in consideration of the amount stated hereinafter, the CONSULTANT shall:
 - (a) assist in evaluating the MEMBER'S exposures and advise on matters relating to the Member's operation and coverage.
 - (b) explain to the MEMBER, or its representatives, the various coverages available from the FUND.
 - (c) explain to the MEMBER, or its representatives, the terms of the member's commitment and obligations to the FUND.
 - (d) explain to the MEMBER, or its representatives the operation of the FUND.
 - (e) prepare applications, statements of values, etc., on behalf of the MEMBER, if required by the FUND.
 - (f) review the MEMBER'S assessment and assist in the preparation of the MEMBER'S insurance budget.
 - (g) review losses and engineering reports and provide assistance to the MEMBER'S safety committee, if required.
 - (h) assist in the claims settlement process, if required, by MEMBER or FUND.
 - (i) attend the majority of meetings of the Fund Commissioners or Executive Committee, if requested, and perform such other services as required by the MEMBER or the FUND.
 - (j) comply with the obligations imposed upon Risk Managers in the FUND's Bylaws.
 - (k) act in good faith and fair dealing to the FUND.
 - (l) perform other duties for the FUND as may be required from time to time by the FUND.

2. In exchange for the above services, the CONSULTANT shall be compensated in the following manner:
 - (a) The CONSULTANT shall be paid by the FUND, on behalf of the MEMBER, a fee as compensation for services rendered. Said fee, an apportionment of the MEMBER's assessment: 6% of workers' compensation (excluding any fees, PLIGA, and loss ratio apportionment); 7.5% of non WC assessment (excluding any fees, PLIGA, and loss ratio apportionment);
 - (b) The CONSULTANT shall be entitled to compensation for services provided during any calendar year only if the CONSULTANT has been appointed and holds the position of Risk Management Consultant, as of January 31 of the said calendar year for counties and municipalities holding general elections and July 30 for municipalities holding regular elections.
 - (c) For any insurance coverages authorized by the MEMBER to be placed outside the FUND, the CONSULTANT shall receive as compensation the normal brokerage commissions paid by the insurance company. The premiums for said policies shall not be added to the FUND's assessment in computing the fee set forth in 2(a).
 - (d) If the MEMBER shall require of the CONSULTANT extra services other than those outlined above, the CONSULTANT shall be paid by the MEMBER a fee at a rate to be negotiated by the parties.
3. The term of this Agreement shall be from **January 1, 2017** to **January 1, 2018**. However, this Agreement may be terminated by either party at any time by mailing to the other thirty (30) days written notice, certified mail return receipt.
4. The CONSULTANT shall comply with all laws applicable to producers who provide insurance products to public entities and shall comply with all applicable statutes and regulations relating to joint insurance funds.
5. The CONSULTANT agrees to comply with all affirmative action laws applicable in accordance with Exhibit A and to submit all necessary documentation establishing compliance within seven (7) days of this Agreement.

PROFESSIONAL'S REPORTS:

Administrator – nothing further

Operator – nothing further

Billing Clerk – Gail stated the tax sale occurred in the middle of October with three properties sold at tax sale. Disconnect letters were mailed to 15 properties with a target shut off the week of November 28. A draft of the New Rate letter was presented prior to the mailing.

CFO –not present

Accountant – not present

Attorney – nothing further

Engineer – nothing further

OPEN PUBLIC PORTION:

The meeting was opened to the public.

As there were no members of the public present, the meeting was closed to the public.

There being no further business, A MOTION was made by Kaminski to adjourn, meeting adjourned.

Respectfully submitted,

Gail Hensal
Recording Secretary