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Mayor calls for change at O.B. utility authority

Council expected to mull feasibility of dissolving, taking over autonomous agency
BY LAUREN CIRAULO Staff Writer

The Old Bridge Municipal Utilities Authority (OBMUA) has become the subject of some debate in recent months, with some township officials discussing the possibility of dissolving the autonomous agency.

Mayor Jim Phillips is among those seeking to explore the idea of making the water and sewer service a township-run operation.

"There are some eye-opening things going on there," Mayor Jim Phillips said. "The administration clearly needs to be scrutinized. There are so many red flags that are a real cry for someone to look at what's going on over there."

The OBMUA was brought into the spotlight last September when the council voted to withdraw \$1.3 million from the OBMUA's reserve fund and instead use it in the municipal budget to help relieve property taxes. Phillips said the transfer would be best used to avoid a municipal tax hike, given that the excess money originally came from the same taxpayers. However, Councilman Richard Greene opposed the transfer of funds, saying that the OBMUA would need the surplus money for emergency use and to keep water and sewer rates stable in the future.

Some residents and officials said they were troubled by what they considered to be a large amount of surplus in the agency's reserve fund, money that some felt could be given back to residents. A total of \$17 million was in the fund at the time — \$9 million of which was earmarked for specific projects. The other \$8 million was accumulated from utility rate collections and therefore, according to some, belonged to taxpayers.

Several residents called for the dissolution of the OBMUA, suggesting that Old Bridge follow in the steps of towns such as Monroe, Marlboro and Hazlet, which recently absorbed similar authorities so the township government could run the operations.

"Hazlet and Monroe successfully dissolved their authorities. It can be done with Old Bridge also," resident Margarita Batista told the Township Council in January. "The Township Council could oversee the utility budget ... There would be a greater level of accountability and transparency."

Phillips hesitated in pursuing the idea last year, partly due to financial uncertainties. However, he and some members of the council became resolute in exploring the possibility of dissolving the OBMUA and announced plans Jan. 1 to form a "feasibility committee" in the coming months. The committee would focus on exploring different ways to run the authority, according to council President G. Kevin Calogera.

In the months since, the council has not taken action to form the committee. However, a resolution may go before the governing body following the completion of this year's municipal budget.

"We need to take things one at a time and focus on the budget first," Calogera said, noting that the 2010 budget should be finalized some time this month. "Once that's done, we'll start discussing the feasibility committee."

Phillips believes that in light of certain actions taken by the OBMUA, the council should move ahead quickly on the matter.

"We have an opportunity available, and now's the time for the council to make their move. We can't lose steam with this," he said. "When you see the numbers, it's clear [that] reforms need to be made, and the sooner, the better." Currently, there are over 60 employees of the OBMUA. According to Phillips, 11 administrators earned over \$100,000 plus benefits in 2008, and 15 received salaries at similar levels in 2009. OBMUA Treasurer Kiran Desai confirmed these numbers, and noted that the six-digit salaries include several year-end compensation factors. Desai said benefits include overtime pay, comp pay, vacation day buyback, sick day buy-back and other compensatory measures.

"If the public only knew about these generous administrative benefit packages, they would think twice about the OBMUA," Phillips said.

The mayor said the time is right to act on the OBMUA issue, in part due to the recent retirement of Executive Director Art Haney. Desai said records show that Haney's base salary in 2009 was \$150,400, but that he earned \$210,409 by cashing in on an estimated \$60,000 in unused vacation and sick time.

The OBMUA board has not yet named a permanent replacement. Guy Donatelli, son of OBMUA Commissioner Rocco Donatelli, is serving as acting executive director while commissioners seek candidates to fill the position.

Desai made note of the benefits being earned by many other employees. Office Manager Clementine Donatelli made a base salary of \$103,072 in 2009, but earned \$118,000 after buy-backs, Desai said. Guy Donatelli earned a base salary of \$130,280, but after unused vacation and sick time was traded in his gross salary was \$157,690 in 2009.

Desai said he was more concerned with the OBMUA using gross pay to determine pension contributions.

Approximately 28 non-union employees of the OBMUA were enrolled in two pension programs — the Public Employees Retirement System (PERS) and the Simplified Employee Pension Individual Retirement Account (SEP-IRA). The SEP-IRA plan was set up by the OBMUA in 1982 in place of providing overtime pay, according to OBMUA Comptroller Stephen Florek.

"The point of the plan was that we were reducing regular overtime pay, but giving something for employees to look forward to when they retire," Florek said.

The SEP-IRA was initially established with a 1 percent employer contribution; however, a resolution increased that contribution to 2.5 percent, and a subsequent resolution pledged to raise the contribution another half-percent per year. Employer contributions as of 2008 were 7 percent, amounting to \$185,802. Florek said that employees enrolled in the program received roughly \$6,000 each.

According to Florek, OBMUA commissioners suggested the elimination of the SEP-IRA plan, and a resolution ceasing contributions was passed in a 3-2 vote at a Jan. 27 OBMUA board meeting.

"I proposed to the commissioners to eliminate the pension," Desai said. "My concern was, why have a two-pension system?" Had the payments continued, the contribution for 2009 would have been 7.5 percent of the authority's total gross salary of \$2.7 million, or \$204,728.

"They basically took our benefit away," Florek said. "It most likely will not be reinstated."

Florek said he could not estimate the total budgetary savings associated with the change.

Desai said the authority would not only be saving over \$200,000 immediately, but it avoids an ever-increasing contribution in future years. He elaborated on the reasons behind his proposal to eliminate the pension.

"The OBMUA was contributing more than they should have. The SEP-IRA was supposed to be calculated with base salaries," he said.

Desai noted that although the pension was intended to substitute overtime pay, administrators are still receiving overtime and comp pay. He also said he does not believe there is any need for executive staff members to receive overtime compensation.

He said that six employees received overtime pay in 2008, and five received comp pay that same year. In 2009, four employees received overtime pay, and eight received comp pay.

"My duty is to the residents of Old Bridge, and to make sure they are paying the right rate and that the authority's money is spent wisely and legally," Desai said. "I, as a commissioner, have a responsibility to make sure the OBMUA is operating correctly, and if we could save money in any way, we should reduce rates."

Commissioner Donatelli, who is also the township's director of public works, did not return calls for this story.

At the OBMUA's Feb. 3 meeting, resident Dr. Anita Greenberg, who chairs the Old Bridge Republican Party, suggested that the commissioners surrender their health benefits.

"Talk about saving money — a commissioner is a part-time position and does not merit the benefits given. You could really save the township tax dollars by refusing these benefits," she said.

Greenberg noted that a commissioner is provided approximately \$25,000 annually in health benefits. Commissioners are appointed to five-year terms, so about \$125,000 in paid benefits is given over the course of a term, if the commissioner chooses to accept the package. Desai said that he, Nicholas Smolney, Tom Galante, and Edward Testino, who is also a councilman, opt for benefits.

Desai said the medical benefit is provided in addition to a \$1,500 annual stipend, as well as enrollment in PERS. However, he noted that the pension contribution amounts to a little over \$200 per year, and the money is returned to the authority if a commissioner does not serve a minimum of 10 years on the board.

Greenberg said the money could be better used to stabilize or reduce water and sewer rates, and expressed her discontent with the commissioners' benefits.

"It's a disingenuous approach to attack people who work for the OBMUA when you're taking another benefit. It's wrong to do that when you're asking others to give up their benefit," she said.

Desai said he would be willing to give up his health benefits.

"I'm ready to give up my benefit if that will help the residents of Old Bridge," he said. "But in order to be fair, we should abolish the commissioner benefit altogether."

Despite the potential that the OBMUA would be dissolved and the services brought under the township's control, officials said the organization's general staff would not be at risk.

"I feel like Scrooge, but it's only the administration that's going to be looked at," Phillips said. "Other employees of the OBMUA are concerned, but they don't understand. They're worried that if the township assumed the OBMUA, the status of their employment would be jeopardized. But it's not directed at them; they're the people who keep the system running."

Phillips said most of the staff would be integrated into the township's workforce.

However, he said that before any action is taken, officials would need to thoroughly analyze every possible avenue.

"We need to really evaluate every aspect of the OBMUA," Phillips said. "The solution, no one knows, but I'm sure if the numbers are looked at closely enough, something's bound to change."

Desai said that if the OBMUA is not dissolved, which is a move solely decided upon by the Township Council, the practices of the authority would continue to be reviewed and tweaked.

"I want to change and reform the organization," Desai said. "The OBMUA culture has been going on for years, and it's time to take a good look at what we can do to improve and give back to the residents."