

## MEETING MINUTES

### PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY

August 15, 2012

Minutes of the regular meeting of the **Pequannock River Basin Regional Sewerage Authority** held on August 15, 2012 in the Conference Room at the Butler Municipal Building, One Ace Road, Butler, New Jersey. Chairman Voorman called the meeting to order at approximately 7:30 p.m.

#### ROLL CALL

On roll call:

<b>PRESENT</b>	:	Chairman Voorman, Commissioners Gall, Howard, Metcalfe and Verdonik
<b>ABSENT</b>	:	Commissioner Lampmann
<b>ALSO PRESENT</b>	:	Christopher H. Falcon, Esq., Maraziti, Falcon & Healey; and Daniel D. Kelly, P.E., Kelly Engineering

#### OPEN PUBLIC MEETING STATEMENT

Chairman Voorman introduced the "Open Public Meeting Statement" indicating that adequate notice of the Authority's regular meeting had been publicized in accordance with law by posting notice on the bulletin board at the Butler Municipal Building by providing notice to the municipal clerks of Bloomingdale, Butler, Kinnelon, and Riverdale, and by providing notice to the official newspapers of the Authority.

#### NEXT MEETING

On discussing the Commissioners availability for the September 19<sup>th</sup> meeting, since two Board Members can not be present, Chairman Voorman suggested and the Board agreed to reschedule the meeting for Wednesday, September 12, 2012 at 8:00 pm. Chairman Voorman advised that he would check with Two Bridges which has a meeting the same evening to move that meeting up so that both he and Vice Chairman Verdonik would be able to attend both the Two Bridges meeting and PRBRSA meeting on the 12<sup>th</sup>.

## **ADOPTION OF MINUTES**

### **1. Meeting Minutes: Regular Meeting – July 18, 2012**

Chairman Voorman noted that the minutes for the July 18, 2012 regular meeting were not distributed to the Board Members until the day prior to the meeting and suggested that the minutes be held for approval at the September meeting.

## **OPERATIONAL REPORT**

### **1. System Operations**

#### **1.1 Flow Report**

Referring to the August 15<sup>th</sup> Flow Report for the period ending July 31<sup>st</sup>, Mr. Kelly focused on the July readings for Meter P-4. Using the Daily Flow Summary and the flow hydrograph comparing the Meter P-4 reading with those of TBSA's Meter M-15, Mr. Kelly advised that there are clearly problems with the meter readings over the period. He noted that the readings are un-edited, namely, the QGross data which was taken from the *IntelliServe* system as opposed to the QFinal data. He said that the ADS July flow data did not include the Meter P-4 data, most likely because of ADS' ongoing efforts to recalibrate the June and most likely the July data as well based on the new temperature probe readings. Commenting on that, Commissioner Howard questioned why the temperature probe would have such a significant impact on the flow readings. Mr. Kelly said that he would raise that point with ADS and advise.

The following reports were distributed to the Board for review:

#### **July 2012**

- Flow Report dated August 15, 2012 for the period ending July 31, 2012
- Daily Flow Summary for July 2012
- Daily Flow Hydrograph for July 2012
- Daily Flow Hydrograph Comparing Meters P-4 and TBSA Meter M-15 for July 2012
- TBSA Yearly Plant Operations Report (w/DDK Calculations)

Referring to his August 9<sup>th</sup> calculations on the TBSA Yearly Plant Operations Report, Mr. Kelly advised that the Authority's actual flow contribution to the Two Bridges system is running an estimated 0.37% less than that budgeted going into the year.

**1.2 PRBRSA Interceptor – Manhole Frame and Cover Replacement**

Mr. Kelly advised that 5 additional manhole covers with the Authority's name imprinted have been ordered from Campbell Foundry for replacement of the units currently in place within the Paterson-Hamburg Turnpike in Riverdale.

**1.3 ADS Metering Analysis**

Mr. Kelly reported there has been no change of status on this matter.

**1.4 Contract No. OM-1 Renewal**

For the record Mr. Kelly advised that the Authority has solicited the Boroughs of Bloomingdale and Butler for bid quotations on the operation and maintenance contract for the PRBRSA regional system, Contract No. OM-1. He advised that the pricing is due to be submitted no later than Friday, October 31<sup>st</sup>.

**2. TBSA Activities**

**2.1 Status Update**

Chairman Voorman and Vice Chairman Verdonik indicated that there continue to be issues with the SCADA system on the primary incinerator, Incinerator No. 1, yet those are in the process of being resolved. They also advised that Two Bridges is evaluating the possibility of abandoning sludge incineration if it is determined that the incineration process is no longer cost effective. Finally they reported that TBSA projects year-end flow adjustments that will most likely result in a refund to PRBRSA.

**3. TWA Application and Connection Permits**

**3.1. Wastewater Management Plan  
Morris County Future Sewer Service Area Mapping**

Mr. Kelly explained that the Borough of Riverdale has consented to the June 18, 2012 mapping prepared by the Morris County Planning Department of the Borough's future sewer service areas. He noted that apparently the Borough of Butler is in the process of reconciling several areas with the County. Commenting on that, Vice Chairman Verdonik said that that process is expected to be completed shortly. That being the case, Mr. Kelly said that the resolution to be considered this evening consents to the County's June 18<sup>th</sup> mapping of the future sewer service areas for both Butler and Riverdale but notes that any qualifications that Butler may have on the mapping as conditions on the PRBRSA approval.

Responding to Commissioner Metcalfe's question, Mr. Kelly advised that there is no mapping for the Borough of Kinnelon inasmuch as Kinnelon has opted into the Highlands Plan.

Following further discussion, Vice Chairman Verdonik moved approval of the following resolution (**Resolution No. R-12-8-2**):

**RESOLUTION CONSENTING TO A PROPOSED AMENDMENT TO THE UPPER DELAWARE, UPPER RARITAN AND NORTHEAST WATER QUALITY MANAGEMENT (WQM) PLAN**

**WHEREAS**, the Pequannock River Basin Regional Sewerage Authority (Authority) desires to provide for the orderly development of wastewater facilities within the portions of the Authority service area lying within the County of Morris and including the Boroughs of Butler, Kinnelon and Riverdale; and

**WHEREAS**, the New Jersey Department of Environmental Protection (NJDEP) requires that proposed wastewater treatment and conveyance facilities and wastewater treatment service areas, as well as related subjects, be in conformance with an approved WQM plan; and

**WHEREAS**, the NJDEP has established the WQM plan amendment procedure as the method of incorporating changes to the delineation of future wastewater service areas into a WQM plan; and

**WHEREAS**, a proposed WQM plan amendment noticed in the New Jersey Register on June 18, 2012 for the Upper Delaware, Upper Raritan and Northeast WQM plan has been prepared by the New Jersey Department of Environmental Protection and the County of Morris;

**NOW, THEREFORE, BE IT RESOLVED** on this 15<sup>th</sup> day of August, 2012, by the governing body of the Authority that:

1. The Pequannock River Basin Regional Sewerage Authority hereby consents to the amendment entitled Amendment to the Upper Delaware, Upper Raritan and Northeast Water Quality Management Plan, and publicly noticed on June 18, 2012, prepared by the County of Morris, for the purpose of its incorporation into said WQM plan.
2. This consent shall be conditioned upon qualifications, if any, set forth by the Borough of Butler.
3. This consent shall be submitted to the NJDEP Division of Land Use Planning in accordance with N.J.A.C. 7:15-3.4.

4. A Certified copy of this consent shall also be filed with the Borough of Butler and Riverdale, as well as the Morris County Department of Planning and Development.

Commissioner Gall seconded the motion which passed unanimously on the following roll call vote:

<b>AYES</b>	:	Chairman Voorman, Commissioners Gall, Howard, Metcalfe and Verdonik
<b>NAYS</b>	:	None
<b>ABSENT</b>	:	Commissioner Lampmann
<b>ABSTAIN</b>	:	None

**3.2. TWA Application**  
**Brown Court/Newman Place Sewer Extension**  
**Borough of Riverdale**

Referring to a recent conversation with Riverdale Mayor Budesheim, Mr. Kelly said that the Borough plans to move forward with sewerage approximately 40 homes on Brown Court, Newman Place and one or two other streets in that general vicinity. He said that he calculated, based on NJDEP criteria, that the total allocation required would be 12,000 gpd yet once connected the actual flow would most likely be on the order of 8,000 gpd.

Commissioner Metcalfe questioned if the Borough has paid the \$420 invoice that has been due for some time, that being the Authority's cost of having its auditor attend a meeting at the Borough's request. He noted that the Mayor agreed to reimburse the Authority yet has refused to do so. Mr. Kelly explained that that remains outstanding and, based on the Authority's resolution, that no PRBRSA actions or approvals will be provided until Riverdale satisfies all obligations, including that particular bill.

**3.3. TWA Application**  
**Richard's Corner (Retail Development)**  
**Borough of Riverdale**

Commenting on a recent contact concerning a proposed development at Richard's Corner, the intersection of the Paterson-Hamburg Turnpike and the Newark-Pompton Turnpike, Mr. Kelly said that apparently the

developer is planning a 25,000 sq. ft. retail project. He noted that according to the engineer the project would involve demolishing the existing Bograd's building as well as the funeral home structure at the corner and possibly another building in between.

**4. Boonton Avenue Interceptor**

**4.1. Engineering Procurement RFP**

Mr. Kelly advised that the Request For Proposals has been updated and forwarded to Mr. Falcon for review and comment.

**FINANCIAL REPORT**

**1. Treasurer's Report (Period Ending July 31, 2012)**

Mr. Kelly noted that the Treasurer's report format has been modified to reflect subtotals for each of the individual Trustee-held accounts.

Commissioner Gall acceptance of the Treasurer's Report for the period ending July 31, 2012. Vice Chairman Verdonik seconded that motion which passed unanimously upon the following roll call vote:

<b>AYES</b>	:	Chairman Voorman, Commissioners Gall, Lampmann, Metcalfe and Verdonik
<b>NAYS</b>	:	None
<b>ABSENT</b>	:	Commissioner Howard
<b>ABSTAIN</b>	:	None

**2. 2002 Series M Bond and 1996 Series L Bond Refunding**

Reporting on the proposed bond refunding for the 2002 Series M and the 1996 Series L Bonds, Mr. Kelly advised that the bond pricing and sale was completed on Wednesday, August 8<sup>th</sup>. He reported, in a conference with the underwriter, RBC Capital Markets, bond counsel, counsel and financial advisor, that Chairman Voorman and himself that, on behalf of the Authority, Chairman Voorman accepted RBC's pricing which he noted was extremely favorable. To that point he advised that the July 18<sup>th</sup> estimated savings were approximately \$179,000 yet the final savings are estimated at slightly in excess of \$201,000.



Commenting on the next steps in the process, Mr. Kelly said that the bond closing is scheduled for Thursday, September 6<sup>th</sup> at bond counsel's office with pre-closing the day prior. He noted that he will coordinate with Chairman Voorman, Secretary Howard and Treasurer Lampmann to have the closing documents signed prior to the pre-closing for delivery to bond counsel. Tentatively, that meeting was scheduled for Tuesday, August 28<sup>th</sup> at Chairman Voorman's office.

**3. Budgeted Flow Redistribution**

Mr. Kelly explained the implications of the proposed budget redistribution as initially discussed at the July 18<sup>th</sup> meeting. He indicated that his July 27<sup>th</sup> report found that the redistribution will have significant consequences, primarily to Riverdale, which would experience a rate increase approximating \$81,000 or 12%. Under the circumstances, he said the July 17<sup>th</sup> analysis anticipated application of net assets at \$250,000 in order to reduce Riverdale's rate increase to approximately 2%. On that point, he noted that his July 27<sup>th</sup> report ("PLAN B" Riverdale flow adjustment) is relatively minor, increasing from the present flow from 0.250% to 0.280%.

More broadly Mr. Kelly explained that the Bloomingdale and Butler percentages are not significantly at variance with the 5 year flow averages which have been used as a target base whereas Kinnelon's budgeted flow has consistently been higher than that experienced at year end resulting in significant Annual Charge refunds. The opposite is true for Riverdale. Consequently the flow redistributions are designed to primarily minimize the year end flow adjustments for both Kinnelon and Riverdale. However, on discussing that point, Chairman Voorman and Vice Chairman Verdonik observed that the year-end adjustments yield a zero sum result and that there is no precise methodology to predict at the beginning of the year the flows – more particularly, the percentage flows – that each town will contribute to the system by the end of the year. That being the case, Mr. Kelly said that the best the Authority can do is to use historical values to make its best judgment in that regard.

Referring to his August 14<sup>th</sup> update of the July 27<sup>th</sup> report on financial implications of the budgeted flow, Mr. Kelly explained that the "Recommended" flow and percentage flows per his July 27<sup>th</sup> analysis were utilized rather than the "PLAN B" figures of July 27<sup>th</sup>. That being the case, he said the Kinnelon flows would be reduced from 0.130 mgd to 0.100 mgd (6.10% to 4.81%) while Riverdale's flow would be increased from 0.250 mgd to 0.310 mgd (11.74% to 14.90%).

Referring to Table 4 of his August 14<sup>th</sup> analysis, Mr. Kelly reviewed the net effect of the flow redistribution before and after application of savings resulting from the 2012 Series N Bond refunding. He noted that Bloomingdale, Butler and Kinnelon would receive significant refunds in the amounts of \$110,900, \$82,000 and \$51,900, respectively, whereas Riverdale would incur an additional cost of

\$45,000 or 6.65%. He noted that that increase is substantially less than it would have been without the distribution, namely, \$81,200 increase or 12.00%.

The Board members had several questions concerning the August 14<sup>th</sup> flow redistribution analysis including the amount of the 2012 Series N savings and when it would be applied. As discussed above, Mr. Kelly explained that there would actually be two changes to the Annual Budget presented at the July 18<sup>th</sup> meeting – the same budget as will be considered this evening for approval. The first is application of net assets presently estimated at \$60,000 that being the “cash basis” difference between the current budget and the revised budget based on the 2012 Series N Bond payments due in FY 2013. At year-end, a second savings would be realized based on the accrual adjustments for the 12/1/12 and 12/1/13 bonds. In the aggregate, Mr. Kelly said that he expects the total refunding savings would amount to approximately \$300,000 but noted that that figure has not been finalized and will be submitted to the Authority’s auditor for review and verification.

Following further discussion, the Board agreed that the budget should be amended to reflect these changes. On that point, Mr. Kelly noted that in actuality there is no choice but to amend the present budget – i.e., the first change discussed above – in either September or October inasmuch as the 2012 Series N Bond repayment schedules will become effective as of closing on September 6<sup>th</sup>.

Commissioner Howard commented on the need to emphasize to the towns the fact that the bond savings are a one-time transaction so that they do not anticipate similarly reduced charges in FY 2014 and beyond.

**4. Rate Stabilization Analysis**

Referring to his report dated August 2<sup>nd</sup>, Mr. Kelly reviewed the findings of the Rate Stabilization Analysis which projects rates from FY 2013 through FY 2023 at three levels of inflation for PRBRSA and TBSA – 0%/0%, 2%/2% and 2%/5%.

Noting that the 2%/2% inflationary trend is the most probable, Mr. Kelly reviewed the resulting rate increases over the 11 year period as summarized on Table 2B. He noted that over that timeframe there would be virtually no rate increases if actual inflationary trends are reasonably consistent with the 2%/2% projection. In fact, he noted a major decrease would occur in FY 2017, estimated at \$450,000 rate reduction or 9.5% due to reduced debt service payable in that year. He also commented that the Two Bridges debt service credit of \$613,923 in FY 2015 declines to \$258,588 in FY 2016 and to zero in the years beyond yet that revenue loss can be absorbed without any significant rate consequences. He further noted that the projections anticipate application of \$100,000 of net assets as revenues in FY 2016 yet, by the end of the period, the operating budgets, in theory at least, would generate in excess of \$385,000, a net gain over that time of \$275,000.



In response to Chairman Voorman's question, Mr. Kelly confirmed that the savings from the 2012 Series N refunding are not included in the Rate Stabilization Analysis. He further explained that that is because the refunding savings provide a one-time credit such that revenues must be returned to normal levels by FY 2014.

Lastly, he noted that the total revenues and appropriations will actually decrease by almost \$1,500,000 over the 11 year period at the 2%/2% level.

5. **Annual Budget: FY 2013**

Referring to his August 13, 2012 letter transmitting the Annual Budget FY 2013 dated August 15, 2012 along with the Budget Summary as well as a comparison of actual to budget for the FY 2012 operating results. Mr. Kelly advised that the proposed budget remains the same as it was presented on July 18<sup>th</sup>, namely the preliminary Annual Budget. He noted that the revenues and appropriations will increase by \$30,000 or 0.5% over the prior year while the Annual Charges will increase by the same amount, namely, \$30,000 or 0.6%. He said that the entire budget increase is directly related to the increased service charges from Two Bridges exceeding \$32,000.

Following discussion, Vice Chairman Verdonik moved approval of the following resolution (**Resolution No. R-12-8-1**):

**2012 Authority Budget Resolution  
(PRBRSA FY 2013)**

**Pequannock River Basin Regional Sewerage Authority**

**FISCAL YEAR: FROM November 1, 2012 TO October 31, 2013**

WHEREAS, the Annual Budget and Capital Budget for the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2012 and ending, October 31, 2013 has been presented before the governing body of the Pequannock River Basin Regional Sewerage Authority at its open public meeting of August 15, 2012; and

WHEREAS, the Annual Budget as introduced reflects Total Revenues of \$5,625,000, Total Appropriations, including any Accumulated Deficit if any, of \$5,625,000 and Total Unrestricted Net Assets utilized of \$0; and

WHEREAS, the Capital Budget as introduced reflects Total Capital Appropriations of \$1,500,000 and Total Unrestricted Net Assets planned to be utilized as funding thereof of \$325,000; and

WHEREAS, the schedule of rates, fees and other charges in effect will produce sufficient revenues, together with all other anticipated revenues to satisfy all obligations to the holders of bonds of the Authority, to meet operating expenses, capital outlays, debt service requirements, and to provide for such reserves, all as may be required by law, regulation or terms of contracts and agreements; and

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WHEREAS, the Capital Budget/Program, pursuant to N.J.A.C. 5:31-2, does not confer any authorization to raise or expend funds; rather it is a document to be used as part of the said Authority's planning and management objectives. Specific authorization to expend funds for the purposes described in this section of the budget, must be granted elsewhere; by bond resolution, by a project financing agreement, by resolution appropriating funds from the Renewal and Replacement Reserve or other means provided by law.

NOW, THEREFORE BE IT RESOLVED, by the governing body of the Pequannock River Basin Regional Sewerage Authority, at an open public meeting held on August 15, 2012 that the Annual Budget, including appended Supplemental Schedules, and the Capital Budget/Program of the Pequannock River Basin Regional Sewerage Authority for the fiscal year beginning, November 1, 2012 and ending, October 31, 2013 is hereby approved; and

BE IT FURTHER RESOLVED, that the anticipated revenues as reflected in the Annual Budget are of sufficient amount to meet all proposed expenditures/expenses and all covenants, terms and provisions as stipulated in the said Authority's outstanding debt obligations, capital lease arrangements, service contracts, and other pledged agreements; and

BE IT FURTHER RESOLVED, that the governing body of the Pequannock River Basin Regional Sewerage Authority will consider the Annual Budget and Capital Budget/Program for adoption on October 17, 2012.

Commissioner Metcalfe seconded that motion which passed unanimously upon the following roll call vote:

<b>AYES</b>	:	Chairman Voorman, Commissioners Gall, Howard, Metcalfe and Verdonik
<b>NAYS</b>	:	None
<b>ABSENT</b>	:	Commissioner Lampmann
<b>ABSTAIN</b>	:	None

**6. Refunding Impacts of 2012 Series N Refunding Bonds on FY 2013 Annual Budget**

As noted above, Mr. Kelly explained that the 2012 Series N Refunding Bond Issue will result in substantial savings in FY 2013. He indicated that those savings may be refunded to the towns to offset in particular the projected increase to the Borough of Riverdale as a result of the proposed budgeted flow redistribution. He also noted that the calculation of the final amount of savings is somewhat complicated inasmuch as the Authority budgets on a cash basis yet, in the final analysis, the savings would be based on accrual adjustments at the end of the year. Consequently he said that it will be necessary to calculate the cash basis versus the accrual basis from FY 2011 through FY 2014 in order to properly assess the net savings within FY 2013.

7. **Bloomington Subflow Billing**

For the record, Mr. Kelly advised that he issued a letter on August 1<sup>st</sup> to both Bloomington and Butler requesting their estimate of the Bloomington Subflow. He explained that the Authority's approval resolution requires that the towns provide a joint or mutually agreed upon flow figure to be used for billing purposes at the end of the year. If that information is not received by November 15<sup>th</sup>, the resolution further requires that the billing be based upon the current 60,000 gpd estimate of the Bloomington Subflow.

8. **Forward Delivery Agreement/Guaranteed Investment Contract**

Mr. Kelly advised that his office is still reviewing the information that was provided by US Bank on the calculation of the actual investment income paid from 2005 through 2011 on the Guaranteed Investment Contracts. Nonetheless he said since his office calculated that the Authority actually received more than \$200 than was due under the contract and that US Bank similarly calculated approximately \$400 as an overpayment, that there is reasonable assurance that the Authority received the amount due. Nonetheless, he said that his office will check into why the individual accounts were not paid as scheduled under the contracts.

**UNFINISHED BUSINESS**

None

**NEW BUSINESS**

None

**PAYMENT OF BILLS**

1. **Operating Budget**

1.1 **Operating Request for Payment No. 305 (August)**

Vice Chairman Verdonik moved approval of Operating Request for Payment No. 305 as presented.

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Operating Request for Payment No. 305					
The following bills have been reviewed and are recommended for approval for payment at the August 15, 2012 meeting of the Authority from the Operating Account (Wells Fargo Bank Account 1425985).					
	<u>PRBRSA</u>	<u>VOUCHER</u>	<u>VOUCHER</u>	<u>PAYMENT</u>	
	<u>ACCT. NO.</u>	<u>NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>CHECK PAYABLE TO</u>
1)	33.01	OP-12-8-1	9/10/2010	\$ 2,376.00	Borough of Butler
2)	24.05	OP-12-8-2	3/17/2012	\$ 250.00	Borough of Butler
3)	24.05	OP-12-8-3	3/17/2012	\$ 250.00	Borough of Butler
4)	33.03	OP-12-8-4	7/30/12	\$ 33.19	Verizon
5)	33.03	OP-12-8-5	7/18/12	\$ 29.13	Verizon
6)	33.03	OP-12-8-6	7/23/12	\$ 32.83	Verizon
7)	33.03	OP-12-8-7	7/23/12	\$ 29.71	Verizon
8)	33.03	OP-12-8-8	7/28/12	\$ 33.47	Verizon
9)	33.03	OP-12-8-9	8/7/12	\$ 3.25	JCP&L
10)	22.03	OP-12-8-10	8/7/12	\$ 10,400.00	Kelly Engineering
11)	32.02	OP-12-8-11	7/23/12	\$ 3,424.55	Kelly Engineering
12)	26.01	OP-12-8-12	8/7/12	\$ 3,582.60	Kelly Engineering
13)	24.07	OP-12-8-13	8/7/12	\$ 174.95	Kelly Engineering
14)	23.03	OP-12-8-14	7/25/12	\$ 524.00	Kelly Engineering
15)	33.16	OP-12-8-15	7/31/12	\$ 2,811.70	ADS LLC
16)	33.03	OP-12-8-16	7/20/12	\$ 17.96	Borough of Butler-Electric Dept.
17)	26.04	OP-12-8-17	7/2/12	\$ 2,317.50	US Bank
			<b>TOTAL:</b>	<b>\$ 26,290.84</b>	

That motion was seconded by Commissioner Gall and was approved unanimously on the following roll call vote:

**AYES** : Chairman Voorman, Commissioners Gall, Howard, Metcalfe and Verdonik

**NAYS** : None

**ABSENT** : Commissioner Lampmann

**ABSTAIN** : None

**OPEN MEETING FOR PUBLIC COMMENT**


There being no members of the public present, Chairman Voorman dispensed with the public participation portion of the meeting.

**ADJOURNMENT**

Commissioner Metcalfe moved for adjournment at approximately 8:30 pm. That motion was seconded by Commissioner Howard and was approved unanimously on voice vote.

At approximately 8:30 pm, the meeting was adjourned.

Respectfully submitted,

  
Daniel D. Kelly, P.E.  
Recording Secretary

Enclosure:      Treasurer's Report for the period ending July 31, 2012