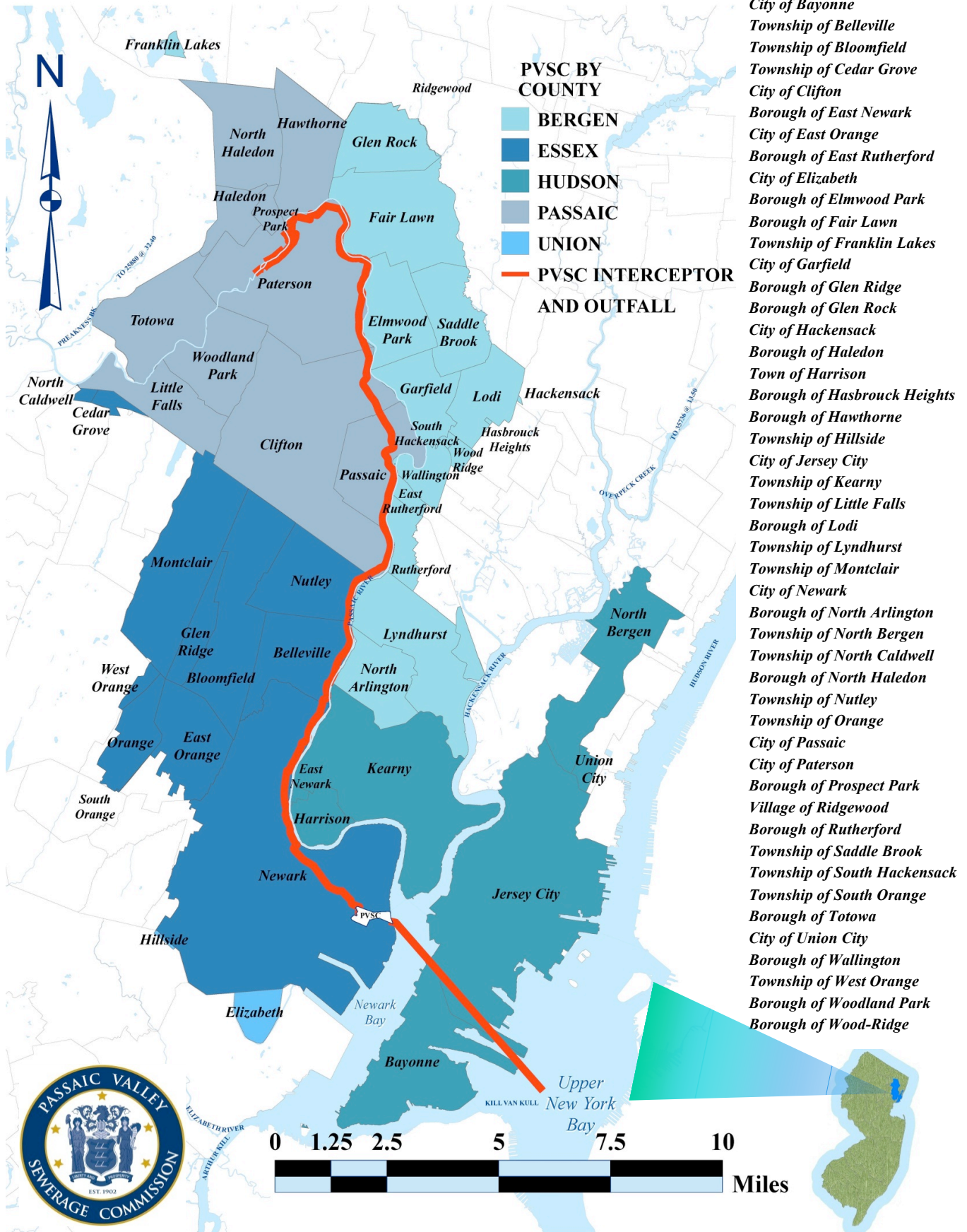




2013 ANNUAL REPORT
PASSAIC VALLEY SEWERAGE COMMISSION
"PROTECTING PUBLIC HEALTH AND THE ENVIRONMENT"

PVSC Service Area



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Aerial view of the Passaic Valley Sewerage Commission



Kenneth J. Lucianin
Commissioner

Michael DeFrancisci
Executive Director

Gregory A. Tramontozzi
General Counsel



Michael DeFrancisci
Executive Director

In my second year as Executive Director, PVSC renewed its efforts to put in place new procedures and reforms that will enable the agency to move forward. My goal has been (and continues to be) concentrating on the core mission of the Agency:

- Operate and maintain one of the largest wastewater facilities in the country in the most efficient ways possible;
- Fulfill our role as good environmental stewards by preventing pollutants from entering the waterways of the Passaic River and its tributaries;
- Build a professional operation through new leadership, education and recruitment;
- Continue to guide the recovery efforts from damage left by Superstorm Sandy.

To help achieve these goals, we forged new partnerships with academic, corporate and environmental organizations committed to our shared goals including Rutgers University and the Extension Service, the Passaic River Institute at Montclair State University and Bridgestone Tires and other local groups such as the NJ Institute for Social Justice.

As part of our efforts to reduce costs to PVSC's ratepayers, we've provided

more financial stability at the agency. The PVSC budget was developed through a comprehensive line-by-line analysis and a major effort to improve operations, reduce waste, and increase efficiency was the focus. As a result, our budget reflects stable user charges for the 48 member communities and a reduction in employees wage expenses.

At the same time, PVSC remains committed to investing in important environmental programs - including the agency's award-winning River Restoration Program. In 2013, the department reached new milestones as it conducted 950 individual clean-ups along shorelines and in communities, along with educating more than 200,000 students on ways to protect the Passaic River and our environment.

Finally, our efforts in 2013 largely reflect the enormous task of recovering from the devastating effect of Superstorm Sandy, which resulted in widespread and significant damage to our facility. PVSC has been working diligently with FEMA and other federal and state agencies to repair our infrastructure and prepare for future extreme weather events.

The programs that I have established during my first two years as Executive Director, as well as the systematic review of the budget to reduce waste, will continue the agency's core mission while considering the economic challenges that our participating municipalities are facing.

Michael DeFrancisci
Executive Director

“...PVSC remains committed to investing in important environmental programs...”

”



“Although we are still in the recovery phase after Superstorm Sandy, PVSC has exhibited an unequalled commitment to service and innovation.

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The past year demonstrated how well the Passaic Valley Sewerage Commission (PVSC) rose to innumerable challenges. Indeed, the year proved ambitious and we achieved many infrastructure milestones, while still making valuable and vital contributions to our ratepayers and customers.

Although we are still in the recovery phase after Superstorm Sandy, PVSC has exhibited an unequalled commitment to service and innovation. During 2013, we reduced costs, implemented many new efficient practices, forged our plans for the future and excelled at our mission to serve the public. I am proud of the work of PVSC and that together we weathered a long and unpredictable year.

In our 112-year history, I don't think anyone can recall a time at PVSC when so much was demanded of us. We were called upon to perform in extraordinary ways and we did. As a result, our unsurpassed productivity has made long-lasting impacts contributing to the positive changes here at PVSC and in the lives of our stakeholders.

As we venture into 2014, we

are committed to improving and enhancing our workplace environment, our relationships with stakeholders, and our commitment to the environment. Our long-range goals to harden the facility and plan for future extreme weather events remain paramount to our mission.

We are poised for growth and opportunity and ready to embrace bigger and better challenges.

We look forward to embarking on the new year with our many stakeholders and constituents!

A handwritten signature in black ink, appearing to read 'K. Lucianin'. The signature is stylized and fluid.

Kenneth J. Lucianin

During 2013, the PVSC continued its focus on systems enhancements including the installation of new financial reporting and control software, that will enable PVSC to process financial transactions in a more efficient and secure manner.

PVSC also for the third straight year demonstrated its commitment to its ratepayers by adopting a flat Calendar Year 2014 user-charge. Last year, PVSC also began the planning and implementation of a new comprehensive financial reporting system, the Oracle Enterprise Business Suite (EBS). EBS will provide more robust and powerful financial reporting tools and will

enable PVSC to leverage even greater efficiencies and internal control over financial operations and reporting.

The EBS system went live January 1, 2014 and replaces the legacy general ledger system which had not been upgraded since the early 2000s.

2012 - 2014 Budgets

ACCOUNT DESCRIPTION	2012 AMOUNT	2013 AMOUNT	2014 AMOUNT
SALARIES	\$43,929,386	\$43,705,701	\$45,253,049
PAYROLL TAXES AND UNEMPLOYMENT	4,193,411	3,597,975	3,384,654
HEALTH PLAN	15,232,894	14,946,134	15,461,784
PENSION EXPENSES	5,487,242	4,871,194	4,796,478
SUPPLIES, POSTAGE, AND SOFTWARE	1,237,337	1,330,954	1,493,710
REPLACEMENT PARTS	4,959,609	4,990,309	5,488,578
MATERIALS	5,913,632	5,918,335	5,860,904
UTILITIES	21,835,997	21,924,463	23,051,527
RENTALS	152,440	174,887	290,346
INSURANCE	1,823,750	1,863,620	1,897,478
EQUIPMENT & IMPROVEMENTS	3,650,022	4,406,311	4,611,930
OUTSIDE SERVICES	5,552,962	5,983,050	7,482,130
PROFESSIONAL FEES	1,155,000	1,305,000	1,305,000
GOVERNMENT ASSESSMENTS	1,053,954	1,053,954	1,050,954
BIOSOLIDS REUSE	5,601,083	5,290,663	5,671,663
SUNDRY EXPENSES	2,992,551	2,764,760	2,823,138
ADVERTISING	82,350	66,388	63,500
REAL ESTATE TAXES	901,522	901,522	901,522
RESERVE FOR REPAIRS AND IMPROVEMENTS	2,400,000	3,089,980	2,400,000
DEBT SERVICE	29,684,807	31,062,870	31,137,164
TOTAL APPROPRIATIONS	157,839,949	159,248,070	164,425,509
LESS: ANTICIPATED INCOME	(30,244,320)	(31,679,014)	(36,834,150)
USER/SUPPLEMENTAL USER CHARGES DUE	\$ 127,595,629	\$ 127,569,056	\$ 127,571,359



Muscle Wall flood barrier deployed around PVSC electrical substation

PLANT UPDATE

As we approach the second anniversary of Superstorm Sandy, PVSC continues to be vigilant in its recovery efforts, so that we return the plant to normal operations and we manage the facility at optimal levels. During these past two years, our focus has been on a number of priorities – including making preparations for future extreme weather events. We have reached many milestones well in advance of original estimates:

To date, most PVSC functions are back on line. Although some major systems are still in need of repair, primary and secondary treatments were operational within days of the storm.

Several months following the storm, PVSC began accepting all municipal, industrial, and water sludge and our Liquid Waste Acceptance operation is back to

accepting all streams of waste. In fact, LWA has had a banner year and began to accept new record loads. It is expected that even after the temporary shutdown in fall 2012, LWA will surpass previous revenue records.

PVSC has taken a leadership role in flood mitigation efforts - planning with Federal Emergency Management Agency (FEMA) and the New Jersey Department of Environmental Protection (DEP) the construction of permanent flood control measures. PVSC has implemented these measures to ensure we are prepared in the event that a storm like Sandy strikes again.

Specifically, PVSC has requested money from federal agencies to build a flood wall around the perimeter of its 140-acre campus in Newark, add several pump stations to remove any flood water from inside the flood wall,

and install three natural gas-fired turbines as a backup power source. The permanent flood wall would be designed to mitigate the effects of a 500-year flood event. Although funds have not yet been provided to the commission, in June 2013, FEMA issued public notice of their intent to provide funding to the PVSC for the construction of a floodwall and on-site standby power system in Newark. In conjunction with this process, FEMA released an environmental impact statement on the project, which concluded that the flood wall and backup power system would have no significant adverse impact on the human environment, and only a minor impact on a quarter-acre of wetlands. At the conclusion of the public comment period, FEMA is expected to make a decision on grant money shortly after that.



Muscle Wall

Finally, as part of our post-Sandy recovery efforts, PVSC has implemented a new temporary flood control barricade system (Muscle Wall, see page 6 and above) to ensure we are prepared for extreme weather events. The deployment of a “Muscle Wall” or flood control barricade system is designed to protect key infrastructure at the plant. This new flood control barricade system to ensure we are prepared in the event that a storm like Sandy strikes again.

Installation of the flood barricade

began in July of 2013 and was completed in August. A total of 7,760 linear feet (just under 1.5 miles) of wall has been installed around key PVSC facilities such as the plant’s electrical substation, treatment process facilities and other vulnerable operations. PVSC’s staff continues to maintain, adjust and deploy the muscle wall infrastructure, depending on forecasts and facility needs.

Although our work with the Federal Emergency Management Agency (FEMA) on the construction of permanent flood

control measures is still on-going, we are well-prepared for extreme weather situations PVSC has taken a leadership role in these flood mitigation efforts.

Last summer, the commission asked the Federal Emergency Management Agency for nearly \$800 million in federal grant money to pay for a series of projects to make the facility more resilient against future surges and flooding.

PVSC also continues to work with FEMA on the completion and submission of Project Worksheets (PWs). Because of our diligence, PVSC is tentatively approved to receive more than \$100 Million from FEMA for repairs and upgrades. To date, 46 PW’s have been anticipated for PVSC, with 41 PW’s already in the FEMA system. Thirty-seven of these have been obligated – including one PW for \$2.49 million in repairs to PVSC’s underground utility tunnel infrastructure – which means that the money eligible to PVSC will be sent to the State of NJ for allocation at a future date.

After a difficult year following the storm, 2013 once again proved to be a challenging but pivotal one for PVSC. However, the plans and contingencies we have now put in place will ensure that PVSC is prepared to meet further extreme weather challenges, as well as new opportunities presented by this paradigm in which we all operate.

In 2013, the Passaic Valley Sewerage Commission (PVSC) continued to make clear progress on a number of operational and strategic fronts, in spite of the ongoing work that continues to remain from Superstorm Sandy.

As we recover from these unprecedented events, we remain keenly focused on our management objectives to reform and modernize the PVSC

In 2013, the ICB collected \$3.7 million in connection fees from municipalities within the PVSC service district. Because of this program rebates totaling \$257,000 will be returned to them.

as an organization. To that end, we have taken steps to ensure that all PVSC actions are for the exclusive purpose of insuring the integrity of the operation of the PVSC. Further, it has been our expressed goal to make certain that the expenditure of ratepayer funds is done in a fiscally responsible manner and that the assets of PVSC are safeguarded and maintained.

Throughout 2013, the Administration of the PVSC has focused on reorganizing, improving and enhancing those functions of the PVSC which will be the foundation for our future growth, efficiency and success.

Most notable among these advances were:

- **Administrative Reorganization, Efficiency and Improvements:** In keeping with

previous goals, the PVSC identified and began implementing numerous procedures to ensure that PVSC was hiring “the most qualified” candidates in all areas of our operations. Two years ago, our HR Department and other senior leadership were able to articulate hiring procedures to meet the needs of each PVSC department, and a process was created to identify each step in the hiring process so that formal documentation for recruitment, selection and offers of employment were put in place. As a result of this effort, this documentation became a best practice for recordkeeping and compliance with local, state and federal employment law.

In addition, PVSC continued to search for ways to streamline procedures, become more efficient and modernize administrative practices. A special committee was convened to revise the PVSC Table of Organization, and review, reorganize and update job titles to reflect today’s standards. Human Resources also worked with department heads to streamline the number of job titles, revise corresponding job descriptions, and commence a salary survey to ensure that PVSC was providing a fair and competitive wage that reflects current industry standards for all positions.

Finally, in response to reforms and staffing changes, PVSC also focused its efforts on improved succession planning, better recruitment processes, credentialing and licensing, as well as on-going training efforts to ensure that the organization is well-positioned to groom the next generation of managers and leadership at PVSC.

- **Budgetary Discipline & Revenue**

Enhancement: In 2013, the PVSC was able to provide financial stability for the third straight year and as part of our persistent efforts to reduce costs to its ratepayers, adopted a flat Calendar Year 2014 budget for the third straight year. The budget reflects stable user charges for the 48 member communities and a reduction in employee wage expenses. The PVSC budget continues to invest in many important

environmental programs, and also anticipates the lingering effects of Superstorm Sandy, which adversely affected operations of the agency. This was done through a comprehensive line-by-line analysis and through aggressive efforts to improve operations, reduce waste, and increase efficiency. We took into consideration the current economic challenges that face our participating municipalities, and all expenditures were systematically reviewed in an effort to either hold

longer support their own processing operations and have opted to collect and ship their sludge to PVSC.

Recently, the LWA re-examined a number of business practices to become more efficient and competitive, and as a result, LWA rates have been adjusted to reflect the current fair market environment. LWA also renewed and updated all municipal contracts (with an average increase of between 9 to 13 percent) and recently



PVSC's newly-acquired U.S. Government surplus vehicles. This no-cost program has saved PVSC over \$1.2 million in equipment purchases.

or reduce expenses.

While keeping budget costs under control, the PVSC also undertook a number of proactive measures to increase revenues to the agency. A case in point is the PVSC's Liquid Waste Acceptance (LWA) Program, which accepts non-hazardous hauled waste into the PVSC treatment works via truck, barge or ship for treatment. The LWA performs an important service and also generates significant revenue for PVSC, which is used to offset user charges. The LWA's extraordinary efforts not only quickly resumed operations, but enhanced its operation after Superstorm Sandy. The PVSC's dock is busy almost seven days a week and we are seeing an increase in municipal customers who can no

negotiated a renewal with the Passaic Valley Water Commission for 3 years at \$2.75 million – the first such agreement since 1999. LWA also executed a first time ever agreement with the Township of Wayne for 3 years at \$2 million. Finally, PVSC recently renewed its contract with the NYCDEP for 5 years at \$25 million, resulting in a 20 percent increase (both in volume and dollars) from our previous contract.

In other efforts to control costs and recover outstanding fees, our initiative to reduce outstanding Pollution Prevention Monitoring fees has exceeded our aggressive goals.

In that regard, over a 10-month period ending April 2013, PVSC collected some \$100,000 of the more than \$205,000 due



and owing to PVSC as of June 2012.

Finally, we have achieved greater efficiencies thanks to the agency's Inspection and Compliance Bureau (ICB), which is the regulatory and enforcement branch of the agency. Because ratepayers and municipalities invest large sums of money for wastewater treatment infrastructure, it is necessary that projects which expand the service base or increase the plants' flow pay a proportionate share of this investment through a connection fee.

Working cooperatively within our member municipalities, our inspectors review building permit applications, meet with applicants, and review plans to calculate those fees. The fees bring additional revenue to the PVSC and are also used to stabilize rates in the local municipality. The PVSC returns up to \$5,000 to the

municipality for their assistance. In 2013, the ICB collected \$3.7 million in connection fees from 1,745 applications approved within the entire PVSC Service District. And, because of the collaboration with those municipalities, rebates totaling \$257,000 were returned to them. As you can see, it's a "win-win" for all involved.

• **Improved Workplace Safety, Security and Efficiency:** PVSC had several notable accomplishments in 2013. These are achievements we can all be proud of. Because of our collective commitment to workplace safety, cost-effectiveness, and efficiency, PVSC has realized a number of important goals:

► **Reduction in Workplace Accidents**

PVSC achieved its goal of a 5 percent reduction in recordable incidents for 2013. PVSC had 24 Recordable Injuries in 2012 and only 19 in 2013. That's a reduction of 20.9 percent. Special recognition goes to PVSC's union leadership and supervisors for making these safety goals a priority. In addition to the obvious manpower benefits, no doubt this equates to a substantial savings in Workman's Compensation claims for PVSC. For 2014, our goal is to improve even further.

► **Reduction in Worker's Compensation Claims**

Workers compensation claims have now dipped to a 10-year low, which is a direct result of the accident reduction percentage. Our total claims pay out went from \$147,000 in 2002 to just under \$124,000 in 2013.

► **Revenue Generation and Recovery of Fees**

PVSC's Legal Department and our Inspection and Compliance Bureau have collected 75 percent of all outstanding Pollution Prevention Fees (\$157,000 of a total of \$208,000). Also, despite a delayed return to operations after Superstorm Sandy, the Liquid Waste Acceptance program collected \$19.5 million in revenues during 2013.

► **Reclamation of Surplus Goods**

PVSC's River Restoration Department has received nearly \$1.2 million in U.S. Government Surplus equipment. These items are free of charge to PVSC and will be used within the plant operations, as well as in our service district area. (see photo page 9)



PVSC set a new milestone in 2013 for reductions in recordable workplace accidents. The 20% reduction saved PVSC over a quarter of a million dollars in workers comp claims.

• Joint Initiatives, Collaborations and Shared Services

Other new initiatives saw the beginning of joint programs and collaborations with our sister agencies, academic partners and neighbors. Earlier last year, PVSC began a collaboration with New Jersey Institute for Social Justice (NJISJ) recognizing the potential pool of qualified candidates that graduated from their program.

Due to Superstorm Sandy, the PVSC had an urgent need for qualified technicians to help restore the plant and resume critical operations as a result of the storm damage. PVSC reached out to NJISJ and brought on many of their graduates as temporary workers. Some have transitioned into full time status. The best part is that the majority of workers come from PVSC's service district and largest ratepayer, Newark.

Other alliances we were proud to forge were with sister agencies – including local utilities authorities and Departments of Public Works - at the local and county level. These collaborations will create more efficiencies and savings for all.

PVSC has recently begun working together on projects within the same service area with various local entities to ensure that we share resources and personnel where possible, look for organizational efficiencies to avoid duplication of effort, and check for theft of service and other financial irregularities, potentially saving ratepayers and taxpayers tens of thousands of dollars each year. In instances where both agencies have overlapping service areas, it makes perfect sense to work together to reduce redundancies; keep the waterways clean, and help maintain our respective infrastructures.

PVSC has also partnered with The Essex County Department of Corrections to utilize their Second Chance program Inmates for an extensive clean-up of the Passaic River shoreline in Essex County. Last May, inmates provided much needed manpower at Riverbank Park in Newark along Raymond Boulevard. Additional sites will be selected for future clean-ups with the program.

Finally, because of our bi-furcated mission that impacts public health, as well as the environment, we have embraced two new partnerships with academe that will enable us to better leverage our resources for the good of the environment – one with the Rutgers Cooperative Extension (RCE) Water Resources Program, and the other with the Passaic River Institute at Montclair State University to identify and address water quality issues with PVSC's service area.

In 2013, the PVSC forged a partnership with the Rutgers Cooperative Extension (RCE) Water Resources Program to identify and address water quality issues with PVSC's service area. In particular, PVSC has been collaborating with Rutgers to create a Green Infrastructure Program



In 2013, PVSC forged new partnerships with colleges and universities, like this one with the Rutgers Water Resources program.

–complete with free training workshops that will provide an opportunity for community leaders to learn how to implement cost effective green infrastructure strategies.

Our second partnership is with the Passaic River Institute (PRI), housed at Montclair State University. We are exploring several ideas to better monitor and improve the conditions of the Passaic River. PVSC will work with PRI for a two-year period to help organize local environmental organizations and community groups to establish a Passaic River Working Group that will become stewards of the River.

PVSC has an important role to play in helping to advance partnership opportunities in the communities where we work, live and do business. Now, with these knowledgeable and energetic partners, we can have a greater impact on the environmental health and security of our residents in the 48 municipalities within the Passaic Valley Service District and hopefully make positive and lasting contributions to society.

- **Outreach and Education:**

Finally, a key part of PVSC's programmatic focus is the work we perform with and for the members of the public. Through our River Restoration Department, PVSC's award-winning Educational Outreach Program and our newly-created Office of Public Affairs, PVSC is able to connect with the local community through meaningful and



During PVSC's annual cleanup project in Fair Lawn crews removed over 2,000 illegally dumped tires from the Passaic River. They were later recycled at no cost through our partnership with Bridgestone Tires.

valuable projects.

Particularly as a result of the Superstorm, PVSC has been extremely proactive with local mayors, alerting them to the resources at PVSC for post-storm assistance.

Throughout last year, PVSC crews have been working diligently to remove obstructions in the Passaic River and its tributaries and have made clearing the various blockages and large debris deposits caused by both Superstorm Sandy and Hurricane Irene a high priority.

During the fall, PVSC concluded another successful cleanup in partnership with Bridgestone tires. This project involved the removal of more than 2,000 tires and other debris from the Passaic River in Fair Lawn. This cooperative effort with Bridgestone, allowed PVSC to remove and recycle approximately 2,000 tires that were impeding the flow of the waterway. This was the second annual clean up of it's type. The project benefited our Agency along with our member communities, free of charge.

Since the creation of the PVSC's River



Restoration Program in 1998, which is charged with preserving and protecting over 100 miles of area waterways, the PVSC has removed over 11,000 tons of debris from the Newark Bay, the Passaic River and its tributaries, and sponsored over 950 individual clean-ups along shorelines and in communities, along with educating more than



For the second straight year, PVSC held its Governing Officials Workshop for representatives from the 48 municipalities within its service district.

200,000 students on how they can help protect the Passaic River and our environment.

Also, as part of the agency’s recent reforms and increased transparency, the PVSC held its annual briefing and tour of the Newark facility in May 2013. The Governing Officials Workshop highlights, for elected officials and professionals

alike, the priorities of the PVSC, operational updates and other matters of concern to the District. The event was opened to municipal officials from all 48 member municipalities and drew mayors, council members, business administrators, municipal engineers, DPW superintendents and other municipal officials who were provided an comprehensive firsthand look at the inner workings of the facility culminating in a guided bus tour of the more than 140-acre facility located in Newark, learning in-person the complex science involved in treating more than 330 million gallons per day of wastewater.

In summary, it has been a challenging but pivotal year for PVSC. PVSC’s plans for 2014 - coupled with the ongoing upgrades at the plant – are ambitious and exciting. More importantly, PVSC, working with our many partners, will excel in delivering another strong year for the ratepayers and those we serve throughout the Passaic Valley and the entire region. As always, we are mindful that our charge for the coming year is as always to ensure that the health, safety, and welfare of the citizens of the Passaic Valley Sewerage District.



Executive Director DeFrancisci, Dore Laposta, EPA Region 2 Director and DEP Commissioner Bob Martin, who opened the workshop and explained PVSC’s and the DEP’s pivotal role in working together.



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