

Hog Wild:

An Analysis of the Activities of the Newark Watershed Conservation and Development Corporation

The Newark Water Group

January 11, 2011

Over half a century ago, Newark's voters chose a form of government designed to meet major challenges. Those voters may have been right: despite vast changes since 1954, the city government still delivers service and plans for the future. Many cities whose prospects looked much brighter in the late 1960s have not fared so well.

Today, Newark's water and sewer systems face major challenges. The Newark Water Group has been examining how those systems are being governed. We have been astonished to find that the wise principles that Newark voters chose in 1954 have been cast aside, unbeknownst to the public, and without formal Municipal Council action. In place of accountability, checks and balances, and clean lines of organization, a new structure has been set up that puts a premium on agilely avoiding the normal strictures under which governments operate.

The results have been predictable: insiders have benefited greatly, while little has been done to maintain and upgrade the water and sewer systems. Enormous resources have been siphoned into schemes that would benefit those insiders even more, while problems with water and sewer infrastructure continue. We will document these assertions in this report.

Our remedy is simple, traditional, and well-tested: operate under Newark's charter. That charter says that every city department has a director appointed by the Mayor and confirmed by the Municipal Council; that director is supposed to run the department on a full-time basis and be paid a salary by the City; that salary is set publicly by ordinance by the Municipal Council. The director is supposed to report to the Business Administrator. The Department of Water and Sewers doesn't operate that way now, and it has not operated that way for a long time. We think that Water and Sewers should operate like Police, Fire, and every other city department.

This report concentrates on an entity called the Newark Watershed Conservation and Development Corporation (NWDC). The NWDC was set up in 1973 to help the city manage its land at the Pequannock Watershed. Since then it has morphed into a “junior utility authority” that sees its job as running the sewer and water systems, although the governing body never authorized it to do so. In fact, on the two occasions when the NWDC tried to acquire that power officially, 2003 and 2010, the Municipal Council said no. But it has continued to overreach and overstep its authority.

The story of NWDC is important in its own right, but it’s also a cautionary tale about checks, balances, and accountability. All governments are bureaucratic. The beneficial function of bureaucracy is to prevent officials from using their powers for their own personal purposes. The cost is slowness and inflexibility: doing good work gets harder, too. Again and again, city administrations have used NWDC as a way to get around rules: rules about double-dipping, Council confirmation of directors, Council approval of major contracts, public scrutiny, and centralization of legal functions under the Corporation Counsel, for instance. In essence, NWDC has been running an experiment in whether “lessening bureaucracy” will enhance performance, or just enrich the performers.

This report will show that as a result of this experiment, some people have made a lot of money, but the water and sewer systems still appear to be in bad shape, at least according to the people who run them.

Newark is lucky to be able to observe this experiment. Between 2008 and 2010, the proponents of a Municipal Utilities Authority (MUA) have argued that the sewer and water systems should be freed from the bureaucratic strictures imposed by the city charter, and allowed to do their good work unhindered by the checks and balances other city departments operate under. The story of the NWDC lets us see what happens when the city takes small and reversible steps in that direction. Anyone who reads this report, we believe, will be glad that those steps are reversible.

A real MUA, however, because it would immediately sell large amounts of city-guaranteed long-term debt, would be much harder to correct.

1. Historical background

When Newark bought and developed the Pequannock watershed between 1889 and 1900, the land around it was almost totally undeveloped, people had little time or energy for recreation, and access in those pre-automobile days from the region's population centers was hard. Newark thought its water would be pure enough that treatment would not be required. So for many years the watershed was left virtually empty and mostly quiet. A few fishermen were occasionally permitted in, but other than a handful of water department employees, almost nobody from Newark ever went there.

By the 1960s, conditions had changed. The towns surrounding the watershed were growing suburbs, Americans engaged regularly in many forms of active recreation, cars and highways made the watershed easily accessible to tens of millions of people in the metropolitan area, and Newark was under federal mandate to treat its water. In 1968, Mayor Hugh J. Addonizio and the Municipal Council of the time briefly created an MUA, partly to take financial advantage of these new conditions.

The MUA was a major issue in the tumultuous 1970 election, and Mayor Kenneth A. Gibson, who defeated Mayor Addonizio, was (and remains today) an ardent opponent of the MUA. He abolished Mayor Addonizio's MUA, and returned the watershed and water system to city control.

But the question of how to deal with the watershed in the new era remained. Mayor Gibson commissioned the Office of Newark Studies (ONS) to examine this issue. After a year of work, Terrence D. Moore and Mildred E. Barry (better known today as Mildred Barry Garvin), two ONS staffers at the time, produced *A Revised Policy Concerning Newark's Pequannock Watershed* (1972), a detailed volume

laying out options and recommendations. Moore and Garvin rejected the extreme solution of the city relinquishing control over the watershed, but also found the status quo of a dormant watershed unacceptable. The watershed was too valuable a resource to let lie dormant, especially with Newark citizens starved for recreational opportunities and Newark's children lacking places to learn about nature.

The middle way they proposed was limited, carefully controlled, and environmentally sensitive development in parts of the watershed, with an emphasis on parks, recreation, and education, but not closing the door completely on a small amount of moderate-income housing. The state was developing Spruce Run and Round Valley in Hunterdon County at this time as reservoirs with extensive recreation components, and Moore and Garvin were influenced by these projects.

In order to manage, plan, and oversee this task, Moore and Garvin proposed that the City establish the "Newark Watershed Development Corporation." The organization chart showed three divisions: planning and environmental control, property management and maintenance, and municipal liaison (to handle relations with the six towns in which the watershed sits). The staff would include experts in "planning, development, land use, economics, real estate, ecology, property management, and property law" (p. 152).

The proposed agency would be a public corporation (state enabling legislation would be needed). The Mayor would appoint the Board of Directors with the consent of the Municipal Council. The City would not transfer any properties to the agency, and "the master plan and amendments, leases, conservation easements, development, joint ventures, agreements, fees, and the Corporation's budget all must receive approval of the City of Newark" (p. 153). After an initial loan from the City, the agency would be self-supporting.

The City accepted most of the recommendations from Moore and Garvin. The agency they envisioned was never created, but something similar was: the Newark Watershed Conservation and Development Corporation. No state legislation was obtained, and the word “Conservation” was added to the corporation’s name. The corporation was established by Municipal Council resolution 7RF adopted June 27, 1973. Moore was the first executive director.¹

Some of Moore’s and Garvin’s goals have been achieved. Newark’s school children have received much greater exposure to nature at the watershed. A master plan is in place. Citizens who want to use the watershed for approved recreation can obtain a permit. Relations with the neighboring towns are smoother. But the NWCDC is far from being self-supporting and recreational opportunities are more limited than at Spruce Run and Round Valley. The watershed is much more active than it was in 1970, but not as active as Moore and Garvin had foreseen.

Mayor Sharpe James revised the NWCDC incorporation papers in 1994, but the purpose of the corporation remained essentially the same as Moore and Garvin had proposed: “to promote the common good and general welfare of the City of Newark ... through civic betterment, educational opportunities, and social improvements relating to the planning, conservation, development, and management of the City’s watershed properties located outside the City of Newark.”²

¹ He served in that capacity until 1979, when Governor Byrne tapped him to head the Pinelands Commission, another agency designed to steward the careful development of a sensitive environment. He is now a senior official of the National Park Service. Garvin also had a distinguished career after ONS, serving in the State Assembly for over a decade. After her passing in 1993, the N.J. State Historical Commission established an annual prize in her name for the teaching of African-American history.

² This revision has caused some confusion, because it was undertaken without a Municipal Council resolution. As a result, City and NWCDC records do not agree on the proper composition of the board.

2. Review of minutes

Although NWCDC is supposed to be an agency for land use planning and management, our review of the board's minutes from April 2007 through March 2011 reveals that these issues have become almost a secondary concern. The board does pay attention to matters like timber harvesting, Camp Watershed, and easements that are clearly within its purview. But it also appears to be deeply enmeshed in questions of water supply and sewer operation that are not authorized in its incorporation papers.

We have minutes for 38 meetings in this time period. The average meeting for which we have beginning and ending times lasted 57.2 minutes (this is 20 meetings). The minutes contain approximately 566 paragraphs of board discussion and action (excluding such ministerial activities as accepting minutes and recording arrivals and departures), but of these, 155 paragraphs deal with internal housekeeping matters like employment procedures and the contracts with the City of Newark. Of the remaining 411 substantive paragraphs, 34 percent deal with the MUA proposal, and 16 percent deal with other water and sewer matters that are the responsibility of the City, not NWCDC. Another 16 percent of paragraphs pertain to the operations of water treatment plant. The City contracts with NWCDC to operate this plant, but such activity is clearly not something that Moore, Garvin, and the incorporators of NWCDC saw the agency performing (although the plant was not completed until 1990, Moore and Garvin were aware that it would be built, and did not include it in NWCDC's scope of activities, for obvious reasons). Only a little under a third of the substantive paragraphs in NWCDC's minutes concern the activities that NWCDC is supposed to be performing (we could not classify several paragraphs).

The minutes show an agency that has lost its direction.

What sort of questions is the board addressing instead of its mission? We will discuss the MUA below in section 7. Aside from the MUA, here are some examples:

January 2008: The General Counsel to the NWCDC talks to the board about his negotiations on their behalf to sell bulk water to the United Water Company. This issue is revisited in February 2008 and January 2009.

May 2010: The General Counsel reports on discussions with Anheuser Busch about their escalating water and sewer costs.

January 2011: The board discusses possible candidates for the Passaic Valley Sewerage Commissioners.

December 2010: The board discusses the South Side interceptor sewer.

November 2010: The board discusses the Virginia Street pump station on the Newark-Elizabeth border.

April 2007: The board learns that Newark has around 10 million gallons a day of water to sell.

January 2008, July 2009, February 2010. The board discusses problems at the water treatment plant.

November 2009: The board learns that Andrew Pappachen, who is employed by NWCDC to supervise the treatment plant at the Pequannock watershed, is also supervising the water supply system at Cedar Grove and Central Avenue, while being paid by NWCDC and presumably supervised by the NWCDC executive director.

January 2009: The board discusses delinquent water and sewer accounts.

September 2009: The executive director tells the board that the general counsel is involved in many aspects of water and sewer operations, while being paid by NWCDC and reporting to the NWCDC board.

May 2008: The board discusses water supply issues at Cedar Grove and Belleville reservoirs.

December 2008: The board learns that Alvin Zach will be replaced by Joseph Beckmeyer as the consultant running the city's Water and Sewer Department. Zach was an employee of NWCDC, and Beckmeyer will be a consultant to NWCDC. Both were paid with NWCDC money and reported to the NWCDC executive director. Indeed, the executive director in the job description she submitted to the Municipal Council in September 2011 stated that she "exercises direct supervision over...the Consultant assigned oversight of the City of Newark's Water and Sewer Utility Department."

January 2009, February 2009, July 2009, April 2010. Beckmeyer meets with the board to provide updates on general water and sewer activities.

November 2009: The board learns that Beckmeyer and the general counsel have been meeting about water and sewer collection issues.

NWCDC officials often describe these unauthorized activities almost as favors that NWCDC does the City, and imply that by engaging in them they are saving the City money. This is sophistry. All of NWCDC's money comes from the City. The City saves no money by paying NWCDC to do things it should be doing itself.

3. Expenditures

We have examined audited expenditure data for NWCDC for six years, 2004 through 2009. During that period, annual expenditures rose from \$6.8 million to \$10.2 million. This is an average annual rate of increase of 8.4%, well above the rate of inflation. All of this money, except for a few hundred thousand in fees, comes directly or indirectly from the water bills paid by Newark rate-payers. The NWCDC is not self-supporting, as intended.

Why did NWCDC expenditures rise so rapidly? Earlier this year, we asked the Municipal Council why expenditures rose in a slightly different period. Linda Watkins-Brashear, the executive director of NWCDC, replied on February 7, 2011 to the Municipal Council: “[T]he NWCDC faced unforeseen increases in operating and energy costs, i.e., petroleum products and chemical input, which accounts for a substantial amount of the increased expenses.”

The numbers in the NWCDC’s auditor’s report do not support the executive director’s statement. Between 2004 and 2009, expenditures for chemicals rose by about \$108,000; this represents only a tiny portion of the \$3.4 million increase that occurred in this period (3.2% of it, to be exact).

The largest single factor in the increase is an extraordinary rise in consultant costs: from \$265,292 in 2004 to \$1,576,882 in 2009. This represents 39% of the total increase. We will provide more information about consultants in sections 6 and 7 below.

Salary costs also rose considerably in this period, from \$1.4 million to \$1.8 million, an annual rate of increase of 13.4%, well above inflation. Salary costs were particularly high in 2006, over \$2.1 million, when sizeable severance payments were made. We will provide more information about compensation of top recipients in section 4 below.

From 2004 to 2009 fringe benefit costs rose at a slower rate than salary costs, but they rose much more quickly in the beginning of this period. From 2004 to 2007, fringe benefit expenditures rose from \$627,577 to \$1,446,576, before falling again. This rise appears to be connected to the conversion of NWCDC's defined contribution pension into a defined benefit pension. We discuss this transition in section 5 below.

Expenditures for materials and supplies, aside from chemicals and utilities, also seem to have risen substantially. However, the audits do not categorize these expenditures in a consistent fashion over time, and we are not able to follow what is happening. It's clear, however, that the absolute increase is not as large as the increase in consultant costs.

Table 1 sets forth audited expenditures.

Year	Salaries	Fringe	Consult.	Rent/ut.	Insurance	Taxes	Chemical	Prop'ty repair	Other	Total
2004	1,380	628	265	282	200	2,426	891	0	728	6,801
2005	1,463	826	165	319	180	2,298	910	0	580	6,741
2006	2,151	862	208	294	195	2,281	902	0	1,354	7,608
2007	1,512	1,447	444	325	213	2,288	889	0	980	8,097
2008	1,959	1,033	1,355	424	230	2,376	997	794	874	10,041
2009	1,830	793	1,577	377	199	2,493	1,000	868	1,027	10,164

Detail may not add to totals because of rounding
 2006 salary amount includes \$640,949 in severance.

4. Compensation

Tax returns for NWCDC (IRS form 990) for 2005 through 2009 reveal some very large compensation and show in part why salary expenditures have increased so much³. Table 2 presents this information.

Compensation in 2006 appears to be affected by severance payments. Zinnerford Smith, Bernice Ali, and Donald Bernard left the payroll that year (although Smith and Bernard have since worked as consultants to NWCDC). Linda Watkins-Brashear and Alvin Zach, however, continued on the payroll, and so their unusually high compensation that year is something of a mystery to us. The notes to the 2006 audit (note 8, August 7, 2007) explain that about a third of the severance expenditure that year was for unused leave, but do not say that these payments were made only to individuals whose employment was being terminated.

The current executive director, Watkins-Brashear, appears to be compensated more than the Governor of New Jersey (\$175,000), and more than the previous executive director, Smith. Andrew Pappachen also receives more than the Governor. He retired from the City of Newark water department on November 1, 2007, with a final salary of \$101,007, and receives an annual pension of \$54,140 on top of his NWCDC compensation.

NWCDC compensation would have risen faster than it actually did were it not for the efforts of the board. In the December 2008 board meeting, Watkins-Brashear proposed 4% increases for staff in 2009. Board members Michelle Thomas and Councilman Donald Payne objected, and the raises were rolled back to 2%. City employees unrepresented by bargaining units received no raise that year. Thomas and Payne also voted against the 2010 budget at the September 2009 meeting.

³ We have not seen the 2010 form yet, although it was due on May 15.

Table 2

NWCDC compensation, per form 990	2005	2006	2007	2008	2009
Linda Brashear	89,596	328,379	141,528	177,051	215,470
Zinnerford Smith	158,636	341,171			
Al Zach		186,084	130,500	131,000	
Bernice Ali		91,144			
Don Bernard		117,730			
Andrew Pappachen				121,123	127,871

5. Pension

The NWCDC converted its defined contribution pension to a defined benefit pension. This was an expensive undertaking, and we have been unable to find any discussion of why it was done in the minutes of the board. We also requested copies of any internal documents explaining the rationale, but received none. We draw on audit reports to explain what happened.

In 2004 and 2005, NWCDC had a flexible purchase payment pension plan covering all employees. It contributed 3% of compensation to this 403(b) plan. The amounts were \$36,852 for 2004 and \$39,501 for 2005. In 2006 or 2007 this plan was terminated (the audit reports are contradictory on this point), and NWCDC adopted a defined benefit plan. The start-up contribution in 2006 was \$200,000. The employer contribution to the new plan was \$800,000 in 2007, and \$351,085 in 2008 (or \$325,000; the audit reports are contradictory), and \$115,000 in 2009. Thus for the defined benefit plan NWCDC spent about \$1,450,000 between 2006 and 2009; it would have spent about \$160,000 at the rate it was spending under the defined contribution plan. Thus this maneuver appears to have increased NWCDC's pension costs about eight-fold.

6. Non-MUA consulting contracts

Between 2007 and 2010, NWCDC had a number of consulting contracts that were not connected with the MUA. Table 3 gives some information about the three largest. These contracts billed NWCDC a little over \$600,000 in this period. To be consistent with the information we have, we assign bills to the date of their arrival at NWCDC, not the date the services were rendered.

The largest contract was the general counsel contract to the firm of Trenk, DiPasquale, Webster, Della Fera, and Sodono, of West Orange. Elnardo J. Webster II was the highest paid partner for this work (\$225 an hour). The firm billed \$442,000 under the general counsel contract (and a contract for negotiating a natural gas pipeline easement) in this period, and also billed \$460,000 under a separate contract for work on the MUA proposal, which we discuss below.

The general counsel contract was approved by the board at both its April and June meetings in 2007. Councilman Payne did not vote at either meeting. The board has not renewed that contract, and did not vote on the natural gas pipeline contract.

Another non-MUA contract went to the Striker group, whose principal is former executive director Smith. The board did not vote on this contract.

The final contract in this group of large non-MUA contracts, that with Beckmeyer, will be discussed at greater length in section 8 below.

Table 3

Non-MUA contract

Name	2007	2008	2009	2010	total
Trenk DiPasquale	92,745.	126,837.	96,763.	125,893.	442,239.
Striker group	4,375	18,200	9,500	0	32,075
Joseph Beckmeyer	0	0	0	131,249.	131,249.
Total	97,120.	145,037	106,263.	257,143	605,564.

7. The Municipal Utilities Authority Proposal

Most of the spending on consulting that NWCDC has done in recent years has been for the MUA proposal. We estimate these expenditures have amounted as between \$1.2 and \$1.7 million. (The difference depends on how one treats the Medina contract, which we discuss below.) Table 4 details the types of contract and names of contractor. More public money than we record has gone into this proposal. Table 4 does not include staff time, other resources, or the amounts expended directly by the City government, such as the bond counsels and consultants that the City employed.

a. Trenk DiPasquale

Trenk DiPasquale at about \$463,000 was the largest contract unambiguously connected to the MUA. Together with their other contract, this firm's total billing to NWCDC from 2007 through 2010 was about \$905,000. Their MUA contract was approved by the board at its November 2007 meeting and never revisited.

Trenk DiPasquale bills NWCDC for incidental expenses as well as for time. For instance, invoice 26871 dated March 19, 2009 lists an expense of \$267.36 for a meeting at Reggiano's, a West Orange

restaurant, with “Butler and Rivera” on January 22.⁴ Presumably, “Rivera” is Ramon Rivera, an attorney for for the law firm of Scarinci Hollenbeck, who had another MUA contract. Time for this meeting is billed nowhere (not on the Trenk DiPasquale MUA or general counsel bill; not on Scarinci Hollenbeck bill). If there was no work done at this meeting, why is NWCDC being billed for the dinner? Similarly invoice 32119 is \$164.23 for a dinner with Webster, Watkins-Brashear, and Bernard at an undisclosed location in Maplewood on June 22, 2010. Again, Webster does not bill this time, although he bills \$5.17 for transportation. We wonder why nobody could eat at Newark restaurants.

b. Medina Consulting

The Medina Consulting contract has the largest total billing in Table 4, but it is hard to classify. Originally Medina was one of eight MUA contracts presented to the board at its January 2008 meeting. Board members Thomas and Payne objected to being asked to vote on these contracts without having an opportunity to read them, and they were tabled until a telephone poll could be conducted three days later. We do not have a record of the telephone poll, and at least one board member cannot recall any poll occurring. But all eight firms submitted bills subsequently and were apparently paid.

Medina’s original bills were for engineering work connected with the MUA. But in 2009 they began submitting bills for work performed by Joseph Beckmeyer under the heading “Director of Water and Sewer.”⁵ The Medina contract was terminated in March 2010 and Medina received an \$80,000 severance payment. This payment was not reported to the board. Beginning in April 2010, Beckmeyer

⁴ Although this was a general counsel bill (2734-01) rather than an MUA bill (2734-02) we are treating it as an MUA expense because Rivera was hired to work on the MUA.

⁵ We could not find a separate contract for this activity, and so we have no grounds for breaking it out, although the board minutes reflect a separate contract with Medina in December 2008 (board member Thomas voted no).

began a separate individual contract with NWCDC at \$175,000 a year (the board approved it at the April meeting).

We have not attributed Beckmeyer's costs under the April 2010 contract to the MUA, although he spent a good deal of time working on MUA issues that summer. We are not sure how to attribute the Medina expenses, and so we present our totals for the MUA both with and without Medina. Surely some of the Medina money was for MUA work, but not all of it.

c. Board approvals

Not all of the contracts listed in Table 4 were approved by the board. Aside from Medina, the seven contracts subject to the alleged January 2008 telephone poll were NW Financial, Malcolm Pirnie, Public Works Management, Hatch Mott McDonald, Wilentz Goldman Spitzer, and Scarinci Hollenbeck. Second contracts with Wilentz Goldman Spitzer and Scarinci Hollenbeck were approved at the May 2010 meeting, as well as the contract with Ferguson. Otherwise the contracts listed in Table 4 were not approved by the board and, as far as we can tell, not brought to the board's attention.

d. Ferguson

Michelle Thomas, the former business administrator and former NWCDC board member, was the principal of the Ferguson group. She resigned from the board before it approved this contract. Work under this contract was done between May and July 2010. A total of \$24,280 was billed under this contract.

e. James Group

Oscar James, Sr, the father of board member Oscar James, Jr, is the principal of the James Group. The contract was written for \$50,000 for work that was not related to the MUA. There was only

one bill, for \$15,000, and that was for MUA-related work. This contract was never presented to the board or approved.

f. Edit Interiors

Edit Interiors was paid \$18,920 to design the interiors of the building that was going to house the MUA. This contract was never presented to the board. The plan was that the MUA would be housed at 40 Clinton Street, where NWDC is located, and new interiors would have to be designed to accommodate it. Since the MUA was defeated, these plans have not come to fruition, but the money was spent.

The Edit Interior contract is one example of NWDC's chutzpah and its confidence that the MUA would be approved and that they would be running it. We examined an undated organization chart for the MUA with many boxes empty but with Linda Brashear as the executive director. At the April 2008 meeting, for instance, attorney Webster told the board that Zach would be the chief engineer at the MUA with a new succession plan. Often (at the January 2008 meeting, for instance) the talk was that NWDC would "transition" into being the MUA.

The important thing to remember is that working on the MUA is completely beyond the scope of what NWDC's articles of incorporation authorize. The NWDC is a land use planning organization, not a water and sewer entity.

g. Daniel Becht

Daniel Becht is an attorney who maintains an office in West New York. He lives in Monmouth County. He is employed, presumably full-time, as executive director of the Jersey City Municipal Utilities Authority (JCMUA) with a 2010 annual salary of \$148,084. As table 4 shows, he billed NWDC \$41,895

for work related to Newark's MUA proposal (not Jersey City's). No contract for Becht was presented to the board, or approved by the board.

He did not do this work after hours from his JCMUA job: for instance, he billed for attendance at day meetings of the Local Finance Board (July 14, 2010), Municipal Council (July 15), and Newark Regional Business Partnership (July 20).

Trenk DiPasquale is general counsel to the JCMUA as well as to the NWCDC; JCMUA budgets several hundred thousand dollars annually for legal representation. Since Becht was hired as an attorney by NWCDC, presumably his work in Newark was supervised or at least approved by NWCDC's general counsel, Trenk DiPasquale. But in Jersey City, Becht was supervising Trenk DiPasquale's work.

Becht was not only a private attorney, consultant to NWCDC, and JCMUA executive director at this time, but in 2009 he was registered as a lobbyist for the Passaic Valley Sewerage Commissioners (PVSC), even though payments to PVSC were one of JCMUA's largest expenses. Becht is also a legislative consultant for the Town of Secaucus; the League of Municipalities lists him as such on the roster of its legislative committee.

Finally, Becht has a personal services contract to provide legal services to the Newark Central Planning Board (he has served in this capacity since approximately 2006), and the zoning board's assistant attorney.

Jersey City has more reason for concern about Becht than Newark does, since his primary responsibilities are there. For Newarkers, the take-home lesson should be that this is the kind of leadership that can be expected if Newark adopts an MUA.

Table 4: MUA related consulting contracts

Name	2007-2010 Amounts billed total	Board action
Legal		
Trenk DiPasquale	462,590.26	Yes
Paper chase	4,055.27	No
Scarinci Hollenbeck	141,490.45	Yes, questionable
Daniel Becht	41,895.00	No
Wilentz Goldman Spitzer	108,243.77	Yes, questionable
subtotal	758,274.75	
Engineering		
Medina	553,028.85	Yes, questionable
Hatch Mott McDonald	97,868	Questionable
Malcolm Pirnie	65,000	Questionable
subtotal	715,896.85	
Interior decorating		
Edit interiors	18,920	No
Other		
NW Financial	74,515.00	Questionable
Striker group	11,550	No
Lawrence Belcher	41,500	No
Brantley	20,500	No
James group	15,000	No
Public works management	600	Questionable
LLJ	14,000	No
BLR	52,600	No
Ferguson	24,279.50	yes
subtotal	254,544.50	
Grand total	1,747,636.10	
grand total less Medina	1,194,607.25	

Questionable=part of alleged January 2008 phone vote

Yes, questionable= one contract approved, another part of phone vote

8. Joseph F. Beckmeyer

Beckmeyer was chief engineer of the JCMUA with a final average salary of \$155,288.41. He “retired” on February 1, 2009, and began collecting an annual pension of \$79,526.40 from the Public Employees’ Retirement System. As noted, he began work at about that time as an employee of Medina Consulting, hired by NWCDC. Medina billed Beckmeyer’s time as “Director of Water and Sewer.” It is interesting to note that Newark’s Business Administrator, Michelle Thomas, voted against this Medina contract as a member of NWCDC board. Under Newark’s charter, the Director of Water and Sewer is supposed to report to the Business Administrator.

While being paid as a consultant to NWCDC, Beckmeyer signed an important legal document called the “EUS statement” for the NWCDC contract that came before the Municipal Council on March 17, 2010. “EUS” stands for “extraordinary unspecifiable service.” An EUS statement is a statement that says a contract can be awarded without competitive bidding because it is an “extraordinary unspecifiable service” for which bidding specifications cannot reasonably be prepared. An EUS statement is supposed to be prepared and signed by a city official—someone who would have thought about how to prepare the specifications and decided that it was not feasible to do so. The conflict of interest here is obvious.

In March 2010, as we have noted, NWCDC terminated the Medina contract and entered into a consulting contract with Beckmeyer directly. The amount of the contract is \$175,000 a year, and it is billed in equally monthly amounts. Hence Beckmeyer is receiving over \$254,000 a year in public funds.

The more serious question is: who is running the Water and Sewer Department? To whom does he or she report? Michael Greene signed the March 2011 EUS statement for NWCDC as “acting director

of water and sewer,” but he has a full –time job as assistant business administrator. Day-to-day responsibilities appear to lie with Beckmeyer, who is paid by NWCDC, is grilled regularly by the NWCDC board, who pay his compensation, and is directly supervised the NWCDC executive director.

9. The NWCDC plan for the future

At this point it is good to recall that these consulting contracts would have been only the beginning of the gravy train if the MUA had passed in 2010. That proposal included even larger legal and engineering fees in the first few years of operation. The MUA was going to borrow \$2.1 million to spend immediately on professional services (“general counsel, labor counsel, bond counsel, rate study consultant, engineer (water), engineer (sewer), engineer/consultant for formation, accountant and financial advisor”), and \$4 million for “initial administrative capital improvements” (“purchase and start-up of new MUA Administration, Engineering, Maintenance, Laboratory, Billing and Collection Facilities, New Software, Computers, Customer Service Facilities, Communications, Office Relocation”). This would be in addition to the ongoing contracts that the MUA would let for such positions as general counsel.

10. Conclusion

In June 2010, the city administration described the water and sewer system as “close to a crisis point.” Little has changed since then.

For many years now, the city’s planning for its water and sewer systems has been dominated by a small empire, the NWCDC, trying to become a large empire. Twice in the past decade these ambitions have convulsed the city, millions have been spent on consultants, and the real problems of the system have been neglected. The system’s administration has been contorted to a point where no one knows who works for whom.

It would be easy to blame the NWCDC for this situation, but that would not solve the problem. The Moore-Garvin model for the NWCDC has much to commend it and the city may want to continue an entity like that. But the most important thing is to return to the city charter.

The Mayor should appoint a Director of the Water and Sewer Department. That individual should be confirmed by the Municipal Council, receive a salary from the City of Newark set by ordinance, and report to the Business Administrator. The NWCDC should design parks, not sewer systems, and make sure that Newarkers can take maximum advantage of all the wonderful resources that the Pequannock watershed offers.

In 1954 Newark voters gave us a good charter. We should follow it.