



NEW JERSEY WATER SUPPLY AUTHORITY

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Minutes of the Meeting of the New Jersey Water Supply Authority

April 3, 2017

A regular meeting of the New Jersey Water Supply Authority was convened on April 3, 2017 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Administration Building located at 1851 Highway 31, Clinton, New Jersey.

As designated by Bob Martin, Commissioner New Jersey Department of Environmental Protection and Chair New Jersey Water Supply Authority, Jeffrey Hoffman, State Geologist, Division of Water Supply and Geoscience, served as Acting Chair of the meeting and called the meeting to order.

Deputy Attorney General Jung Kim read the statement required by the "Open Public Meetings Act".

Executive Director Beth Gates took the roll call of the Authority members.

Present: Jeffrey Hoffman, Acting Chair
Susan Blew
Ellsworth Havens
Shing-Fu Hsueh - by phone
Robert Iacullo
Louis Mai
Steven Picco

A quorum existed for the transaction of Authority business.

Interested Parties Present:

Jim Golden, New Jersey American Water
Robert Barth, D&R Canal Watch
Edward Walker, East Brunswick Township Water Utility
Gordon Sell, Hunterdon Sailing Club
Angelo Lovisa, Hunterdon Sailing Club
Charles Engler, Friends of Spruce Run
David Shope, Resident

Authority Staff Present:

Beth Gates, Executive Director
Michelle Rollman, Executive Secretary II
Marc Brooks, Chief Engineer
Susan Buckley, Controller
Paul McKeon, Director Manasquan Reservoir System
Kenneth Klipstein, Director Watershed Protection Program
Alexander Michalchuk, Sr. Project Engineer
Julie Shelley, Permit/Property Administrator
Labinot Berlajolli, Assistant Counsel, Authorities Unit
Jung Kim, Deputy Attorney General
Robert H. Beinfield, Esq., Hawkins, Delafield & Wood LLP

APPROVAL OF THE MINUTES

Acting Chair Hoffman opened the meeting by asking for the approval of the minutes of the March 6, 2017 meeting. Mr. Mai moved for the approval of the minutes as prepared and this motion was seconded by Mr. Iacullo. The minutes of the March 6, 2017 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Ms. Gates noted that everyone has a copy of her report.

Ms. Gates brought to the attention of the Board, that financial disclosure statements will be due on May 15, 2017. Ms. Gates asked that Commissioners send their confirmations to her prior to that date so that she can complete the necessary certifications.

COMMUNICATIONS/CORRESPONDENCE

There were no items of correspondence and communications.

UNFINISHED BUSINESS

Mr. McKeon provided a report on the Manasquan Reservoir System and the Manasquan Water Treatment Plant/Transmission System. Mr. McKeon stated that operations are running smoothly and without event at Manasquan. There has been adequate rainfall in the area and the Manasquan Reservoir has been full for the last several months.

Mr. McKeon discussed new laser turbidimeters, and a new variable frequency drive ("VFD") at the Treatment Plant. Mr. McKeon discussed the installation of a new VFD at the reservoir intake pump station and the replacement of a transformer at the Manasquan Treatment Plant.

Mr. McKeon stated that the failed underdrain system for one of the three filter units at the Treatment Plant has been removed. Mr. McKeon anticipates that the installation of the replacement system

will be completed prior to the upcoming summer season. Mr. McKeon stated that work on the other two filter units will be scheduled in the fall.

Mr. Brooks reported on the Raritan Basin System. Mr. Brooks stated that everyone has a copy of his report. Mr. Brooks noted the recent rainfall at the Spruce Run Reservoir. The water elevation has increased from 248 feet in November to 261 feet as of the current date. The current water elevation is 12 feet lower than full capacity at 6.7 billion gallons and 61.1 percent. Staff continues to pump to Round Valley Reservoir and have pumped over two billion gallons since December 15, 2016. The water elevation at Round Valley Reservoir is 21.5 feet lower than full capacity at 38.8 billion gallons and 70 percent. The combined storage at the Round Valley and Spruce Run Reservoirs is at 69 percent. The combined storage for early April is typically 94 percent. The area remains under drought warning and the minimum passing flows remain at reduced levels on the Raritan River. Mr. Brooks noted that the reduced levels became effective following the last summer season and that if the minimum passing flow were at reduced levels earlier, 8 billion gallons could have been saved last year and 7 billion gallons in 2015.

Mr. Brooks stated that staff identified another seepage area on the Canal near Blackwell Mills Causeway. The seepage flow was significant, estimated at over ten gallons per minute. Mr. Brooks stated that he inspected the area with a consulting engineer and that the flow appeared clear with no evidence of settlement or sinkholes.

Mr. Brooks stated that the seepage occurs in several locations and appears to have been continuing for some time. Mr. Brooks noted that Mr. Barth of the D&R Canal Watch had brought it to the attention of the Authority previously and provided assistance in assessing the seepage conditions over time. Mr. Brooks and the consulting engineers determined that while the seepage is not an immediate emergency, it should be addressed in a more expedient manner than the typical Authority procurement process would allow. Mr. Brooks stated that as an interim risk reduction measure, staff has installed clay on the canal-side slope. Rainfall and subsequent increased levels of the Millstone River have temporarily prevented the Authority from safely installing a sand filter on the river-side toe, but have provided the benefit of back-pressure to slow the rate of the seepage. Mr. Brooks stated that the Authority has received the approval from Acting Chair Kennedy to move forward with the expedited procurement process pending the approval of the Capital Projects Committee.

Mr. Brooks stated that the Spruce Run Technical Review Board met in early March. The Technical Review Board has not yet provided a report.

Mr. Brooks discussed the Round Valley Rehabilitation Project. Mr. Brooks stated that the exploratory borings are complete. Mr. Brooks noted that the engineering firm of record, Schnabel

Engineering, presented a status report to the Technical Review Board which was productive and provided insight.

Mr. Brooks stated that a kickoff meeting was held with the engineer for the project to repair the seepage condition at Griggstown Waste gate and that a draft schematic design has been received from the engineer for the project to repair the seepage condition in West Amwell.

Mr. Klipstein reported on the Watershed Management Program. Mr. Klipstein stated that everyone has a copy of his report. Mr. Klipstein provided an update on the Canal Aquatic Weed Management Program. Mr. Klipstein stated that the contract for the project was executed on March 23, 2017. A kickoff meeting and canal tour were held on March 29, 2017. Mr. Klipstein discussed an upcoming meeting for Canal customers. Mr. Klipstein also discussed the benefits of a dye study and other investigative work that is planned. Mr. Klipstein anticipates that a draft plan will be complete in early May and that the treatment program will begin in late May.

NEW BUSINESS

Mr. Picco, Chair of the Audit Committee, provided the background information on the resolution authorizing the award of a contract to conduct the Annual Financial Audit for the fiscal year ending June 30, 2017. The Audit Committee met on March 6th and again on April 3, 2017. Mr. Picco reviewed the reasoning and decision process through which the Audit Committee decided to re-bid to retain an auditor after a two-year interval instead of a five-year interval. Mr. Picco described the process through which technical proposals were reviewed and ranked. Six bids were received and Mercadien, P.C. was the top ranked firm. Mr. Picco stated that fee proposals were subsequently reviewed and that negotiations were made with Mercadien, P.C. Mr. Picco stated that the Audit Committee unanimously recommends the contract authorization as proposed. Mr. Iacullo moved the Resolution authorizing Mercadien, P.C. Certified Public Accountants of Princeton, New Jersey to conduct the Annual Fiscal Audit for the year ending June 30, 2017 for a fee not to exceed \$51,000. Ms. Blew seconded the motion. All Authority members approved of the Resolution.

Ms. Gates provided the background information on the resolution authorizing the Executive Director to negotiate and execute a contract with Trenton Country Club for renewal of uninterruptible service from the Raritan Basin System. Concurrently, Ms. Gates provided the background information on the Resolution authorizing the Executive Director to negotiate and execute a contract with the Princeton University, Plasma Physics Laboratory for renewal of uninterruptible service from the Raritan Basin System. Ms. Gates stated that both the Trenton Country Club and Princeton Plasma Physics Laboratory are both current Canal water customers with five-year contracts reaching renewal. Ms. Gates stated that there are no

changes in the renewed contracts and described the quantities and usage for each customer. Mr. Picco asked if Trenton Country Club provides water usage reporting and if there are penalties for over-usage to which Ms. Gates replied in the affirmative. Mr. Hoffman inquired about provisions for drought contingencies within water customer contracts. Ms. Gates stated that drought contingencies are handled at the state level.

Mr. Picco moved the resolution authorizing the Executive Director to negotiate and execute a contract with the Trenton Country Club for renewal of uninterruptible service from the Raritan Basin System. Mr. Mai seconded the motion. All Authority members approved of the Resolution.

Ms. Blew moved the resolution authorizing the Executive Director to negotiate and execute a contract with the Princeton University, Plasma Physics Laboratory for renewal of uninterruptible service from the Raritan Basin System. Mr. Havens seconded the motion. All Authority members approved of the Resolution.

Ms. Gates introduced Robert H. Beinfield, Esq., of Hawkins, Delafield & Wood LLP which was appointed by the Attorney General's office as Bond Counsel for the Authority. Mr. Beinfield provided the background information on the resolution authorizing the issuance of not exceeding \$75,000,000 subordinate bonds (Delaware and Raritan System - Series 2018) (Structures Rehabilitation Project) of the New Jersey Water Supply Authority and providing for their sale to the New Jersey Environmental Infrastructure Trust and the state of New Jersey and authorizing the execution and delivery of certain agreements in connection therewith. Concurrently Mr. Beinfield provided the background information on the resolution authorizing the issuance of not exceeding \$52,000,000 subordinate bonds (Delaware and Raritan System - Series 2018) (Dredging Project) of the New Jersey Water Supply Authority and providing for their sale to the new Jersey Environmental Infrastructure Trust and the State of New Jersey and authorizing the execution and delivery of certain agreements in connection therewith. Mr. Beinfield stated that the proposed resolutions are similar to previous instances in which the Authority borrowed funds through the Environmental Infrastructure Trust Program. Mr. Beinfield described the terms through which three quarters of the funds are borrowed at zero percent and twenty-five percent are at the current market rate, providing an approximate blended rate of one percent. Mr. Beinfield highlighted the fact that the program lends on a temporary bridge loan basis, in essence providing notes of credit towards the completion of each project until permanent financing is obtained. The Bonds require the pre-approval of the Governor and the State Treasurer which have been obtained.

Mr. Mai asked if the total amount in each resolution would be borrowed at the outset. Mr. Beinfield explained that the majority would be borrowed on a long-term basis at the time that the projects

are complete and that provisions are made for the money to be borrowed in stages as needed for project costs, much like drawing down a line of credit.

Mr. Havens moved the Resolution authorizing the issuance of not exceeding \$75,000,000 subordinate bonds (Delaware and Raritan System - Series 2018) (Structures Rehabilitation Project) of the New Jersey Water Supply Authority and providing for their sale to the New Jersey Environmental Infrastructure Trust and the state of New Jersey and authorizing the execution and delivery of certain agreements in connection therewith. Mr. Picco seconded the motion. All Authority members approved of the Resolution.

Mr. Picco moved the resolution authorizing the issuance of not exceeding \$52,000,000 subordinate bonds (Delaware and Raritan System - Series 2018) (Dredging Project) of the New Jersey Water Supply Authority and providing for their sale to the new Jersey Environmental Infrastructure Trust and the State of New Jersey and authorizing the execution and delivery of certain agreements in connection therewith. Mr. Havens seconded the motion. All Authority members approved of the Resolution.

Mr. Brooks provided background information on the resolution ratifying the actions of the Executive Director awarding a contract for emergency procurement of professional engineering services required for repairs to the seepage in the Canal embankment adjacent to the Griggstown waste gate at Station 2083+40 of the Delaware and Raritan Canal in Franklin Township. Concurrently Mr. Brooks provided background information on the resolution ratifying the actions of the Executive Director awarding a contract for emergency procurement of professional engineering services required for repairs to the seepage in and under the stone masonry retaining wall at Station 411+37 of the Delaware and Raritan Canal in West Amwell Township, Hunterdon County. Mr. Brooks reviewed the location and nature of the seepage near the Griggstown waste gate and the conditions under which an expedited procurement was deemed necessary. Mr. Brooks stated that, following discussions with the Deputy Attorney General, the Executive Director certified this situation as an emergency that met the conditions of Executive Order 37. The Authority solicited proposals from three qualified engineers. With the approval of Acting Chair Kennedy and the Capital Projects Committee the Executive Director executed a contract with Civil Dynamics, Inc. of Stockholm, NJ for a lump sum and reimbursable cost not to exceed \$81,860.00.

Mr. Brooks described the location and nature of the seepage in and under the stone masonry retaining wall in West Amwell Township. Mr. Brooks stated that fee proposals were requested from three engineers on a non-emergent basis. Two proposals were received each of which noted the presence of a new sink hole which was confirmed by staff. Mr. Brooks stated that, following discussions with the Deputy Attorney General, the Executive Director certified this situation as an emergency that met the conditions of Executive Order 37. Staff

negotiated with the firm that had already provided the most responsive technical proposal and lowest fee proposal. With the approval of Acting Chair Kennedy and the Capital Projects Committee the Executive Director executed a contract with Mott MacDonald, of Morristown, NJ for a lump sum and reimbursable cost not to exceed \$64,600.00. A schematic design has already been received from the engineer.

Mr. Mai inquired if Engineering services could be held by the Authority on retainer. Ms. Gates answered that they could not.

Ms. Blew moved the resolution ratifying the actions of the Executive Director awarding a contract for emergency procurement of professional engineering services required for repairs to the seepage in the Canal embankment adjacent to the Griggstown waste gate at Station 2083+40 of the Delaware and Raritan Canal in Franklin Township. Mr. Havens seconded the motion. All Authority members approved of the Resolution.

Mr. Havens moved the resolution ratifying the actions of the Executive Director awarding a contract for emergency procurement of professional engineering services required for repairs to the seepage in and under the stone masonry retaining wall at Station 411+37 of the Delaware and Raritan Canal in West Amwell Township, Hunterdon County. Mr. Mai seconded the motion. All Authority members approved of the Resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Audit - Report given by Mr. Picco in resolution authorizing the award of a contract to conduct the annual financial audit (see above)
- (d) Public Participation - no report
- (e) Capital Projects - A Capital Projects Committee meeting was held April 3, 2017 at 1:15 p.m. Ms. Gates and Mr. Havens reported that the committee was briefed by staff on current projects and activities.
- (f) Insurance - no report
- (g) Watershed Lands Acquisition Committee - no report

PUBLIC COMMENT

Mr. Shope introduced himself as a resident of Lebanon Township.

Mr. Shope discussed a "Review of the Massachusetts DWSP Watershed Forestry Program" a publication of the DWSP Science and Technical Advisory Committee. Mr. Shope advocated tree removal and questioned the position of the Authority in relation to the benefit of trees to water customers. Mr. Shope provided a copy of the report to the Authority.

Mr. Shope also expressed disappointment with the use of Source Water Protection Money to address aquatic invasive species rather than solely for the purpose of land acquisition. Ms. Gates responded that a component of the Source Water Protection rate is designated for land acquisition and is currently being used to pay debt service on previously acquired parcels. There is an additional component of the rate designated for other watershed protection projects. The Canal Aquatic Weed Management Program will be funded through the component of the rate for other watershed protection projects.

Gordon Sell introduced himself as a member of the Hunterdon Sailing Club. Mr. Sell asked for clarification regarding the reductions in the minimum passing flows imposed by the drought conditions. Mr. Hoffman confirmed that because of the drought conditions, less water was released from the reservoirs than otherwise would have been. Mr. Sell encouraged the Authority to keep the reservoir water levels as high as possible through the summer.

EXECUTIVE SESSION

There was no need for an executive session.

RETURN TO PUBLIC SESSION

Mr. Mai moved to adjourn the meeting. Mr. Iacullo seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:37 P.M.

I hereby certify this to be a true and original copy of the April 3, 2017 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman

Michelle Rollman
Administrative Assistant