

Minutes of the Meeting of the
New Jersey Water Supply Authority
March 3, 2008

A regular meeting of the New Jersey Water Supply Authority was convened on March 3, 2008 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Administration Building located at 1851 Route 31, Clinton, New Jersey.

As designated by New Jersey Department of Environmental Protection Commissioner and New Jersey Water Supply Authority Chair, Lisa P. Jackson, Gary Sondermeyer, served as Acting Chair of the meeting and called the meeting to order.

Deputy Attorney General Helene P. Chudzik read the statement required by the "Open Public Meetings Act". Executive Director Henry S. Patterson III took the roll call of the Authority members.

Present: Gary Sondermeyer, Acting Chair
Susan Blew
Louis Mai
Steven Picco - by telephone
Shing-Fu Hsueh - by telephone
Absent: Robert Iacullo
Absent: Donald Correll

Interested Parties Present:
Oleg Kostin, New Jersey American Water
Ronald Williams, Middlesex Water Company & East Brunswick Twp.
Charles Engler, Friends of Spruce Run
Arthur Roswell, Friends of Spruce Run
David Shope, Self

Authority Staff Present:
Henry S. Patterson III, Executive Director
Joanna K. Stem, Executive Secretary
Edward Buss, Chief Engineer
Beth Gates, Director Finance & Administration
Michael R. Citarelli, Chief Financial Officer
Bill Bogosian, Manager Raritan Basin System
Richard Famularo, Manager Manasquan Water Supply System
Helene P. Chudzik, Sr. Deputy Attorney General
Sonia M. Frontera, Governor's Authorities Unit

A quorum existed for the transaction of Authority business.

APPROVAL OF THE MINUTES

Acting Chair Sondermeyer opened the meeting by asking for the approval of the minutes of the February 4, 2008 meeting. Mr. Mai moved for the approval of the minutes as prepared and this motion was seconded by Mrs. Blew. The minutes of the February 4, 2008 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson opened his Report by informing the Board that the 2007 Annual Report of the New Jersey Water Supply Authority, which was produced and delivered as required by statute to the Governor and Legislature, was included with the Agenda package. The 2007 Annual Report is also available on the Authority's website.

UNFINISHED BUSINESS

Mr. Famularo provided the report on the Manasquan Water Supply System and Water Treatment Plant. Mr. Famularo reported that the Manasquan Reservoir is 98% of full capacity. He stated that delivery of water to the customer communities continued without disruption. Mr. Famularo provided a brief summary of the current projects at the Water Treatment Plant. Mr. Patterson stated the Authority would be meeting with the Monmouth County Improvement Authority to discuss the funding of potential long-term capital needs.

Mr. Bogosian stated that all activities in the Raritan Basin System continued normally during the past month.

Mr. Patterson provided the report on the Watershed Protection Program. Mr. Patterson stated that Kenneth Klipstein was hired as the Director of the Watershed Protection Unit; he will be starting at the Authority in a couple weeks. Watershed staff has been working on current projects including municipal assessments, finishing the work on the Mulhockaway project and completing an initial draft of the plan for the Spruce Run/Rocky Run Stream Segment Management project.

NEW BUSINESS

Mr. Citarelli provided the background information on the Unaudited Financial Statements for the six months ending December 31, 2007. Mr. Citarelli provided the details of the statements and the analysis of the Authority's financial performance for the first six months of the fiscal year. There were no questions on the Unaudited Financial Statements for six months ending December 31, 2007. Mr. Citarelli stated that the 2007 Annual Report has been received and needed distribution has been made.

Mr. Mai asked if we received any further information about refunding of the Raritan System Bonds. Ms. Gates stated that the first round of analysis has been received from our financial advisors with options that can be taken. A Request for Proposals is being developed for the procurement of a financial advisor for the refinancing project.

Ms. Gates provided the background information on the resolution ratifying the actions of the Executive Director's placement of the Authority's March 1, 2008 - February 28, 2009 Insurance Program. Ms. Gates reviewed the insurance program's total premium and discussed the policies, coverages, deductibles, policy limits and policy premiums. Mr. Patterson reviewed the entire insurance program with the Chair of the Insurance Committee prior to the placement of the insurance. The Authority adopted Resolution No. 1896 at its December 2, 2007 meeting, authorizing the Executive Director to obtain quotations and to renew the insurance coverage effective March 1, 2008. Mrs. Blew moved the Resolution ratifying the Executive Director's placement of the Authority's March 1, 2008 to February 28, 2009 insurance program. Mr. Mai seconded the motion. All Authority members approved of this resolution.

Ms. Gates provided the background information on the Resolution authorizing the Executive Director to negotiate and execute a contract with Royce Brook Golf Club, LLC. She explained that Royce Brook Golf Club's water allocation permit is increasing from 48.71 million gallons per year (mgy) to 67 million gallons per year. The Authority revised the contracts for golf courses; they will be contracted on an average daily basis instead of a monthly basis. Mr. Mai moved the Resolution authorizing the Executive Director to negotiate and execute a contract with Royce Brook Golf Club, LLC for a decrease in existing uninterruptible service from the Raritan Basin System. Mrs. Blew seconded the motion. All Authority members approved of the resolution.

Mr. Picco, Chair of the Audit Committee provided the background information on the resolution authorizing the award of a contract to conduct the Annual Fiscal Audit. Mr. Picco explained the process used for the request of proposals for the award of an auditing contract to conduct the Annual Fiscal Audit. The members of the Audit Committee rated each response, and then the bids were opened and it was recommended that the contract be awarded to Mercadien, P.C. to conduct the Authority's annual financial audit for fiscal year 2008. The Authority is in compliance with all relevant selection and bidding requirements. Dr. Hsueh moved the Resolution authorizing the award of a contract to conduct the Annual Fiscal Audit for the year ending June 30, 2008 to Mercadien, P.C. of Princeton, NJ for a fee not to exceed \$56,955. Mr. Sondermeyer seconded the motion. Dr. Hsueh, Mr. Sondermeyer, Mrs. Blew, Mr. Picco voted for this resolution. Mr. Mai abstained from voting. No members of the Authority voted against this resolution. The resolution was approved.

Mr. Famularo provided the background information on the Resolution authorizing the award of a contract for the replacement of 40,000 pounds of granular activated carbon at the Manasquan Water Treatment Plant GAC at the Manasquan Water Treatment Plant. Mr. Famularo reviewed the process used for the request for bids and stated that five bids and one no bid were received and reviewed. Mrs. Blew moved the Resolution authorizing the award of a contract for the replacement of 40,000 pounds of granular activated carbon at the Manasquan Water Treatment Plant to Carbon Activated Corporation of Orchard Park, New York for a lump sum amount of \$35,900.00. Mr. Picco seconded the motion. All Authority members approved of this resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Consumers - no report
- (d) Public Participation - no report
- (e) Capital Projects - no report
- (f) Insurance - no report
- (g) Watershed Lands Acquisition - no report

PUBLIC COMMENT

Mr. Engler provided the Board with a newspaper editorial regarding a hydroelectric study for Lake Solitude, and informed the Board on the rental of the boat slots at Spruce Run Reservoir Recreation Area. He also informed the Board about a scuba ice diving project at Lake George in New York, he stated that the group did not see any milfoil in Lake George.

Mr. Roswell asked about the removal and disposal of the GAC. Mr. Famularo stated that the contractor is responsible for the removal and disposal of the GAC, and that the Authority will be using virgin carbon.

Mr. Shope asked when the written comment period for the Raritan Basin Rate setting process ended. Ms. Gates stated that the comment period ended on February 15, 2008. Mr. Shope asked about the source water protection funds. Mr. Patterson and Ms. Gates provided the requested information to Mr. Shope. Mr. Shope asked about the unaudited financials that were discussed today. The Authority would provide him with a copy. Mr. Shope questioned the sales base numbers; Ms. Gates stated that the new sales base is 182.170 mgd June 30, 2008. Mr. Shope also questioned the water allocation permit to Royce Brook Golf Course, Ms. Gates stated that the allowable usage is 67 mgy and the consumptive portion is 60.4 mgy. He also questioned if the project on the Mulhockaway Creek has been completed.

Mr. Mai moved to adjourn the meeting. Mrs. Blew seconded the motion. The Authority members approved this motion. The meeting was adjourned at 2:26 P.M.

I hereby certify this a true and original copy of the March 3, 2008 minutes of the New Jersey Water Supply Authority meeting minutes.

Joanna K. Stem