

Minutes of the Meeting of
New Jersey Water Supply Authority
of
October 3, 2005

A regular meeting of the New Jersey Water Supply Authority was convened on October 3, 2005 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Clinton Administration Building located at 1851 Route 31, Clinton, New Jersey.

As designated by Commissioner Bradley M. Campbell, Gary Sondermeyer, Chief of Staff, 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 Meeting Act".

Acting Chair Sondermeyer announced that Robert Iacullo has been named as a Commissioner to the Board. Mr. Iacullo will serve as the Industrial Water Users representative on the Board. Mr. Iacullo is the Chief Operating Officer at United Water.

Executive Director Henry S. Patterson III took the roll call of the Authority members.

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

Interested Parties Present:

Frank Falco, Middlesex Water Company & East Brunswick Township
Oleg Kostin, New Jersey American Water
Dave Shope, Member of the Public
William Einthoven, Friends of Spruce Run

Authority Staff Present:

Henry S. Patterson III, Executive Director
Joanna K. Stem, Executive Secretary
Edward Buss, Chief Engineer
Beth Gates, Director Finance and Administration
Michael Citarelli, Chief Financial Officer

Daniel Van Abs, Director Watershed Protection
Frank Scangarella, Dir. Contracts, Risk Mgt & Legal Affairs
Bill Bogosian, Manager Raritan Basin System
Richard Famularo, Manager Manasquan Water Supply System
Helene P. Chudzik, Deputy Attorney General
Sam Stanton, Governor's Authorities Unit

A quorum existed for the transaction of Authority business.

APPROVAL OF THE MINUTES

Acting Chair Sondermeyer asked for the approval of the minutes of the August 1, 2005 meeting. Mr. Correll moved for the approval of the minutes and this motion was seconded by Mrs. Blew. The minutes of the August 1, 2005 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson informed the Board that the refunding of the Manasquan Water Supply System notes closed on August 17, 2005. Mr. Patterson also stated that Authority staff has been reviewing engineering proposals for the Confluence Pump Station and Pipeline project. Staff has also started the process to prepare the fiscal year 2007 rate calculations and budget. Mr. Patterson also informed the Board that the Authority hosted a weeklong training session on Dam Security. The Dam Sector Security and Assessment and Best Practice Report require the preparation of risk assessments for all critical dams in New Jersey. This risk assessment methodology is commonly known as RAM-D.

COMMUNICATIONS/CORRESPONDENCE

There was one item of Communications/Correspondence on the "River Friendly Farms".

UNFINISHED BUSINESS

Mr. Patterson asked Mr. Famularo to provide the operations report for the Manasquan Water Supply System. Mr. Famularo reported that the Manasquan Reservoir is approximately 72% of full capacity, which is 3.35 billion gallons of water. Mr. Famularo stated that rainfall has been below the historic average at the Manasquan Water Supply System. Mr. Famularo stated that the project installing the automatic gate with aircraft cabling installed on both sides of the gate to secure the area at the Southard Road entrance to the main dam has been completed. Preliminary work is being done on a cage to secure the top of the inlet/outlet area of the dam penetration pipeline. The contract

should be awarded in the near future. The Authority will receive near full reimbursement for this project from the Monmouth County OEM Office of Homeland Security through a grant that they have received. Mr. Famularo updated the Board on the other completed projects at the Manasquan Reservoir System.

Mr. Famularo reported on the Water Treatment Plant/Transmission System. Mr. Famularo updated the Board on the optimization study project, the clarifier filter upgrade, the influent control valve motorized operator project and the installation of a monorail system being done at the Water Treatment Plant.

Mr. Bogosian reported that work is continuing to repair the damages on the D & R Canal sustained from the storm in April 2005. Mr. Bogosian stated that dredging is being done on the inlet at Bulls Island, and that repairs are being done on the toe path and work is also being done in the Prallsville area on the Canal. Mr. Bogosian reviewed the releases from Spruce Run/Round Valley Reservoirs. The majority of the releases will now be made from Round Valley Reservoir and minimal releases will be made from Spruce Run Reservoir. Mr. Bogosian reported that all other operations at the Raritan Basin System have been normal during the past month.

Dr. Van Abs stated that he was with a representative from EPA today reviewing a stream restoration project at the Mulhockaway Creek channel. Dr. Van Abs stated that there was no water in the Mulhockaway Creek. Dr. Van Abs updated the Board on the Highlands Project and on the DEP funded project in the Lockatong and Wickecheoke Creek Watersheds for Restoration and Management Plans. Dr. Van Abs updated the Board on several kick-off meetings, and informed the Board that a contract was signed for the Manasquan Nonpoint Source project.

NEW BUSINESS

Mr. Citarelli reported to the Board on the draft Financial Statement for the Fiscal Year ending June 30, 2005, which was completed by Mercadien, P.C. and was discussed in detail during a meeting today with the Audit Committee. Mercadien will produce the final Financial Statements.

Mr. Picco stated the Auditors are giving a clean opinion for the year ending June 30, 2005 and there were no issues in performing the audit. Mr. Picco stated that the Committee requested Authority staff to provide various financial reports. Mr. Picco moved the Resolution accepting the audit prepared by Mercadien, P.C., Certified Public Accountants, for the Year Ended

June 30, 2005. Mr. Correll seconded this motion. All Authority members approved of the resolution.

Mr. Citarelli referred to the Basis and Background Statement included with the agenda package for the proposed rate adjustments to become effective on July 1, 2006 for the Manasquan Water Supply System, which was also discussed with the Chair of the Finance Committee. An informal briefing meeting will be held with the Manasquan water customers to review the proposal on October 14, 2005, the Pre-Public Meeting will be held on January 12, 2006 and the Public Meeting will be held on February 8, 2006. Mr. Citarelli further reviewed the proposal for the Manasquan System. Mr. Citarelli discussed the items that will affect the rate schedules for the Manasquan System.

Mr. Citarelli referred to the Basis and Background Statement included with the agenda package for the proposed rate adjustments to become effective on July 1, 2006 for the Raritan Basin System, which was discussed in detail during a meeting with the Chair of the Finance Committee. An informal briefing meeting will be held with the Raritan water customers to review the proposal on October 7, 2005, the Pre-Public Meeting will be held on January 6, 2006 and the Public Meeting will be held on February 3, 2006. Mr. Citarelli further reviewed the proposals for this System. Mr. Citarelli discussed the items that will affect the rate schedules for the Raritan Basin System. Acting Chair Sondermeyer asked what caused the rate increase, Mr. Citarelli explained that the decrease in the total amount of overdraft revenue, the increase in salaries, fringe benefits, and increased insurance costs all attributed toward the rate increase.

Mr. Buss provided the background on the resolution for an ongoing project to enhance the security of the Authority's facilities by installing aircraft cable barriers at various locations at the Spruce Run/Round Valley Complex. There will be 740 linear feet of aircraft cable barriers. Acting Chair Sondermeyer asked if the locations were as recommended in the vulnerability study. Mr. Buss explained that some of the locations are recommendations from the study and others are locations that the Authority picked out. Mr. Picco moved the Resolution authorizing the award of a construction contract for installation of aircraft cable barriers in Clinton Township, Hunterdon County to National Fence Systems from Avenel, NJ in the amount of \$50,920.00. Mrs. Blew seconded this motion. All Authority members approved of the resolution.

Mr. Patterson provided the background information on the resolution authorizing the execution of a contract with Selody Sod Farms. Selody Sod Farms presently has a contract to take water out of the D & R Canal, in Somerset County. This resolution would authorize the execution of a five-year contract in the amount of 9 million gallons per year, or .025 mgd from the Raritan Basin System for irrigation purposes. Mr. Correll moved the Resolution authorizing the execution of a contract with Selody Sod Farm, Inc. for uninterruptible supply from the Raritan Basin System. Dr. Hsueh seconded this motion. All Authority members approved of the resolution.

Mr. Patterson introduced the resolution authorizing execution of the purchase of a 78.5 acre parcel of property in Bedminster Township, known as the Millhouse. Mr. Scangarella provided the background information, explaining that the property was purchased in partnership at a bargain and sale price approximately seventy-five percent under certified market value and the necessity of completing this transaction in mid-September to avoid a significant increase in the purchase price prior to Board approval. This resolution would ratify the actions of the Executive Director authorizing the purchase of the property. Mr. Picco moved the Resolution ratifying the purchase of Block 7, Lot 22, in Bedminster Township, Somerset County, a 78.5-acre parcel. Mr. Correll seconded this motion. All Authority members approved of the resolution.

Mr. Patterson explained that the Authority would be purchasing four replacement Alternative Fuel Vehicle through State Contract. Mr. Patterson stated that the Authority's By-Laws indicate that the Executive Director is allowed to purchase through State Contract without resolution approval. The Authority's FY 2006 capital budget includes the replacement of four vehicles. Mr. Patterson explained that it was determined that the alternative fuel vehicles meet the needs of the departments. The Authority may be eligible to receive a rebate of up to \$4,000 for each vehicle. Mr. Patterson introduced Beth Gates who is the Director of Finance and Administration at the Authority. Ms. Gates began working at the Authority in June 2005.

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 Committee - no report

PUBLIC COMMENT

Mr. Einthoven stated that as users of Spruce Run Reservoir, that the Friends of Spruce Run were very content with the levels of the reservoir this summer.

Mr. Shope asked what funds the Authority were using to purchase the property in Bedminster Township. Mr. Patterson stated that the Authority and various partners are contributing towards the purchase price. The Authority is financing through the New Jersey Environmental Infrastructure Financing Program (NJEIFP). Mr. Scangarella provided the amounts of each partner's contribution. Mr. Shope asked if bids were received on the Confluence Project. Mr. Patterson explained that six engineering proposals were received. Mr. Shope also asked about the Safe Yield Study. Dr. Van Abs explained that the Authority hopes to receive the final report by the next Authority meeting. Mr. Shope also asked about the Six Mile Reservoir Property. Mr. Patterson stated that the State still owns the property, but the Confluence Project is considered a more favorable project. Dr. Van Abs stated that the Six Mile Reservoir property is approximately 2300 acres, which is currently used for park and agricultural use. Mr. Shope asked about a legal notice regarding the Authority's intent to borrow funds for land acquisition. Mr. Scangarella explained that this is part of the process to borrow funds through NJEIFP. Mr. Shope also questioned the Authority's funds available to purchase property.

EXECUTIVE SESSION

No Executive Session was held.

Mr. Correll moved to adjourn the meeting. Mr. Picco seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:40 P.M.

I hereby certify this to be a true and original copy of the October 3, 2005 New Jersey Water Supply Authority meeting minutes.

 /s/Joanna K. Stem
Joanna K. Stem