

Minutes of the Meeting of the
New Jersey Water Supply Authority

April 4, 2016

A regular meeting of the New Jersey Water Supply Authority was convened on April 4, 2016 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, Karen Fell 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 Henry S. Patterson took the roll call of the Authority members.

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

A quorum existed for the transaction of Authority business.

Interested Parties Present:

Oleg Kostin, New Jersey American Water
Frank Falco, Middlesex Water Co. & East Brunswick Township

Authority Staff Present:

Henry Patterson, Executive Director
Zenona I. Puć, Executive Secretary II
Michelle Rollman, Administrative Assistant
Marc Brooks, Chief Engineer
Beth Gates, Director Finance & Administration
Susan Buckley, Controller
Paul McKeon, Director Manasquan Reservoir System

Kenneth Klipstein, Director Watershed Protection Program
Lisa LeBoeuf, Assistant Counsel, Authorities Unit
Jung Kim, Deputy Attorney General
William Mayer, Bond Counsel, DeCotiis Fitzpatrick & Cole, LLP
- by phone
Joshua Nyikita, Financial Advisor, Acacia Financial Group, Inc.
- by phone

APPROVAL OF THE MINUTES

Acting Chair Fell opened the meeting by asking for the approval of the minutes of the March 7, 2016 meeting. Mr. Picco moved for the approval of the minutes as prepared and this motion was seconded by Mr. Iacullo. The minutes of the March 7, 2016 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson noted that everyone has a copy of his report.

Mr. Patterson stated that Spruce Run is at approximately the same level that it was at this time last year.

Mr. Patterson stated that consulting engineers have been visiting the Authority in response to the advertised request for proposals for a new design engineer of record for a rehabilitative effort on all three Round Valley embankments.

Mr. Patterson noted that Marc Brooks would further discuss the Round Valley rehabilitation project as well as repairs made in relation to a piezometer on Spruce Run Dam in his operations report.

Mr. Patterson brought to the attention of the Board, that financial disclosure statements will be due on May 15, 2016.

COMMUNICATIONS/CORRESPONDENCE

There were no items of correspondence and communications.

UNFINISHED BUSINESS

Mr. McKeon provided a report on the Manasquan Reservoir System. Mr. McKeon noted that the plant was off-line for approximately three weeks while a concrete wall was installed in the distribution well and a ball valve was rehabilitated. Mr. McKeon reported that the work went well and discussed additional work that will be done. Mr. McKeon indicated that there was a change order that Mr. Brooks will discuss involving the temporary removal of the ball valve from the underground chamber which necessitated the use of a large crane. Mr. McKeon also noted that water was pumped during the weekends of the shutdown from the two million gallon storage tank to Wall Township.

Mr. McKeon stated that an inspection was made of the 66-inch pipeline. The pipeline was determined to be in the same condition that it was in six years ago.

Mr. Brooks stated that rainfall was below average during March. The combined storage at the Round Valley and Spruce Run Reservoirs is at 81.7 percent. The average combined storage for March is typically 93.7 percent.

Mr. Brooks stated that during maintenance operations, Authority staff removed a casting from the top of a piezometer at Spruce Run Dam, revealing a void adjacent to the piezometer. Mr. Brooks provided images that were passed among the Board members to illustrate the piezometer and the adjacent void. Mr. Brooks described the Rockwell piezometers and the process through which they are installed. Mr. Brooks also discussed the possible failures that may have resulted in the void. Mr. Brooks stated that the engineering staff evaluated the piezometer and consulted with Gannett Fleming and the New Jersey State Bureau of Dam Safety and Flood Control (Dam Safety). Repairs were made by Authority staff under the direction of Gannett Fleming. At the end of the day, activation of the emergency action plan was ruled out.

Mr. Brooks indicated that following this repair, Authority staff inspected all other piezometers that were installed during the same construction contract. Two other piezometers were in a similar condition. In consultation with Gannett Fleming and Dam Safety, it was determined that these should be repaired in a timely manner. In consultation with Assistant Commissioner Kennedy and Commissioners Haven, Mai, and Picco; the Executive Director certified that this repair was an emergency. Gannett Fleming provided a fee proposal that was approved by the Chair of the Capital Projects Committee for \$24,000. Moretrench of Rockaway, New Jersey, a specialty grouting contractor, provided a fee proposal not to exceed \$60,000, based on a mobilization fee with a daily crew rate and materials billed on a cost plus basis. Mr. Brooks stated that a resolution to ratify the actions of the Executive Director in executing the contract with Moretrench will be presented to the Board at the next meeting.

Mr. Brooks provided an update on the pinhole leak on the release pipes in the Spruce Run Vault. A pre-construction meeting is anticipated during the upcoming week. A resolution to ratify the actions of the Executive Director in executing the contract with Allied Construction Corporation will be presented to the Board at the next meeting. Mr. Brooks reminded the Board that the resolution which ratified the actions of the executive Director in executing the contract with the professional engineering consultant was approved by Resolution Number 2216 on December 7, 2015. It was noted that the construction bid was slightly lower than the engineer's estimate.

Mr. Brooks discussed the Round Valley rehabilitation project. Mr. Brooks noted that consulting engineers have been in to review

materials and have received tours by staff of restricted areas.

Mr. Brooks reported on the change order related to the Distribution Well Upgrade project that was discussed earlier by Mr. McKeon. Mr. Brooks stated that because the valve could not be repaired in place as previously indicated by the valve manufacturer, it needed to be removed necessitating the use of an 80-ton crane. The contractor provided a fee proposal of \$33,308 which was negotiated down to \$24,990 and was ratified by the Chair of the Capital Projects Committee.

Mr. Klipstein stated that everyone has a copy of his report and that he has nothing else to report. Mr. Klipstein asked if anyone had any questions and no questions were asked.

NEW BUSINESS

Beth Gates provided the background information on the Resolution ratifying the remarketing and placement of insurance coverage for the period of March 1, 2016 - March 1, 2017. Ms. Gates stated that for Property coverage, one underwriter, AEGIS, replaces a consortium of four in the prior contract. Ms. Gates also noted that AIG is no longer underwriting environmental liability; the new carrier is XL Catlin. Ms. Gates stated that cyber risk protection, underwritten by Axis, was added to the coverage for a relatively low premium to cover risks that include electronic transmission of personnel information to the payroll company. All other carriers remained the same for the various lines of coverage. Ms. Gates stated that the savings in the remarketing is \$98,000 over the 2015 placement on coverage that costs about \$1.4 million. Mr. Iacullo moved the Resolution ratifying the remarketing and placement of insurance coverage for the period of March 1, 2016 - March 1, 2017. Mr. Mai seconded this motion. All other Authority members approved 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 Financial Audit for the fiscal year ending June 30, 2016. The Audit Committee met at 1:30 p.m. on April 4, 2016. Mr. Picco stated that during that meeting, staff recommended the contract authorization as proposed and the Audit Committee concurred. Mr. Picco moved the Resolution authorizing CliftonLarsonAllen, LLP Certified Public Accountants of Mt. Laurel, New Jersey and Plymouth Meeting, Pennsylvania to conduct the Annual Fiscal Audit for the year ending June 30, 2016 for a fee not to exceed \$57,075. Ms. Blew seconded the motion. All Authority members approved of the Resolution.

Ms. Gates introduced William Mayer, the Authority Bond Counsel, from the firm DeCotiis, Fitzpatrick & Cole, LLC. Mr. Mayer provided the background information on the Second Supplemental Resolution to Manasquan Reservoir Water Supply System Bond Resolution. This Resolution authorizes the issuance of not exceeding \$28,000,000 of

the Authority's Manasquan Reservoir Water Supply System Revenue Refunding Bonds, Series 2016. The proceeds of the bonds will be used to refund the 2005 bonds and repay the current portion State loan and completion loan notes outstanding. Mr. Mayer stated that the resolution provides for a competitive sale of the bonds, continuing disclosure agreements, approves an escrow deposit agreement, and authorizes a preliminary official statement.

Mr. Mayer introduced Joshua Nyikita, Financial Advisor to the Authority from the firm, Acacia Financial Group, Inc. Mr. Nyikita provided details on the refunding and current market. Mr. Nyikita stated that based on current market conditions the Authority can anticipate savings of approximately ten percent of the refunded bond which is about \$2.5 million in savings to the Authority over the life of the bond. Mr. Nyikita noted that the competitive sale is expected in the next ten to fourteen days. Mr. Mai asked if the maturity date would be extended and Mr. Nyikita indicated that it would not.

Mr. Patterson noted that the Authority enabling legislation requires pre-approval for the Bond Refinancing from the Governor and the State Treasurer. Both of the required letters have been executed and are in hand.

Mr. Picco moved the Resolution authorizing the issuance of not exceeding \$28,000,000 of the Authority's Manasquan Reservoir Water Supply System Revenue Refunding Bonds, Series 2016. Mr. Mai seconded this motion. All other Authority members approved 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 - no report
- (f) Insurance - no report
- (g) Watershed Lands Acquisition Committee - no report

PUBLIC COMMENT

No member of the public had comments.

EXECUTIVE SESSION

Deputy Attorney Jung Kim read the statement to go into Executive Session. Mr. Mai moved the motion to go into Executive Session which Mr. Iacullo seconded. All Authority members approved the motion.

RETURN TO PUBLIC SESSION

Mr. Picco moved the motion that the meeting be placed back into public session. Mr. Mai seconded this motion. All Authority members approved the motion.

Mr. Iacullo moved to adjourn the meeting. Mr. Mai seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:26 P.M.

I hereby certify this to be a true and original copy of the April 4, 2016 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman

Michelle Rollman
Administrative Assistant

Minutes of the Executive Session
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There was a need for an Executive Session to discuss personnel matters. Deputy Attorney Jung Kim read the statement to go into Executive Session. Mr. Mai moved the motion to go into Executive Session which Mr. Iacullo seconded. All Authority members approved the motion.

Mr. Patterson reviewed the list of employees who are eligible to retire and reminded the Board that the Authority will be experiencing heavy turnover in the coming years. Mr. Patterson generally discussed his plans for retirement.

Mr. Picco moved to go back into the regular Board Meeting. Mr. Mai seconded the motion. All Authority members approved the motion.

I hereby certify this to be a true and original copy of the April 4, 2016 New Jersey Water Supply Authority Executive Session Meeting minutes.

Michelle Rollman

Michelle Rollman
Administrative Assistant