



NEW JERSEY WATER SUPPLY AUTHORITY

P.O. BOX 5196 • CLINTON, N.J. 08809 • (908) 638-6121 • (908) 638-5241 (FAX)

Minutes of the Meeting of the New Jersey Water Supply Authority

December 5, 2016

A regular meeting of the New Jersey Water Supply Authority was convened on December 5, 2016 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 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.

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

Present: Jeffrey Hoffman, Acting Chair
Susan Blew
Ellsworth Havens
Shing-Fu Hsueh - by phone
Robert Iacullo - by phone
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 and East Brunswick
David Brogle, Middlesex Water and East Brunswick
Robert Barth, D&R Canal Watch
Charles Engler, Friends of Spruce Run

Authority Staff Present:

Henry Patterson, Executive Director
Michelle Rollman, Executive Secretary II
Beth Gates, Director Finance and Administration
Susan Buckley, Controller
Marc Brooks, Chief Engineer

Paul McKeon, Director Manasquan Water Supply System/D&R Canal
Kenneth Klipstein, Director Watershed Protection Programs
Jung Kim, Deputy Attorney General
Helene Chudzik, Senior Deputy Attorney General
Lisa R. LeBoeuf, Governor's Authorities Unit

APPROVAL OF THE MINUTES

Acting Chair Hoffman asked for a motion for approval of the Minutes of the November 7, 2016 meeting. Mr. Picco moved the motion approving the Minutes as prepared and the motion was seconded by Ms. Blew.

EXECUTIVE SESSION

Senior Deputy Attorney Helene Chudzik read the statement to go into Executive Session. Mr. Havens moved the motion to go into Executive Session to discuss personnel matters, which Ms. Blew 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. Ms. Blew seconded this motion. All Authority members approved the motion.

EXECUTIVE DIRECTOR'S REPORT

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

Mr. Patterson stated that although there have been two inches of recent rainfall and some snow, the area has been dry for over a year and is still under drought conditions.

Mr. Patterson reported that the Authority plans to pump to Round Valley later in the month. Mr. Patterson noted that, unless we receive significant rainfall, and in order to maintain mandatory passing flows in the river, it will be difficult to pump very large volumes of water to the reservoir.

Mr. Patterson indicated that Mr. Brooks would further report on the kick-off meeting for the Round Valley Rehabilitation Project. Staff met with Schnabel Engineering Associates and Gannett Fleming throughout the last week of November. Mr. Patterson expressed satisfaction with the progress of the discussions and the quality of the presentations.

Mr. Patterson stated that the proposed rates for FY2018 and the 2016 Annual Report will be discussed later in the meeting. Mr. Patterson also reported that, as anticipated, the Authority made payments to reimburse FEMA for storm damage expenses that were also covered by insurance.

COMMUNICATIONS/CORRESPONDENCE

Mr. Patterson stated that there was no communications or correspondence received.

UNFINISHED BUSINESS

Mr. McKeon reported on the Manasquan Reservoir System and the Manasquan Water Treatment Plant/Transmission System. Mr. McKeon stated that everyone has a copy of his report. Mr. McKeon stated that there were 1.5 inches of rainfall in Manasquan which resulted in a five percent rise in the reservoir. Mr. McKeon noted that the New Jersey Department of Environmental Protection ("DEP") allowed the Authority to reduce the passing flow by two million gallons per day.

Mr. McKeon reported that the staff is conducting preventive maintenance on equipment.

Mr. McKeon stated that bids have been received for repairs to the underdrains. Mr. McKeon anticipates that once the contract is complete, it will require six weeks for the materials to be built offsite.

Mr. McKeon also noted that one of the large intake pumps is offsite to be rebuilt. This work has been inspected and is progressing well and on schedule.

Mr. McKeon reported on the replacement of the Variable Frequency Drive for the reservoir pumps which will ship to the Authority on December 12, 2016.

Mr. Brooks reported on the Raritan Basin System. Mr. Brooks stated that everyone has a copy of his report. Mr. Brooks noted that the region remains dry. Mr. Brooks stated that since June, the rainfall deficiency is 5.72 inches on the Spruce Run gage. Despite two inches of recent rainfall, the rainfall for November was still below average. Storage at Spruce Run has increased somewhat to 3.77 billion gallons. Spruce Run is at 34.3 percent of capacity and Round Valley is at 65.3 percent of capacity. The combined capacity is currently 60 percent while the typical capacity for this date is 89.7 percent.

Mr. Brooks reported that staff is preparing the pumping station and the force main for pumping operations. Mr. Brooks anticipates that pumping will proceed later in December providing there are sufficient flows in the South Branch.

Mr. Brooks stated that the Watershed Unit is preparing a request for proposals to procure a consultant to recommend and implement a plan to abate the aquatic invasive species, Hydrilla, in the canal.

Mr. Brooks discussed the kick-off meeting for the Round Valley Rehabilitation project. Mr. Brooks stated that the meeting went well and offered to answer any questions. Mr. Hoffman inquired about the public response to the project. Mr. Brooks stated that there have been few questions from the public and that information is available on the Authority website. There is a public outreach component to the work that will be provided by Schnabel Engineering Associates. Public relations were discussed at the kick-off meeting and their team will work to maintain public communications and improve the website.

Mr. Klipstein reported on the Watershed Management Program. Mr. Klipstein stated that everyone has a copy of his report. Mr. Klipstein reported that the River Friendly Program of the Raritan Basin has been selected as a winner of the 2016 Governor's Environmental Excellence Award in the Water Resources category. Staff will attend an awards ceremony which will be held in Trenton on Wednesday, December 7, 2016 along with project partners from the Stony Brook Millstone Watershed Association and the Raritan Headwaters Association.

NEW BUSINESS

Mr. McKeon provided background information on the Resolution authorizing the Executive Director to enter into a purchase agreement for polyaluminum chloride for the Manasquan Water Treatment Plant, Allenwood, Monmouth County. Mr. McKeon stated that the Authority advertised for bids for a 12-month supply of sodium hypochlorite and polyaluminum chloride. Bids for sodium hypochlorite were below the \$25,000 threshold for Board authorization. Five bids were received for polyaluminum chloride. The low bid of \$41,552 was received from the Authority's current supplier, Gulbrandsen Technologies Inc. This cost is approximately ten percent less per pound than the cost in the current year. Authority staff recommends that a purchase order agreement be issued to Gulbrandsen Technologies Inc.

Mr. Picco moved the Resolution authorizing the Executive Director to enter into a purchase agreement for polyaluminum chloride for the Manasquan Water Treatment Plant, Allenwood, Monmouth County. Mr. Havens seconded the motion for the Resolution. All Authority members approved the Resolution.

Mr. Brooks provided background information on the Resolution authorizing the award of a contract for professional engineering services required for the Dredging of the Intake Pond and Channel at the South Branch Pumping Station and Replacement of the Ice Deflectors at the Release Structure, Clinton and Franklin Township, Hunterdon County, New Jersey, WSA-R17003. Mr. Brooks stated that the South Branch Pumping Station has an intake pond that contains approximately 17 million gallons of water which is diverted through

an artificial channel. Mr. Brooks discussed the continuous accumulation of sediment in the pond and channel which causes operational problems during pumping. Authority staff provides maintenance dredging for the channel, but specialty equipment is required to dredge the pond. The channel was last dredged by Authority Staff in 2013 and the intake pond was last dredged in 1986. Mr. Brooks stated that the Authority proposes to restore the pond to its originally designed depth. Mr. Brooks also discussed the need to replace corroded ice deflectors on the river control structure at the pump station.

Mr. Brooks stated that the Authority sought to retain the services of a professional engineer to provide design and construction management services required to execute this project. A request for technical proposals was advertised and two responses were received by September 8, 2016. Mr. Brooks outlined the process through which technical proposals were evaluated. With the approval of the Chair of the Capital Projects Committee, both firms were invited to submit fee proposals. Mr. Brooks described and provided examples of the methodology used to equalize the scope of specific costs in order to best compare fee proposals. Authority staff recommends that a contract be awarded to MATRIXNEWORLD Engineering of Florham Park, New Jersey for a lump sum amount of \$143,000.

Mr. Havens moved the Resolution authorizing the award of a contract to MATRIXNEWORLD Engineering for professional engineering services required for the Dredging of the Intake Pond and Channel at the South Branch Pumping Station and Replacement of the Ice Deflectors at the Release Structure, Clinton and Franklin Township, Hunterdon County, New Jersey, WSA-R17003. Mr. Mai seconded the motion for the Resolution. All Authority members approved the Resolution.

Ms. Buckley provided a staff report on the unaudited financial statements at September 30, 2016. Ms. Buckley stated that the financial statements have been distributed to all interested parties and are available on the Authority website as required by bond resolutions. Ms. Buckley specifically discussed non-operating expenses and investment income. Ms. Buckley offered to answer questions and stated that no Board action was required.

Ms. Gates provided background information on the Resolution approving the 2016 Annual Report of the New Jersey Water Supply Authority. Ms. Gates stated that Authority statute requires that an Annual Report be issued by February. Approval of the annual report usually occurs in December in order to be submitted for an award of excellence from the Government Finance Officers Association. Ms. Gates reviewed specific items that are required to be included through Executive Order 37. The annual report includes the audited financial statements which were accepted by the Board at the November 7, 2016 meeting. Ms. Gates discussed an

issue related to GASB 68 implementation which was brought to the Authority's attention by the auditors less than one week ago. The auditors and the Audit Committee believe that the error is not material and would not influence a financial statement user's judgement about the Authority's financial position. In conference with the auditors, the Audit Committee agreed to issue the CAFR with a revised governance letter appended containing an explanation of the adjustment which will be made in fiscal year 2017. The audit opinion remains clean and Authority staff recommends that the Annual Report be approved. Mr. Picco confirmed the conclusions of the Audit Committee and that the audit opinion remains clean.

Mr. Picco moved the Resolution approving the 2016 Annual Report of the New Jersey Water Supply Authority. Mr. Havens seconded the motion for the Resolution. All Authority members approved the Resolution.

Mr. Patterson indicated that there would be no vote on the resolution to amend the By-Laws of the New Jersey Water Supply Authority at the current meeting in order to allow for further discussion. Ms. Gates provided background information on the proposal and discussed the language regarding change orders. Ms. Gates described the proposed changes to the authorization thresholds for change orders with a tiered approach dependent on the contract amount. The Board asked questions and discussed the change order process. Mr. Mai proposed that the threshold be raised to \$40,000 but that no tier system should be put in place. Other approaches and procedures for the State of New Jersey were discussed. The Board considered certain limitations and the expediency of the process in terms of project delays. The Board agreed that the proposed language should be revised to allow for the Board authorization threshold for individual change orders to be increased from \$25,000 to \$40,000, but without tiers for varied contract amounts.

Senior Deputy Attorney General Chudzik advised the Board that the resolutions to authorize publication of proposed changes in the Authority's Schedule of Rates, Charges and Debt Service Assessments for the sale of Water from the Manasquan and Raritan Systems, may be moved and voted together.

Ms. Gates presented an overview of the proposed rates for both the Manasquan Reservoir System and the Raritan Basin System that would become effective July 1, 2017.

Ms. Gates reviewed revenue and expenses for the proposed FY2018 Manasquan Reservoir System budget and informed the Board that the proposed total rate for the initial water users is decreasing by 5.4 percent from \$1,104.58 to \$1,043.35 per million gallons and the proposed total rate for the delayed water users is decreasing 8.10 percent from \$1,238.04 to \$1,137.76 per million gallons. The reduction in rates is because of the refunding of the

2005 bonds that was accomplished in May. The sales base remains the same at 19.443 million gallons per day ("mgd").

Ms. Gates reviewed revenue and expenses for the proposed FY2018 Raritan Basin System budget and informed the Board that the rate will increase by 32.81 percent from \$253.00 to \$336.00 per million gallons. The Raritan Dam Rehabilitation Project necessitates an increase of \$60.00 and the D&R Canal dredging project necessitates an increase of \$23.00. Ms. Gates stated that the sales base will increase only nominally from 182.339 to 182.353 mgd because of the additional contract with the Renaissance at Monroe Condominium Association.

Ms. Gates stated that informal meetings were held with the rate payers on November 4, 2016 and November 9, 2016 respectively for Manasquan and Raritan. The Basis and Background statements will be posted on the website and the rates were approved by Rules@Gov. Ms. Gates reviewed dates for advertisements, pre-public and public hearings.

Mr. Mai moved the Resolutions authorizing Publication of Proposed Changes in the Authority's Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System and for the Sale of Water from the Raritan Basin System. Mr. Hsueh seconded the motion for the Resolutions. All Authority members approved the Resolutions.

Mr. Patterson provided background information on the Resolution to adopt the New Jersey Water Supply Authority meeting schedule for 2017. Mr. Iacullo moved the Resolution to adopt the New Jersey Water Supply Authority meeting schedule for 2017. Mr. Mai seconded the motion for the Resolution. All Authority members approved the Resolution.

Mr. Patterson expressed his pleasure at having served the New Jersey Water Supply Authority as Executive Director for almost fourteen years. Mr. Patterson also expressed his appreciation to the Board of Commissioners, the Department of Law and Public Safety, the New Jersey Department of Environmental Protection, the members of the public present, the Governor's office, and the staff of the Authority.

Mr. Picco read a Resolution extending the appreciation of the New Jersey Water Supply Authority upon the occasion of Henry S. Patterson's retirement. Mr. Iacullo moved the Resolution extending the appreciation of the New Jersey Water Supply Authority upon the occasion of Henry S. Patterson's retirement. Mr. Hsueh seconded the motion for the Resolution. All Authority members approved the Resolution.

Ms. Blew provided background information on the Resolution concerning the appointment of an Executive Director. Ms. Blew

reported that the personnel committee received 87 resumes. Ms. Blew announced that the Personnel Committee chose Beth Gates as the new Executive Director for the Authority starting in January of 2017.

Mr. Havens moved the Resolution concerning the appointment of Beth Gates as Executive Director effective January 1, 2017 and an annualized salary to be budgeted. Mr. Picco seconded the motion for the Resolution. All Authority members approved the Resolution. Congratulations were extended to Ms. Gates.

COMMITTEE REPORTS

- (a) Personnel - report given during executive session and resolution concerning the appointment of an Executive Director
- (b) Finance - no report
- (c) Audit - report given during discussion of annual 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. Barth introduced himself and stated that the D&R Canal Watch will be conducting a clean-up on the Canal tow path at South Bound Brook on January 14, 2017 and invited everyone to attend and volunteer.

Mr. Barth also thanked Mr. Patterson on behalf of the D&R Canal Watch for his cooperation and responsiveness during his tenure as Executive Director of the Authority.

ADJOURN

Mr. Picco moved to adjourn the meeting. Ms. Blew seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:58 P.M.

I hereby certify this to be a true and original copy of the December 5, 2016 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman

Michelle Rollman
Executive Secretary II



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New Jersey Water Supply Authority
December 5, 2016

There was a need for an Executive Session to discuss personnel matters. Senior Deputy Attorney Helene Chudzik read the statement to go into Executive Session. Mr. Havens moved the motion to go into Executive Session which Ms. Blew seconded. All Authority members approved the motion.

The Board discussed the appointment of the Executive Director.

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

I hereby certify this to be a true and original copy of the December 5, 2016 New Jersey Water Supply Authority Executive Session Meeting minutes.

Michelle Rollman

Michelle Rollman
Executive Secretary II