



NEW JERSEY WATER SUPPLY AUTHORITY

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Minutes of the Meeting of the New Jersey Water Supply Authority

June 4, 2018

A regular meeting of the New Jersey Water Supply Authority was convened on June 4, 2018 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Canal Office located at 770 Bear Tavern Road, West Trenton, New Jersey.

As designated by Catherine R. McCabe, Acting Commissioner New Jersey Department of Environmental Protection and Chair New Jersey Water Supply Authority, Diane Zalaskus, Assistant Director, Water System Operations Element, 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 Meeting Act".

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

Present: Diane Zalaskus, Acting Chair
Susan Blew - by phone
Ellsworth Havens
Robert Iacullo - by phone

Absent: Steven Picco
Shing-Fu Hsueh

A quorum existed for the transaction of Authority business.

Interested Parties Present:

Oleg Kostin, New Jersey American Water
Robert Barth, D&R Canal Watch

Authority Staff Present:

Beth Gates, Executive Director
Michelle Rollman, Executive Secretary II
Marc Brooks, Chief Engineer
Paul McKeon, Director Manasquan Water Supply System/D&R Canal
Susan Buckley, Director Administration and Finance
Rita Shaw, Controller
Michael Sellar, Facilities Manager I, D&R Canal Field Office

Kathy Hale, Principal Watershed Protection Specialist
Julie Shelley, Permit/Property Administrator
Jung Kim, Deputy Attorney General
Lauren LaRusso, Governor's Authorities Unit

APPROVAL OF THE MINUTES

Acting Chair Zalaskus asked for the approval of the minutes of the May 7, 2018 meeting. Mr. Havens moved the motion approving the minutes as prepared and the motion was seconded by Ms. Blew. The minutes of the May 7, 2018 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Ms. Gates stated that everyone has a copy of her report, and that she had nothing to add.

COMMUNICATIONS/CORRESPONDENCE

There were no items of correspondence and communications.

UNFINISHED BUSINESS

Mr. McKeon reported on the Manasquan Water Treatment Plant/Transmission System and the Manasquan Reservoir System operations. The Treatment Plant is operating under normal conditions. Mr. McKeon discussed the effects of a recent lightning storm which resulted in some minor damage to equipment. There has been over ten inches of rain during May in Monmouth County, and the Manasquan reservoir has been 100 percent full.

Mr. Brooks reported on the Raritan Basin System operations. Mr. Brooks stated that everyone has a copy of his report. Spruce Run Reservoir has been spilling since April 17, 2018 and is 100 percent full at eleven billion gallons. The Authority completed production pumping to Round Valley on May 25, 2018. The pumping began on April 12, 2018 and the Authority pumped 3.3 billion gallons, raising the level at Round Valley by 6.25 feet. Round Valley Reservoir is now 11 feet below capacity at 47 billion gallons or 85.5 percent of capacity. The combined capacity is at 87.9 percent compared to an average of 95.8 percent for this time of year.

Mr. Brooks stated that the contractor for the New Jersey Department of Transportation has completed cleaning both barrels of the culverts that carry the Canal for one mile under Route 1 in Trenton. Authority staff participated in the inspection of the completed work.

Mr. Brooks reported that damage to the Canal was sustained in the Princeton area during the Memorial Day weekend. There was no threat to the function of the Canal and Authority staff have completed most of the repairs.

Mr. Brooks reported on the Canal Dredging Project. It is anticipated that dredging will begin on July 1, 2018. The staging area for de-watering the sediment is being prepared.

Mr. Brooks reported on the Round Valley Reservoir Dams Rehabilitation and Resource Preservation Project. Mr. Brooks stated that a meeting was held on April 25 to discuss two alternatives recommended in the schematic design report. The meeting resulted in a recommendation from the Technical Review Board which is being considered as a separate alternative. A second meeting is scheduled for June 12 - 14, 2018 and Mr. Brooks expressed confidence that it will result in the determination of the schematic design. Mr. Brooks stated that a construction potential failure mode analysis will be conducted at that meeting.

Mr. Brooks stated that Change Orders are in his written report and offered to answer any questions.

Ms. Gates noted that Mr. Klipstein was absent and stated that everyone has a copy of his report for the Watershed Protection Programs Division.

NEW BUSINESS

Ms. Shaw provided the background information on the Unaudited Financial Statements for the nine months ending March 31, 2018. Ms. Shaw stated that the staff memo highlights the financial performance of the Authority. Ms. Shaw noted that the statements have been posted to the Authority website and sent to the required parties. Ms. Shaw stated that the results are favorable with a net change of position of \$7.1 million in comparison to \$5.2 million the previous year. Revenue increased \$24.3 million from \$21.1 million at this time last year due to an increase in Raritan Rates. Operating expenses are \$16.8 million which is 1.5 percent lower than this time last year primarily because of a GASB 68 related pension expense adjustment. Total liabilities and deferred inflows of resources for the nine months increased from \$99.6 million to \$146.7 million which reflects the issuance of not-to-exceed \$52 million Subordinate Bonds for the Canal Dredging Project. Ms. Shaw offered to answer any questions and stated that no Board action was required.

Ms. Buckley provided background information on the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2018 (regulations found at N.J.A.C. 7:11-4.1 et seq.) and the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, to become effective July 1, 2018 (regulations found at N.J.A.C. 7:11-2.1 et seq.). Ms. Buckley noted that the Board authorized the rate proposals during the November 6, 2017 Board meeting. Ms. Buckley stated that the proposed rates were published in local newspapers during December, 2017 and

published in the New Jersey Register on January 2, 2018. It is anticipated that the adoption will be published in the July 2, 2018 New Jersey Register. In the Raritan System, there is no change in the rate from the initial proposal of \$336.00 per million gallons and no change from Fiscal Year 2018. There was one attendee at the pre-public hearing and one attendee at the public hearing. One individual submitted a written comment during the comment period.

Ms. Buckley stated that in the Manasquan System there is no change from the initial proposal and no change in rates from Fiscal Year 2018. The rates will therefore be \$1,043.35 per million gallons for initial customers and \$1,137.76 per million gallons for delayed customers. There were no members of the public or interested parties in attendance at the Manasquan pre-public hearing and none attended the public hearing. One individual submitted a written comment during the comment period. Ms. Buckley stated that detailed Hearing Officer's reports are available on the Authority website.

Mr. Iacullo moved the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2018 (regulations found at N.J.A.C. 7:11-4.1 et seq.). Ms. Blew seconded the motion. All Authority members approved the Resolution.

Mr. Iacullo moved the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, to become effective July 1, 2018 (regulations found at N.J.A.C. 7:11-4.1 et seq.). Ms. Blew seconded the motion. All Authority members approved the Resolution.

Ms. Buckley provided background information on the Resolution approving the Authority's Manasquan Reservoir System Budget for Fiscal Year 2019 (July 1, 2018 - June 30, 2019) and the Resolution approving the Authority's Raritan Basin System Budget for Fiscal Year 2019 (July 1, 2018 - June 30, 2019.) Ms. Buckley stated that the Board packages include a discussion of the Raritan and Manasquan budgets which support the rates. Ms. Buckley stated that overall, the budgets are at or near the budget levels for Fiscal Year 2018. Ms. Buckley indicated that the staff memos include additional details and offered to entertain any questions.

Ms. Blew moved the Resolution approving the Authority's Manasquan Reservoir System Budget for Fiscal Year 2019 (July 1, 2018 - June 30, 2019.) Mr. Iacullo seconded the motion. All Authority members approved the Resolution.

Ms. Blew moved the Resolution approving the Authority's Raritan Basin System Budget for Fiscal Year 2019 (July 1, 2018 - June 30, 2019.) Mr. Havens seconded the motion. All Authority members approved the Resolution.

Ms. Buckley provided the background information on the Resolution accepting the Collective Bargaining Agreement between the State of New Jersey and the Communications Workers of America ("CWA") for the period July 1, 2015 through June 30, 2019. Ms. Buckley stated that the State of New Jersey recently reached an agreement with CWA for a contract covering the period of July 2015 to June 2019. The Authority employs approximately 25 staff members in the CWA. Ms. Buckley stated that the contract provides for two across-the-board increases of two percent for Fiscal Year 2018 and Fiscal Year 2019 and increments retroactive to July 1, 2015 as well as provisions for clothing allowance and bonuses for those earning maximums in their salary range. Employees will be placed in their correct step, including both cost of living adjustments, by July 27, 2018 and retroactive payments will be made no later than October of 2018. Ms. Buckley stated that the Authority typically accepts such negotiated labor contracts by Board vote.

Mr. Havens moved the Resolution accepting the Collective Bargaining Agreement between the State of New Jersey and the Communications Workers of America ("CWA") for the period July 1, 2015 through June 30, 2019. Mr. Iacullo seconded the motion. All Authority members approved the Resolution.

Ms. Buckley provided the background information on the Resolution authorizing the Executive Director to negotiate and execute a contract with the NJ Department of Corrections Edna Mahan Correctional Facility for Women for renewal of uninterruptible service from the Raritan Basin System. Ms. Buckley stated that this resolution represents a straight-forward, ten-year contract renewal with no changes to the contract terms for uninterruptible supply of .17 million gallons per day of which .025 million gallons per day is deemed consumptive. The DEP has confirmed that the allocation permit will be renewed and issued by July of 2018. The current contract expires on June 30, 2018 and the new contract term will be for ten years, beginning July 1, 2018.

Ms. Blew moved the Resolution authorizing the Executive Director to negotiate and execute a contract with the NJ Department of Corrections Edna Mahan Correctional Facility for Women for renewal of uninterruptible service from the Raritan Basin System. Mr. Havens seconded the motion. All Authority members approved the Resolution.

Ms. Hale provided the background information on the Resolution authorizing the Executive Director to execute an agreement with the New Jersey Conservation Foundation for the Regional Conservation Partnership Program project "Black River Greenway - Soil and Water Protection." Ms. Hale stated that the New Jersey Conservation Foundation submitted a proposal to the US Department of Agriculture Natural Resources Conservation Service's Regional Conservation Partnership Program. The Authority is currently participating in a project under that program. The proposed project will expand on some of the work that the Authority is doing under the current project.

The total project budget is approximately six million dollars provided primarily by the Natural Resources Conservation Service in addition to other partners. The Authority would be responsible for outreach to landowners regarding conservation practice implementation on agricultural lands and working with landowners to plan and implement those practices. The Authority will also conduct project evaluation and provide cost-share funding to farmers. The Authority will be providing \$30,000 in cost-share matching to agricultural landowners and \$12,000 in staff time. The Authority will receive \$30,000 to support the temporary Agricultural Watershed Specialist.

Ms. Blew moved the Resolution authorizing the Executive Director to execute an agreement with the New Jersey Conservation Foundation for the Regional Conservation Partnership Program project "Black River Greenway - Soil and Water Protection." Mr. Havens seconded the motion. All Authority members approved the Resolution.

Julie Shelley provided the background information on the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with Princeton University for construction of two 42" electrical conduits under the D&R Canal in Princeton and West Windsor Townships, Mercer County; the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with Verizon for operation of a 42" conduit under the D&R Canal in South Bound Brook, Somerset County; and the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with PSE&G for operation of 230-kV aerial electrical transmission line over the D&R Canal in the City of Lambertville, Hunterdon County. Ms. Shelley stated that each of the resolutions is for leases for property within the Canal Transmission Complex. Ms. Shelley stated that the Princeton University and PSE&G leases are new leases and that the Verizon lease is a renewal of an expired lease. Ms. Shelley described each of the properties and the utilization thereof under each of the proposed lease agreements. Ms. Shelley noted that each of the agreements conform to standards established in the Interagency State Land Lease Valuation Panel Report from 2011. The language in the leases has been reviewed and approved by the Assistant Deputy Attorney General. Each of the leases is proposed for a 20-year term.

Mr. Havens moved the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with Princeton University for construction of two 42" electrical conduits under the D&R Canal in Princeton and West Windsor Townships, Mercer County. Ms. Blew seconded the motion. All Authority members approved the Resolution.

Ms. Blew moved the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with Verizon for operation of a 42" conduit under the D&R Canal in South Bound Brook, Somerset County. Mr. Iacullo seconded the motion. All Authority members approved the Resolution.

Mr. Havens moved the Resolution authorizing execution of a D&R Canal Transmission Complex utility lease agreement with PSE&G for operation of 230-kV aerial electrical transmission line over the D&R Canal in the City of Lambertville, Hunterdon County. Mr. Iacullo seconded the motion. All Authority members approved the Resolution.

EXECUTIVE SESSION

There was no need for an Executive Session.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (d) Audit - Commissioner Iacullo reported that the Committee met with Mercadien LLP earlier today to review the schedule for the Fiscal Year 2018 audit. Mr. Iacullo stated that the Committee is very satisfied with Mercadien LLP's scope and approach to the audit. Mr. Iacullo discussed the issue of post-retirement benefits and indicated that all other matters are straight-forward.
- (e) Public Participation - no report
- (f) Capital Projects - no report
- (g) Insurance - no report
- (h) Watershed Lands Acquisition Committee - no report

PUBLIC COMMENT

Mr. Robert Barth Introduced himself as a representative of the D&R Canal Watch. Mr. Barth provided copies of the D&R Canal Watch schedule of activities. Mr. Barth highlighted an upcoming hike on June 16 from Fireman's Eddy to Prallsville Mill. The history of the Canal, the area, and artifacts that are passed will be discussed during the hike. Mr. Barth also reviewed several other hikes which were listed in the schedule and encouraged all to attend.

Mr. Barth also discussed a film which will be presented by the Millstone Valley Preservation Coalition in association with the Van Harligen Historical Society entitled "Farming in the Millstone Valley: Past & Present." The film will be shown at the Princeton Garden Theater on June 12, 2018 at 7:30 p.m.

ADJOURN

Mr. Iacullo moved to adjourn the meeting. Ms. Blew 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
June 4, 2018 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman
Executive Secretary II