



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

November 4, 2019

A regular meeting of the New Jersey Water Supply Authority was convened on November 4, 2019 at 2:03 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 Catherine R. McCabe, 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.

Deputy Attorney General Kathrine Hunt read the statement required by the "Open Public Meetings Act". Executive Director Beth Gates took the roll call of the Authority members.

Present: Jeffrey Hoffman, Acting Chair - by phone
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:

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

Authority Staff Present:

Beth Gates, Executive Director
Susan Buckley, Director, Finance & Administration
Rita Shaw, Controller
Marc Brooks, Chief Engineer
Paul McKeon, Director Manasquan Water Supply System/D&R Canal
Kenneth Klipstein, Director of Watershed Protection
Michelle Rollman, Finance and Accounting Analyst
Kathrine Hunt, Deputy Attorney General
Lauren LaRusso, Governor's Authorities Unit

APPROVAL OF THE MINUTES

Acting Chair Hoffman asked for a motion for approval of the Minutes of the October 7, 2019 meeting. Ms. Blew moved the motion approving the Minutes as prepared and the motion was seconded by Mr. Havens. The Minutes of the October 7, 2019 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Ms. Gates stated that everyone has a copy of her report. Ms. Gates thanked the Commissioners for completing their ethics training. Ms. Gates was able to issue the required certification to the Governor's office.

COMMUNICATIONS/CORRESPONDENCE

Ms. Gates stated that there were 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 written report. Mr. McKeon stated that operations have been standard at the Manasquan facilities. Rainfall in the area has been normal and the reservoir is at a normal level. In response to a question by Mr. Hoffman, Mr. McKeon stated that the turnover in the reservoir on October 12 was approximately nine days later than usual. Mr. Hoffman inquired about the status of the Harmful Algal Blooms at the Manasquan Reservoir to which Mr. McKeon responded that there is a suspected bloom by the boat ramp, but not in the body of the reservoir. Discussion followed regarding the testing and types of cyanotoxins present. Mr. Havens requested additional information.

Mr. Brooks reported on the Raritan Basin System. Mr. Brooks stated that everyone has a copy of his written report. As of the date of the meeting, Spruce Run was at elevation 269.5 or 86.9 percent of capacity. Round Valley was at elevation 361.5 or 67.8 percent of capacity. This constitutes a reduction of approximately four feet since last month because the Authority is dropping the pool at Round Valley in anticipation of the Round Valley Reservoir Structures Refurbishment and Resource Preservation Project. The combined reservoir capacity was 71.0 percent. The typical combined capacity for this date is 87.8 percent.

Mr. Brooks reported on Canal operations. Mr. Brooks noted that the labor intensive process of leaf removal is underway. Mr. Brooks discussed the seepage that was identified on July 25 by a member the public at the location of a high-pressure gas line crossing owned by Williams-Transco. The Authority has provided comments to the design plan submitted by Williams-Transco to

improve the stability of the embankment.

Mr. Brooks stated that all dredging in the Canal is complete for 2019, which is the second year of the three year project. Dredging in Reaches 1 through 4 is complete and Reach 5 is approximately 60 percent complete. The contractor has been trucking material for over a month from the Route 202 stockpile site to the beneficial reuse site in Bridgewater. Mr. Brooks stated that the transport work is over 80 percent complete and that approximately 45,000 cubic yards will be disposed of.

Mr. Brooks discussed the Round Valley Reservoir Structures Refurbishment and Resource Preservation Project. Mr. Brooks stated that the Round Valley grouting project is well underway. Drilling and grouting was completed at the South Dam on October 30. The Authority anticipates that the dredging work will begin in early December.

Mr. Brooks stated that the Authority advertised the large scale embankment bid on October 7. The mandatory prebid meeting, which was held on October 17, was well attended. The Authority is still on track for a January notice to proceed with the major excavation starting in spring of 2020.

Mr. Brooks discussed the 6-Mile Run culvert, which is a three-barrel culvert in Franklin Township, just upcanal from Blackwells Mills Causeway. The Authority has procured an engineer to prepare designs for an investigation and rehabilitation design. Mr. Brooks stated that the Authority is out to bid for a contractor to dewater and clean the culverts so that the engineer can do an inspection of the interiors of each barrel.

Mr. Brooks stated that change orders are included in his written report and offered to answer any questions.

Mr. Klipstein reported on the Watershed Management Program. Mr. Klipstein stated that everyone has a copy of his report and that he had nothing to add.

NEW BUSINESS

Ms. Buckley provided background information on the Resolution 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 the Resolution authorizing the publication of proposed changes in the Authority's Schedule of Rates, Charges and Debt Service Assessments for the sale of water from the Raritan Basin System. Ms. Buckley stated that the Board packets include a discussion of the proposed rates for fiscal year 2021 for both the Manasquan and Raritan Systems. The Basis and Background documents are available on the Authority website.

Ms. Buckley stated that the proposal for initial water contract purchasers in the Manasquan system includes a 3.1 percent rate decrease to \$1010.75 per million gallons, based on the following rate components. There is an increase in the O&M rate component of three percent, or \$12.95 per million gallons. The debt service component (\$570.55/mg) will be eliminated as the debt will be paid off by August 2020. A capital fund component (\$525/mg) will be created to start a fund for major capital projects such as dam rehabilitation, similar to the existing component in Raritan system. The Source Water Protection and NJEIFP Debt Components will remain level.

Ms. Buckley stated that for delayed water contract purchasers in the Manasquan system, there will be a 1.2 percent rate decrease to \$1,124.67 based on the following rate components. The same three percent increase in the O&M rate that applies to the initial water contract purchasers will apply to the delayed water contract purchasers. There will be a 34 percent reduction in the debt service component, to \$438.92 per million gallons, due to decreasing debt service payments. A capital fund component (\$200/mg) will be created to fund major capital projects. The Source Water Protection and NJEIFP Debt Components will remain level.

Ms. Buckley stated that no rate increases are proposed for the Raritan System. Ms. Buckley highlighted specific line items outlined in the resolution memorandum for the Raritan System including increases in salaries due to negotiated union contracts which are in effect until 2023; a reduction in health care expenses due to the state level focus on driving down medical costs for active employees and retirees; and an increase in insurance expense.

Ms. Buckley stated that the informal meetings with the rate payers were held on October 31, 2019 for the Manasquan System and November 1, 2019 for the Raritan System. Four customers from New Jersey American Water attended the Manasquan meeting and four customers from New Jersey American Water, East Brunswick, Middlesex Water and New Brunswick attended the Raritan meeting. These customers were supportive of the rate amendments. Pending Board approval, the rate proposal is expected to go to the Office of Administrative Law by December 4 and will be advertised in late December. Ms. Buckley stated that the final rates will be presented to the Board for adoption on May 4, 2020 for an effective date of July 1, 2020.

Ms. Blew moved the Resolution 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. Mr. Havens seconded the motion for the Resolution. All Authority members approved the Resolution.

Ms. Blew moved the Resolution Authorizing the Publication of

Proposed Changes in the Authority's Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System. Mr. Iacullo seconded the motion for the Resolution. All Authority members approved the Resolution.

Ms. Buckley provided background information on the Resolution authorizing the placement of insurance coverage for the period of March 1, 2020 through February 28, 2021. Ms. Buckley stated that the Authority By-Laws require the Board to approve of insurance procurements with premiums over \$100,000. The Authority competitively remarkets insurance every three years. The next remarketing is scheduled for 2021. Ms. Buckley stated that in the interim years, the Authority's practice is to obtain favorable renewal terms with the current underwriters. Ms. Buckley stated that the resolution memorandum contains a discussion of the overall insurance market conditions in further detail. The resolution authorizes the director to secure insurance placement effective March 1, 2020, if the cost for such coverage is within the budget amount of \$1.504M. If the annual premium exceeds this amount, insurance committee chair approval will be required.

Mr. Havens moved the Resolution authorizing the Executive Director to obtain quotations and secure placement of insurance coverage within the approved fiscal year 2020 budget appropriation for the period of March 1, 2020 through February 28, 2021. Ms. Blew seconded the motion for the Resolution. All Authority members approved the Resolution.

Ms. Buckley provided background information on the Resolution ratifying and authorizing the renewal of a risk management consulting services agreement. Ms. Buckley stated that the Authority is currently under contract with Albert Risk Management to provide risk management consulting services. The contract is for one year with two options to renew. The proposed resolution is for the first renewal option. Albert Risk Management provides services including broker selection, insurance policy review and analysis and other related issues at the request of the Authority. In September, Albert Risk Management submitted its first one year renewal (October 2019-September 2020) proposal for an amount not to exceed \$45,000 to assist the Authority in the placement of the March 2020 insurance program and assist the Authority with risk and insurance issues involving the Authority's major projects.

Ms. Blew moved the Resolution authorizing the Executive Director to execute an amendment to its Risk Management Consultant Services Contract with Albert Risk Management Consultants of Needham, Massachusetts for the second program year for a reimbursable cost not to exceed amount of \$45,000 for general risk management consulting services, resulting in an amended total fee agreement of \$93,000 for the period of October 1, 2018 through September 30, 2020. Mr. Iacullo seconded the motion for the Resolution. All Authority members approved the Resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Audit - 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

There was no public comment except in that Mr. Barth of the D&R Canal Watch noted that he had canal calendars available.

EXECUTIVE SESSION

There was no need for an Executive Session.

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 2:22 P.M.

I hereby certify this to be a true and original copy of the November 4, 2019 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman

Michelle Rollman
Finance & Accounting Analyst