



NEW JERSEY WATER SUPPLY AUTHORITY

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Minutes of the Meeting of the New Jersey Water Supply Authority

November 5, 2018

A regular meeting of the New Jersey Water Supply Authority was convened on November 5, 2018 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 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 Jung Kim 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
Susan Blew - by phone
Ellsworth Havens - by phone
Steven Picco - by phone

Absent: Robert Iacullo
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
David Brogle, Middlesex Water Company

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
Jung Kim, Senior Deputy Attorney General
Lauren LaRusso, Governor's Authorities Unit - by phone

APPROVAL OF THE MINUTES

Acting Chair Hoffman asked for a motion for approval of the Minutes of the October 1, 2018 meeting. Mr. Picco moved the motion approving the Minutes as prepared and the motion was seconded by Ms. Blew. The Minutes of the October 1, 2018 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Ms. Gates stated that everyone has a copy of her report. Ms. Gates reminded those Commissioners who have not yet completed ethics training, to do so by November 19 and forward their receipts to her. Ms. Gates will issue the required certification to the Governor's office as soon as all Commissioners have completed the training.

Ms. Gates stated the Authority is required to report a liability for Other Postemployment Benefits, or OPEB, for health benefits in accordance with GASB 75 in the Authority's FY2018 financial statements. Ms. Gates noted that the Authority is waiting for information from Treasury to report its share of the liability which is provided to all State and local participants in the State's plan. Treasury informed the Authority that this information will not be available until December, which will cause the Authority audit approval to be placed on either the January or February Board agenda. Ms. Gates is hopeful that the Authority will be able to make the statutory deadline of the end of February for the annual report, which contains the audited financials. A notice of non-compliance was filed with the Authority's trustee. Our bond covenants require delivery of the audited financials to the trustee by October 30. The Authority will be in compliance with continuing disclosure to bond holders. The CDA deadline for audited financials is March.

COMMUNICATIONS/CORRESPONDENCE

Ms. Gates 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 noted that as in the rest of the state, there has been a large amount of rain in the Manasquan system year to date. Mr. McKeon stated that operations have been standard at the Manasquan facilities. Mr. McKeon noted that the filter clear well was drained for cleaning. The two million gallon storage tank will be drained in December for cleaning. Mr. McKeon discussed the progress of other smaller ongoing projects that are not impacting operations.

Mr. Brooks Reported on the Raritan Basin System. Mr. Brooks stated that everyone has a copy of his written report. Mr. Brooks noted the continued rainfall. As of this morning, Spruce Run was at elevation 272.83 or 99.4 percent of capacity. Round Valley was at elevation 374.6 or 85.9 percent of capacity. The combined reservoir capacity was 88.2 percent. The typical combined capacity for this date is 87.8 percent.

Mr. Brooks discussed Canal operations. Mr. Brooks noted that the labor intensive process of leaf removal is underway. Mr. Brooks stated that active dredging in the Canal will end this week. Transportation of material to the final disposal site is set to begin in early December.

Mr. Brooks discussed the Round Valley Reservoir Dams-Rehabilitation and Resource Preservation Project. Drill rigs have been working on the South and the North Dam to perform work requested by the Technical Review Board that rules out a specific construction potential failure mode. The installed instruments will also provide further information that will help with the design. The rigs will be installing a line of piezometers at a specific depth in the structure and they will also be performing a pump test to provide information for the dewatering design.

Mr. Brooks stated that staff has advertised and is receiving prequalification proposals from potential drilling and grouting contractors who desire to be pre-qualified for the drilling and grouting portion of the work on the Round Valley embankment abutments. The plans and specifications for the grouting project are complete. The Authority is awaiting one final permit from the Hunterdon County Soil Conservation District prior to the bid process this month.

Mr. Brooks stated that the dredging project plans for the channel near the South Dam Tower are also near complete and permit applications have been submitted to NJDEP. Mr. Brooks noted that the Authority is actively procuring security firms to do background checks for construction contractors on the security project and on the embankment modifications project.

Mr. Brooks discussed the Landing Lane Spillway Project. The draft schematic design was reviewed by staff and returned to the consultant and they are working on the design.

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 the renewal of the Authority's Insurance Coverage for the period of March 1, 2019 through February 29, 2020. Ms. Buckley stated that a revised resolution was distributed to the Board. The Authority's insurance coverage for all lines expires on February 28, 2019 and will be competitively remarketed for the March 1, 2019 placement (the Authority remarkets every three years and last remarketed in 2016). Ms. Buckley stated that the Authority Bylaws prescribe that the Executive Director is limited in the authorization of insurance procurements having premiums valued in excess of \$100,000. The Authority insurance program was approximately \$1.5 million last year. Prior Resolutions have authorized the Executive Director to bind the insurance with the prior approval of the Chair of the Insurance Committee. The resolution has been amended to include reference to the Board's approval of the FY19 budget which includes a cash outlay of \$1.7 million for the March 2019 payment and allows the Executive Director to bind up to that amount. If the premium exceeds that amount, the Chairman of the Insurance Committee would then give prior approval. The revised approach was reviewed by our Deputy Attorney General. The expenditure will be ratified by the Board at the first Board meeting subsequent to the insurance becoming effective on March 1, 2019.

Mr. Picco moved the Resolution authorizing the renewal of the Authority's Insurance Coverage for the period of March 1, 2019 through February 29, 2020. Ms. Blew seconded the motion for the Resolution. All Authority members approved the Resolution.

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 2020 for both the Manasquan and Raritan Systems. The Basis and Background documents are available on the Authority website.

Ms. Buckley stated that no rate increases and no changes to the sales base are proposed for the Manasquan System. Ms. Buckley highlighted specific line items outlined in the resolution memorandum for the Manasquan System including a decrease in allocation of overhead paid to the Raritan system and an increase in unanticipated funds which is offset by increases in salary and fringe.

Ms. Buckley stated that no rate increases and no changes to

the sales base are proposed for the Raritan System. Ms. Buckley highlighted specific line items outlined in the resolution memorandum for the Raritan System including a decrease in retiree medical and other expenses along with an increase in unanticipated revenue which is offset by increases in salary and fringe.

Ms. Buckley stated that the informal meetings with the rate payers were held on November 1, 2018 for the Manasquan System and November 2, 2018 for the Raritan System. No customers attended the meeting for the Manasquan System and one customer attended the meeting for the Raritan System. The rates have been approved by Rules.gov. It is anticipated that the rates will be posted in the New Jersey Register on January 7, 2019. Pre-public hearings will be held in January and public hearings will be held in February. Ms. Buckley stated that the final rates will be presented to the Board for approval on May 6, 2019 for an effective date of July 1, 2019.

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. Picco 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.

EXECUTIVE SESSION

There was no need for an Executive Session.

ADJOURN

Mr. Havens moved to adjourn the meeting. Mr. Picco seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:15 P.M.

I hereby certify this to be a true and original copy of the November 5, 2018 New Jersey Water Supply Authority meeting minutes.

Michelle Rollman
Michelle Rollman
Finance & Accounting
Analyst