

Minutes of the Meeting of
New Jersey Water Supply Authority
of
April 6, 2009

A regular meeting of the New Jersey Water Supply Authority was convened on April 6, 2009 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Administration Building located at 1851 Route 31, Clinton, New Jersey.

As designated by Mark N. Mauriello, Commissioner New Jersey Department of Environmental Protection and Chair New Jersey Water Supply Authority, Gary Sondermeyer, served as Acting Chair of the meeting and called the meeting to order.

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

Present: Gary Sondermeyer, Acting Chair
Louis Mai
Shing-Fu Hsueh - by telephone
Steven J. Picco
Robert J. Iacullo
Absent: Susan Blew

Interested Parties Present:

David Shope, Self
Ronald Williams, Middlesex Water Co. & East Brunswick Twp.
Oleg Kostin, New Jersey American Water
W. Einthoven, Friends of Spruce Run

Authority Staff Present:

Henry S. Patterson, Executive Director
Joanna K. Stem, Executive Secretary
Edward Buss, Chief Engineer
Beth Gates, Director Finance & Administration
Michael Citarelli, Chief Financial Officer
Ken Klipstein, Director Watershed Protection Unit
Bill Bogosian, Manager Raritan Basin System
Helene P. Chudzik, Sr. Deputy Attorney General

Sonia M. Frontera, Governor's Authorities Unit
Robert Beinfield, Esq., Hawkins, Delafield & Wood
Barbara Bisgaier, Public Financial Management
A quorum existed for the transaction of Authority business.

APPROVAL OF THE MINUTES

Acting Chair Sondermeyer opened the meeting by asking for the approval of the minutes of the February 2, 2009 meeting. Mr. Mai moved for the approval of the minutes as prepared and this motion was seconded by Mr. Picco and Dr. Hsueh. The minutes of the February 2, 2009 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson stated that the Annual Financial Disclosure Forms must be completed before May 15, 2009.

Mr. Sondermeyer presented the Award of Financial Reporting Achievement from the Government Finance Officer Association of the United States and Canada to Michael Citarelli and his team. This is the 17th consecutive year that the Authority received this award.

COMMUNICATIONS/CORRESPONDENCE

There were no items of Communications or Correspondence included in this month's agenda package.

IRS TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) PUBLIC HEARING

Acting Chair Sondermeyer read the statement introducing the Public Hearing. One question from the public was addressed to explain the purpose of the IRS Tax Equity and Fiscal Responsibility Act. Robert Beinfield, Esq. explained that this required hearing is being held under the Internal Revenue Code to answer any questions regarding the refinancing.

UNFINISHED BUSINESS

Mr. Buss provided the report on the Manasquan Water Supply System and Water Treatment Plant. Mr. Buss reported that all operations at the Manasquan Water Supply System are normal. The Manasquan Reservoir is near full capacity. Mr. Buss also reported that there were no unplanned interruptions of service

at the Water Treatment Plant/Transmission System. There was a planned outage between February 5 and March 4 for the concrete repair project in the pre-ozone chambers. Delivery of water to the customer communities resumed on March 4 and continued without disruption. The 2009 Consumer Confidence Report reporting on 2008 water quality data was mailed to the customer communities and was posted on the Authority's website on March 30th.

Ms. Gates stated that the Hearing Officer's Report for the Manasquan Reservoir System was included with the Agenda package. Mr. Mai was the Hearing Officer at the Public Hearing held on February 13, 2009. Ms. Gates explained that the rate resolution reflects a decrease of \$4.21 per million gallons from the November proposed rate submission to the Board. Ms. Gates reviewed the sales base, the initial customer rate, and the delayed contract rate. Mr. Mai stated that a representative of the water users made a statement and had questions at the public hearing. Mr. Mai 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, 2009 (regulations found at N.J.A.C. 7:11-4 et seq.). Mr. Picco seconded this motion. All Authority members approved the resolution.

Mr. Bogosian reported that all activities at the Raritan Basin System have been normal during the past month. Mr. Bogosian provided some background information on pieces of cribbing removed from a spillway on the Delaware and Raritan Canal at Station 26+00 in Delaware Township, Hunterdon County.

Ms. Gates stated the Hearing Officer's Report for the Raritan Basin System was included with the Agenda package. Mr. Sondermeyer was the Hearing Officer at the Public Hearing held on February 6, 2009. Ms. Gates explained that the rate resolution reflects a decrease of \$4.00 per million gallons from the November proposed rate submission to the Board. Mr. Picco moved the resolution adopting revisions to the Schedule of Rates, Charges and Debit Service Assessments for the Sale of Water from the Raritan Basin System, to become effective July 1, 2009 (regulations found at N.J.A.C. 7:11-2.1 et seq.). Mr. Iacullo seconded this motion. All Authority members approved the resolution.

Mr. Klipstein stated that the North Jersey Resource Conservation and Development Council's River Friendly Farms Program recently received the Hermia Lechner Award from the Hunterdon County Planning Board.

NEW BUSINESS

Mr. Citarelli provided the background information on the Unaudited Financial Statements for the six months ending December 31, 2008. Mr. Citarelli provided the details of the statements and the analysis of the Authority's financial performance for the first six months of the fiscal year. There were no questions on the Unaudited Financial Statements for six months ending December 31, 2008. Mr. Citarelli stated that the 2008 Annual Report has been received and needed distribution has been made.

Mr. Picco, Chair of the Audit Committee provided the background information on the resolution authorizing the award of a contract to conduct the Annual Fiscal Audit for the fiscal year ending June 30, 2009. Mercadien, P.C. submitted a proposal dated January 30, 2009 to perform work for the year ending June 30, 2009. Members of the Audit Committee reviewed the engagement letter during the Audit Committee meeting. Mr. Picco moved the Resolution authorizing the award of a contract to conduct the Annual Fiscal Audit for the year ending June 30, 2009 to Mercadien, P.C. of Princeton, NJ for a total cost not to exceed \$56,600. Mr. Iacullo seconded the motion. All Authority members approved of this resolution.

Ms. Gates provided the background information on the resolution ratifying the actions of the Executive Director's placement of the Authority's March 1, 2009 - February 28, 2010 Insurance Program. Ms. Gates reviewed the insurance program's total premium and discussed the policies, coverages, deductibles, policy limits and policy premiums. Mr. Patterson reviewed the entire insurance program with the Chair of the Insurance Committee prior to the placement of the insurance. The Authority adopted Resolution No. 1873 at its December 1, 2008 meeting, authorizing the Executive Director to obtain quotations and to renew the insurance coverage effective March 1, 2009. Mr. Picco moved the Resolution ratifying the Executive Director's placement of the Authority's March 1, 2009 to February 28, 2010 insurance program. Mr. Mai seconded the motion. All Authority members approved of this resolution.

Ms. Gates provided the background information on the Supplemental Resolution No. 3 relating to the Delaware & Raritan Canal - Spruce Run/Round Valley Reservoirs System Bond Resolution of the New Jersey Water Supply Authority Determining the Form of not in Excess of \$11,000,000 Water System Revenue Refunding Bonds, Series 2009 (Delaware and Raritan System) and

Determining Certain Details in Connection Therewith. Ms. Gates stated that in 1998 the Authority issued refunding bonds to refinance the capital improvement bonds issued in 1988. These 1998 bonds are now eligible for an advance refunding. Ms. Gates introduced Robert Beinfield, Bond Counsel and Barbara Bisgaier, Financial Advisor. Mr. Beinfield reviewed the items in the resolution, the refunding process, the bond sale, and the requirements of the refunding. The required IRS Tax Equity and Fiscal Responsibility Act public hearing for this refunding was held at today's meeting. Mr. Mai moved the Supplemental Resolution No. 3 relating to the Delaware & Raritan Canal - Spruce Run/Round Valley Reservoirs System Bond Resolution of the New Jersey Water Supply Authority Determining the Form of not in Excess of \$11,000,000 Water System Revenue Refunding Bonds, Series 2009 (Delaware and Raritan System) and Determining Certain Details in Connection Therewith. Mr. Picco seconded the motion. All Authority members approved of this resolution.

Mr. Buss provided the background information on the Resolution to award a construction contract for the replacement of the sluice gates, installation of motorized gate operators and concrete repairs for the Prallsville and Lambertville Locks in Stockton Borough and the City of Lambertville, Hunterdon County. Mr. Buss stated that an underwater investigation of the flow control structures was performed along the D & R Canal in 2001 and subsequent investigation was completed in 2007. These investigations revealed the structural and operational deficiencies of the sluice gates at both locks. Mr. Buss explained that advertisements for bids were published in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website. Ten (10) bids were received and opened. Mr. Buss provided the details of the amounts of the bids received and the engineering estimate for this project. Mr. Iacullo moved the Resolution to award a construction contract for the replacement of the sluice gates, installation of motorized gate operators and concrete repairs for the Prallsville and Lambertville Locks in Stockton Borough and the City of Lambertville, Hunterdon County to HC Constructors, Inc. of Whitehouse Station, NJ for a lump sum and unit cost price not to exceed \$334,900. Mr. Mai seconded the motion. All Authority members approved of this resolution.

Mr. Buss provided the background information on the Resolution authorizing the award of a contract for the replacement of 40,000 pounds of granular activated carbon at the Manasquan Water Treatment Plant. Mr. Buss explained that as part of an Agreement with the Monmouth County Improvement

Authority, the New Jersey Water Supply Authority provides the annual replacement of 40,000 pounds of granular activated carbon housed in two of the six contactors at the water treatment plant. Mr. Buss stated that advertisements for bids were published in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website. Three (3) bids were received and opened. Mr. Buss provided the details of the amounts of the bids received and the bid's adherence to technical specifications and completeness. He explained that this is an annual purchase that cost \$35,900 in February 2008. Mr. Picco moved the Resolution authorizing the award of a contract for the replacement of 40,000 pounds of granular activated carbon at the Manasquan Water Treatment Plant with Nichem Company, Hillside, NJ for a lump sum of \$49,570. Dr. Hsueh seconded the motion. All Authority members approved of this resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Consumers - no report
- (d) Public Participation - no report
- (e) Capital Projects - no report
- (f) Insurance - no report
- (g) Watershed Lands Acquisition - no report

PUBLIC COMMENT

Mr. Shope expressed his opinion regarding the proposed rates.

Mr. Einthoven expressed concerns with the public walking on the frozen reservoir.

Mr. Williams expressed his opinion regarding the proposed rates. Mr. Williams thanked the Authority for their efforts in the rate making process.

