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April 11, 2014

Via Certified Mail

Michael J. Rohal, Borough Clerk
The Borough of Glen Ridge
Glen Ridge Municipal Building
825 Bloomfield Avenue, P.O. Box 66
Glen Ridge, NJ 07028

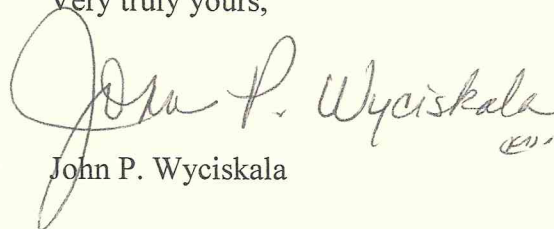
Re: North Jersey District Water Supply Commission Proposed Bond Issuances

Dear Mr. Rohal:

This firm serves as General Counsel to the North Jersey District Water Supply Commission (the "Commission"). As you are aware, Glen Ridge is a member-municipality of the Wanaque North System. Enclosed herein for your review is a narrative summary of the Commission's proposed 2014 bond issuance, a proposed project list, and an authorizing resolution to permit the Commission to proceed with the aforementioned bond issuance. As set forth in greater detail in the narrative summary, please place the authorizing resolution on the governing body's agenda for the earliest possible meeting, and confirm the date the resolution will be heard with this office. Please feel free to contact me or my colleague, Derek Orth, with any questions regarding the information provided herein.

Thank you for your consideration and attention.

Very truly yours,


John P. Wyciskala

**SUMMARY OF THE NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION'S
PROPOSED PLAN FOR FINANCING NECESSARY WATER SUPPLY
INFRASTRUCTURE IMPROVEMENTS**

The North Jersey District Water Supply Commission (the “*Commission*”) is proposing to issue public bonds in an aggregate amount not to exceed \$95 million, to finance necessary capital improvements in connection with the Wanaque North Project¹ and Wanaque South Project (collectively, the “*Water Supply System*”), and to secure monetary savings through the refunding of previously issued public bonds. Each Contracting Local Unit would be partially responsible for the payment of debt service on these bonds, pursuant to the procedures set forth in the Commission’s enabling legislation, N.J.S.A. 58:5-1 et seq. (the “*Act*”), and the Service Contracts between the Commission and each Contracting Local Unit. Furthermore, pursuant to the Service Contracts, the Commission requires the unanimous consent of the Contracting Local Units to the Wanaque North Project, and two-thirds consent of the Contracting Local Units to the Wanaque South Project, in order to issue the public bonds. Accordingly, the Commission is providing this proposal, and the documents attached hereto, to: (1) provide information regarding the potential capital projects and the refunding opportunity; (2) explain the potential water rate impact to each Contracting Local Unit that may result from issuance of the public bonds; and (3) initiate the process to secure the formal consent of each Contracting Local Unit to proceed with the bond issuance.

The categories of potential capital projects and the amount of project costs to be financed (exclusive of capitalized interest, soft costs, and certain administrative expenses) by Commission Bonds (as hereinafter defined) in connection with maintaining the Water Supply System include, but are not limited to, the following categories and amounts, with a specific project list (that could also change as circumstances warrant) attached as Exhibit A to this memo:

Maintenance of Facilities, Dams and Pipelines:	- \$24.7M
Resiliency of System:	- \$ 9.8M
Regulatory Compliance:	- \$ 5.5M
Security, IT and Safety:	- \$ 5.0M
Water Treatment:	- <u>\$24.5M</u>
Total:	- <u>\$69.5M</u>

A variety of factors will determine which capital projects are ultimately financed, and therefore it is possible that some of these projects will not be financed, or will be replaced in whole or in part by other projects. As detailed information continues to become available for the capital projects the Commission reserves the right to allocate the costs of the capital projects

¹ All capitalized terms not defined herein shall be ascribed the meaning as provided in the attached “RESOLUTION OF THE [CONTRACTING LOCAL UNIT], IN THE COUNTY OF THE [CONTRACTING LOCAL UNIT], STATE OF NEW JERSEY, CONSENTING TO THE ISSUANCE OF CERTAIN BONDS FOR THE WANAQUE [NORTH][SOUTH] PROJECT BY THE NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION, AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE AGREEMENT AND DETERMINING CERTAIN OTHER MATTERS RELATED THERETO,” (the “*Resolution Consenting to the Issuance of Bonds*”).

between the Wanaque North Project and the Wanaque South Project as necessary. To secure financing for these capital projects, the Commission may use a combination of (i) the issuance of bonds by the Commission and sold to the public (the "*Commission New Money Bonds*") and (ii) the issuance of bonds by the Commission and sold to the New Jersey Environmental Infrastructure Trust ("*NJEIT*") and the State of New Jersey through the NJEIT Financing Program (the "*Commission NJEIT Bonds*"). Note that a portion of the Wanaque South projects may be paid for by United Water pursuant to their agreement with the Commission. Additionally, the Commission continues to evaluate the need for additional infrastructure improvements not addressed by the present proposal, and therefore issuance of bonds to finance the above capital projects is not intended to, and would not, preclude the Commission from pursuing additional bond issuances should the need arise in the future.

Furthermore, under current market conditions, there may exist an opportunity for the Commission to currently refund all or a portion of the \$5.625 million outstanding Wanaque North Project Revenue Refunding Bonds, Series 2003, to achieve a net present value savings in excess of 2.0%, through the issuance, and sale to the public, of Refunding Bonds by the Commission (the "*Refunding Bonds*," and together with the Commission New Money Bonds and the Commission NJEIT Bonds, the "*Bonds*"). Based on the potential combined cost of the capital projects, the Refunding Bonds, capitalized interest, certain administrative expenses, and project soft costs, the Commission proposes that the Bonds be issued in an aggregate amount not to exceed \$95 million, through any combination of the Refunding Bonds, Commission New Money Bonds, and Commission NJEIT Bonds, as determined by the Commission to be in the best interests of the Commission and the Contracting Local Units.

Bonds for each of the Wanaque North Project and the Wanaque South Project have existing annual debt service schedules that decline significantly after 2017. This favorable existing debt position, together with the estimated debt service savings expected to be realized through the issuance of the Refunding Bonds, the utilization of capitalized interest and available Commission funds, the structuring flexibility of the Commission New Money Bonds, and the projected below market interest rates on the Commission NJEIT Bonds should, taken as a whole, allow the Commission to maintain or approximate a net overall level debt service structure over the life of the Bonds comparable to existing annual 2014 debt service budgets. The ability to fund the proposed capital projects with no expected material impact on user rates would not be achievable if the Commission were to pay for these necessary infrastructure improvements solely through its current operating budgets. Accordingly, issuance of the Bonds presents the best mechanism for ensuring that the Water Supply System is maintained and upgraded as necessary, while minimizing any concomitant increase in water rates.

Additionally, the Commission is eager to take advantage of the currently low interest rates and eliminate the risk of rates potentially rising in the future. Accordingly, to realize the benefits of the capital projects and the refunding opportunity, while minimizing any potential adverse rate impacts, the issuance of the Bonds must proceed expeditiously. To this end, attached please find the Resolution Consenting to the Issuance of Bonds, which has been drafted by the Commission's General Counsel for adoption by each Contracting Local Unit. When duly adopted by each North Contracting Local Unit (with respect to the Wanaque North Project) and the South Contracting Local Units having Proprietary Allotments aggregating two-thirds of the total Proprietary Allotment (with respect to the Wanaque South Project), the Authorized Officer

of each Contracting Local Unit will be authorized and directed to consent to the issuance of the Bonds, which may be issued over one or more series or times, and to take all necessary steps related thereto. The Commission requests that the Resolution Consenting to the Issuance of Bonds be placed on the agenda for the earliest possible meeting for each Contracting Local Unit, and that the Commission be provided copies of all duly authorized resolutions following adoption. Please confirm the date the resolution will be heard with Mr. Derek Orth, Esq., of the Commission's General Counsel, Inglesino, Wyciskala, & Taylor, LLC, at (973) 585-7721, as Mr. Orth will attend such meetings on behalf of the Commission. Additionally, should any Contracting Local Unit have questions with respect to the information provided herein or in the attached Resolution Consenting to the Issuance of Bonds, please contact Mr. Orth, or Mr. Todd Caliguire, Executive Director of the Commission, at (973) 831-6277.

EXHIBIT A

Commission Present Capital Project List to be Financed with Bonds

North Jersey District Water Supply Commission

Item Number	Corresp Item # on 5-Year list	Location	Category	Project Description	Required Financing
MAINTAIN FACILITIES, DAMS, AND PIPELINES					
20	1	General	Dam	Improvements to Commission Dams Instrumentation/Weirs	50,000
21	2	Monks	Dam	Monksville Tunnel Drains	4,000
23	3	Monks PLD	Dam	Engineering Studies -Monksville Dam & Pompton Lakes Dam	8,000
24	4	Post Brook	Dam	Post Brook Dam Rehabilitation	149,000
26	6	Monks	Dam	Resealing of Vertical Joints Upstream face of Monksville Dam.	144,000
28	90	Utility Garage	Roof	Replace Utility Garage Roof.	250,000
29	7	LGH	Structure	Lower Gate House Improvements	200,000
30	13	Head-works	Water Treat	Investigation/engineering plan to evaluate the condition of Raymond Dam Penstock tunnel.	117,000
31	23	Dam#2 & #4	Dam (EIT)	Green Swamp Dams 2 & 4 upstream face inspection.	13,500,000
35	53	General	Water Treat	Asset Condition/Reliability Engineering Study for all Commission Assets.	1,500,000
38	80	General	Watershed	Survey of Commission Owned Land	300,000
41	95	General	Vehicle	Vehicle replacement beneficial reuse program.	68,538
47	103	Orechio	Structure	HVAC rehabilitation	345,022
49	89	CB	Roof	Replace 25 year old roof on Chem Bldg Pipe Gallery.	100,000
51	106	CB	Structure	Elevator Upgrade: Filter Bldg, Chem Bldg & Orechio Bldg	330,000
61	112	LLPS	Electrical	LLPS Clean Room for Electrical PLCs	50,000
62	85	OAB	Structure	Old Admin Bldg - Restrooms/HVAC	123,531
68	91	RPS	Structure	Ramapo Pump Station New Roof	100,000
70	47	General	Aqueduct	Initial investigation/engineering plan to evaluate the Condition of the Commission finished water mains.	250,000
71	50	Surge Tank	Aqueduct	Surge Tank Repainting	400,000
73	114	Bal Res	Structure	Repair Wall /Ceiling Cracks in Balancing Reservoir.	300,000
74	115	Wan. N & S	Aqueduct	Remove Trees along Commission Aqueducts.	750,000
75	104	CB	Structure	Enclose Sodium Hypochlorite storage tanks.	200,000
76	11&15	Misc.	Structure	Repave Commission owned access roadways.	546,000
77	69	RPS	Intake	Install new traveling screens and new instrumentation at Ramapo PS.	1,265,000
78	116	WSPS	Screens	Rebuild WSPS pumps and traveling screens.	1,000,000
81	16	General	Dam	Underwater Camera and Video Inspection Equipment.	60,000
82	22	Dam #4	Dam	Install Bar Racks at Dam #4.	2,123
93	84	Central Recv	Structure (EIT)	Central Receiving Expansion and Modifications.	745,000
94	92	Centrifuge	Structure	Encapsulate centrifuge in corrugated metal building.	65,000
95	99&102	FB and Orechio	Structure	Boiler repairs, system to prevent corrosion in Filter Bldg and Orechio Bldg.	200,000
96	100	FB	Structure (EIT)	FB Pipe Gallery Dehumidification and Painting.	1,544,000
99	111	Garage	Vehicle	Concrete Shop Floor Resurfacing.	25,000
Total Cost Maintain Facilities, Dams, Pipelines Projects					24,691,213
RESILIENCY					
55	67	LLPS	Pumps	LLPS Alternative Bearing Flushing/Cooling Water System	60,000
58	117	LLPS	Electrical	LLP#4 auto switch for generator power	250,000
89	71	LLPS	Pumps (EIT)	Alternative Energy Low Lift Pump.	9,200,000
90	72	LLPS	Pumps	Evaluate alternative raw water pump location.	250,000
91	76	LLPS	Pumps	300 kW Backup Generator Feed	60,000
Total Cost Resiliency Projects					9,820,000
REGULATORY COMPLIANCE					
32	18	General	Green Energy	Green Energy Study	175,000
63	45	LGH	Water Treat	Replace and automate Raymond Dam passing flow control valve.	200,000
64	58	LGH	Water Treat	Reservoir Water Quality Monitoring Panel	64,541
65	86	Bal Res	Structure	Removal of lead and asbestos in Commission owned buildings.	32,727
66	86	Bal Res	Structure	Removal of underground fuel tanks.	100,000
83	30&31	Range	Security	Remediation and Upgrade to Shooting Range.	247,416
98	109	RTF	Lagoon (EIT)	Lagoon Improvements Ph.2	4,380,000
100	119	General	Electrical	Code upgrades to electrical and IT systems throughout Commission complex.	300,000

North Jersey District Water Supply Commission

Item Number	Corresp Item # on 5-Year list	Location	Category	Project Description	Required Financing
Total Cost Regulatory Compliance Projects					5,499,684
SECURITY, IT, AND SAFETY					
1	82	General	Comp	Computer Workstation Replacement	96,190
2	81	General	Comp	Network Server Replacement	110,000
3	120	General	Comp	DHS network architecture modifications Global View.	90,000
4	27	Headqtrs	Security	Security System Software for Head-end mgmt and monitoring.	65,000
5	121	General	Security	Replace old camera with new digital versions - approx 125 cameras.	300,000
6	122	General	Security	Purchase and install new servers as required for camera project.	75,000
7	123	General	Security	Purchase and install new Camera/Security Switches.	75,000
8	124	BalRes	Security	Balancing Reservoir Camera System Installation	200,000
10	38	OTP	Security	OTP Camera System Installation	77,961
11	39	RPS	Security	RPS Camera System Installation	26,675
12	40	Dams	Security	Midvale/Furnace Dam - Cameras	70,000
13	41	Monks	Security	Monksville Dam - Cameras	100,000
14	42	CC	Security	Corrosion Control Camera System	150,000
15	28	Orechio	Structure	New Security Gates for existing Orechio Entrance	600,000
16	43	Aqueduct	Security	Design and installation of aqueduct sensors/cameras and remote metering per DHS recommendation.	1,223,853
17	29	General	Security	Installation of new security alarm network in each Commission owned building and integrate into new digital surveillance system panels per DHS recommendation.	320,000
18	33,34,35 & 36	General	Security	Installation of new fire alarm systems in all Commission owned buildings.	500,000
19	125	Misc.	Structure	Install new access control system for all Commission owned buildings per DHS recommendations.	500,000
33	24	RTF	Lagoon	Feasibility Study for the construction of a new road/bridge to transport residuals from Lagoon/Centrifuge/RTF to the residuals processing facilities.	60,000
69	46	Aqueducts	Aqueduct	Guardian Blue Early Warning System	300,000
87	62	Lab	Safety	Laboratory Gas Detection System.	10,000
88	65	FB	Structure	Lightning Protection System.	5,000
92	83	General	Computer	Upgrade Finance Software.	30,000
Total Cost Security, IT , and Safety Projects					4,984,678
WATER TREATMENT OPERATIONS					
25	5	UGH	Structure	Upper Gate House Improvements	425,000
34	126	RTF	Lagoon (EIT)	Purchase and install new centrifuge at the RTF and upgrade of ET3.	2,700,000
36	63	General	Electrical	Electrical Substation/Switchgear Infrastructure Reliability Study incs LLPS, Chem Bldg, Filter Bldg	50,000
39	93&94	Reservoir	Watershed	Bio-Manipulation - Stocking Hybrid Striped Bass	101,640
42	56	FB	Water Treat	Pilot Plant R&D Rehabilitation	115,000
43	97	FB	Water Treat (EIT)	Basin 1 – 4 flocculator replacement	2,370,000
45	57	FB	Water Treat	Install new plant valve actuators	535,000
46	98	FB	Tower	Wash Water tank - Repainting and Filter Backwash Pump	600,000
48	66	CB	Electrical	Generator Transfer Switch	50,000
50	105	CB	Water Treat	New KMNO4 (Potassium Permanganate) Chemical Feed Systems.	500,000
53	110	WWWB	Water Treat	Engineering Design Contract for Anthracite Return Prevention	60,000
54	127	WWWB	Water Treat	Filter Media Replacement	500,000
57	78	LLPS	Pumps	Lowlift 3&4 Gearboxes	383,438
60	75	LLPS	Pumps	Rebuild/rewind motors at LL Pumps #1 and #6.	103,935
67	59	Union Blvd	Water Treat	Start-up of Union Blvd Sodium Hypochlorite chemical feed systems.	80,000
79	128	OTP	Water Treat	Install hypochlorinators at the OTP.	350,000
84	54	Reservoir	Watershed (EIT)	Expansion of Aeration System.	1,900,000
85	55	FB	Water Treat (EIT)	Basins 5 & 6 Rehabilitation.	13,562,067
86	61	Lab	Water Treat	Replace and upgrade to automated Auto Titrator.	15,000
97	107	RTF	Residuals	Replacement of Genius Modules with Genius II Profinet at RTF.	75,000
Total Cost Water Treatment Operations Projects					24,476,080

Non-EIT Projects	19,570,589
EIT Projects	49,901,067
Total Projects	69,471,656