

# Township of East Brunswick

DEPARTMENT OF FINANCE

L. MASON NEELY  
CHIEF FINANCIAL OFFICER

2015 SEP 1 AM 10 36

FILED  
MAY 10 2015

August 11, 2015

Irene Kim Asbury, Secretary  
Board of Public Utilities  
44 South Clinton Avenue  
PO Box 350  
Trenton, NJ 08625

Re: Petition for Contract Approval by Township of East Brunswick under New Jersey Water Supply Public-Private Contracting Act. N.J.S.A. 58:26-19 *et. seq.*

To the Honorable Board of Public Utilities:

The Township of East Brunswick is a Municipal Corporation within the County of Middlesex One operating Division is the East Brunswick self-liquidating Water Utility, which provides water service to East Brunswick and bulk sales of water to Spotswood, South River and Helmetta. The Township is seeking approval of a Public Private Contract between the Township of East Brunswick and Utility Service Group similar to the approval recently granted under BPU Docket #WO15050548 to the Township of Mahwah.

The Township of East Brunswick has three storage vessels (a.k.a. tanks) two are elevated tanks, which are hydropillar facilities, hosting three million gallons of water in the air to provide head pressure and a ten million gallon ground level reservoir. These three storage vessels service the critical needs during the max days and max hours and/or any kind of interruption in the water supply. These water vessels in the future shall be referred to as "tanks" and are currently in need of repair currently and continuously in order to provide high quality storage of water to protect the investments the Township has made in the tanks. We have negotiated a Contract with Utility Service Group (a copy attached), which provides for GASB 34 Compliance in order to have the tanks fully restored in a planned approach, maintained at zero depreciation for the next forty (40) years. This Contract is designed to protect the tax payers and Water Utility Customers investment which they have placed into the tank system.

Under the Public Private Contracting Provisions of New Jersey said Contract is subject to review, modification, comment and approval by the New Jersey Board of Public Utilities, Department of Environmental Protection and New Jersey Department of Community Affairs. Separate letters are sent to each of the three State Agencies and this letter along with the filing fee of \$25 and the ten original copies is the first step for your review.

Irene Kim Asbury, Secretary  
Board of Public Utilities  
August 11, 2015  
PAGE TWO

We understand you are familiar with the firm called Utility Service Group (USG) and they have supplied to the Board, under a prior Docket, their Audit, Financial Performance and information which would permit you to feel confident they are both capable to perform the tasks, as well as reliable for future compliance with the contract. The Township is not relying solely on the reputation or the financial reports of USG; however, we are requiring insurance guarantees to be filed with the Township as part of the Contract to ensure compliance in full with the Public Private Tank Asset Management Program.

As the Board reviews the Contract, I believe it is important for you to understand the Water Utility of East Brunswick and the impact of this Contract may have on the rate payers within our Township and the adjoining communities. It is the Utility's policies to fund all improvements through short-term Notes and Retire the Notes in accordance with the limited statutory provisions of N.J.S.A. 40A:2-A. Therefore, the Township has replaced all the old 1950 lines. The Township has good working equipment, it is fully funded and there are no open obligations. The painting and maintenance of the tanks is a cost which will be funded and paid for with short-term obligations and will not result in bonding or burdensome cost on Water Utility. The Water Utility has operated with a positive Fund Balance for years and attached is a copy of our POS, which is used for financing in the capital market. I particularly draw your attention to page 14 and 15, which summarizes the Utility Budget and the Fund Balance of the Operating Utility. Also the Comparative Balance Sheets are found on Section A of the Official Statement. The signing of a Contract with USG by the Township through the Water Utility will have minimal or marginal impact on the rate structure of the Township. The Township's tariff for water is among the lowest in the State while quality and reliability are among the highest in the State for we have maintained the system in excellent operating condition.

The proposed Contract is for a period of 40 years; however, the governing body does have the option to terminate the Contract at any time by exercising the "Notice to Terminate". Also the Contract provides for full insurance in accordance with the RFP, which was developed and the Township will be fully protected. The tanks will be in full compliance with the "A.W.W.A Specifications" and we will implement GASB 34 for zero depreciation.

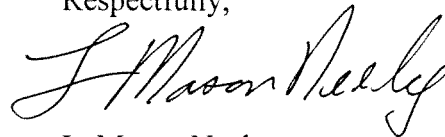
On Page 3 of 7 of the Contract is the proposed payment schedule, as each of the three tanks will be restored at a different time. The Fern Road tank needs work immediately and I am asking The Board to review our Contract in an expeditious manner in order to permit us to comply with the September, October time frame when we would take the Fern Road tank off line. It could be painted at the end of summer and prior to commencement of colder winter weather.

Irene Kim Asbury, Secretary  
Board of Public Utilities  
August 11, 2015  
PAGE THREE

All the tanks have been tested and there is a small amount of lead in the primer in two of the tanks; however, the lead can be neutralized and will not be considered a hazardous waste in accordance with the EPA standards. Therefore, the painting of the tanks and the Contract Management will not cause extraordinary expenses to be incurred or unforeseen events to result.

I would be pleased to answer any concerns or questions, the Board may have relative to Discovery, as it pertains to this Petition seeking expedited approval of the Contract.

Respectfully,



L. Mason Neely  
Chief Finance Officer

LMN/iws  
Enclosures

cc: Mayor David Stahl  
Nennette Perry, Township Clerk  
Mike Kammer, BPU, via regular mail - PO Box 350, Trenton, NJ 08625  
Maria Moran, BPU, via regular mail - PO Box 350, Trenton, NJ 08625  
T. David Wand Dag, BPU, via regular mail - PO Box 350, Trenton, NJ 08625  
Joe Jasinski, Utility Service Group, via e-mail [jjasinski@utilityservice.com](mailto:jjasinski@utilityservice.com)

TOWNSHIP OF EAST BRUNSWICK  
RETAIN FOR YOUR RECORDS

NO. 246

DESCRIPTION		AMOUNT	
PO: 15-03953 DESC: \$25 Filing Fee EB Petition INV: FILING FEE AMT: 25.00		25.00	
VENDOR TREASURER, STATE OF NEW JERSEY		CHECK DATE 07/10/15	CHECK AMOUNT 25.00

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TOWNSHIP OF EAST BRUNSWICK  
WATER UTILITY  
P.O. Box 1081  
EAST BRUNSWICK, NJ 08816-1081

TD BANK, N.A.  
55-136/312

NO. 246

VOID AFTER 180 DAYS

DATE ISSUED  
07/10/15

CHECK NO.  
246

CHECK AMOUNT  
25.00

Twenty Five AND 00/100 Dollars

TO THE ORDER OF:  
TREASURER, STATE OF NEW JERSEY

*J. Mason Neely*  
CHIEF FINANCIAL OFFICER

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# Township of East Brunswick

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TO BPU  
MAYLI COH

DEPARTMENT OF FINANCE  
L. MASON NEELY  
CHIEF FINANCIAL OFFICER

August 11, 2015

Ms. Patricia McNamara  
Department of Community Affairs  
PO Box 800  
Trenton, NJ 08625

Re: LFB Application seeking Contract Approval by Township of East Brunswick  
under New Jersey Water Supply Public-Private Contracting Act. N.J.S.A.  
58:26-19 *et. seq.*

To the Honorable Local Finance Board:

The Township of East Brunswick is a Municipal Corporation within the County of Middlesex One operating Division is the East Brunswick self-liquidating Water Utility, which provides water service to East Brunswick and bulk sales of water to Spotswood, South River and Helmetta. The Township is seeking approval of a Public Private Contract between the Township of East Brunswick and Utility Service Group similar to the approval recently granted under BPU Docket #WO15050548 to the Township of Mahwah.

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Ms. Patricia McNamara  
Department of Community Affairs  
August 11, 2015  
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As the Board reviews the Contract, I believe it is important for you to understand the Water Utility of East Brunswick and the impact of this Contract may have on the rate payers within our Township and the adjoining communities. It is the Utility's policies to fund all improvements through short-term Notes and Retire the Notes in accordance with the limited statutory provisions of N.J.S.A. 40A:2-A. Therefore, the Township has replaced all the old 1950 lines. The Township has good working equipment, it is fully funded and there are no open obligations. The painting and maintenance of the tanks is a cost which will be funded and paid for with short-term obligations and will not result in bonding or burdensome cost on Water Utility. The Water Utility has operated with a positive Fund Balance for years and attached is a copy of our POS, which is used for financing in the capital market. I particularly draw your attention to page 14 and 15, which summarizes the Utility Budget and the Fund Balance of the Operating Utility. Also the Comparative Balance Sheets are found on Section A of the Official Statement. The signing of a Contract with USG by the Township through the Water Utility will have minimal or marginal impact on the rate structure of the Township. The Township's tariff for water is among the lowest in the State while quality and reliability are among the highest in the State for we have maintained the system in excellent operating condition.

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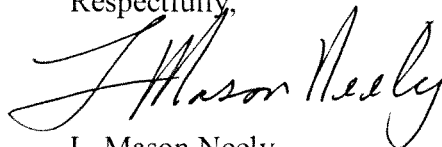
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L. Mason Neely  
Chief Finance Officer

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Enclosures

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Nennette Perry, Township Clerk  
Mike Kammer, BPU, via regular mail - PO Box 350, Trenton, NJ 08625  
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T. David Wand Dag, BPU, via regular mail - PO Box 350, Trenton, NJ 08625  
Joe Jasinski, Utility Service Group, via e-mail [jjasinski@utilityservice.com](mailto:jjasinski@utilityservice.com)  
Timothy Cunningham, via regular mail - PO Box 350, Trenton, NJ 08625  
Idida Rodriguez, Local Finance Board Member  
Alan W. Avery, Local Finance Board Member  
Francis Blee, Local Finance Board Member  
Ted Light, Local Finance Board Member  
Patricia Stern, DAG, Local Finance Board Member

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2015 SEP 1 11:15 AM  
**O'BRIEN, BELLAND & BUSHINSKY, LLC**

NJ DPU  
MAILROOM

ATTORNEYS AT LAW

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CHERRY HILL, NEW JERSEY 08003

(856) 795-2181

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STEVEN J. BUSHINSKY (NJ, NY & PA)  
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TIMOTHY P. HAGGERTY (NJ)  
DAVID F. WATKINS, JR. (NJ & PA)  
MARK E. POIST (NJ & PA)  
THEODORE Y. CHOI (NJ & PA)  
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MICHAEL J. DEL TERGO (NJ & DC)  
MATTHEW L. RAZZANO (NJ & PA)  
LISA LESHINSKI (NJ & PA)

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**EAST BRUNSWICK  
MUNICIPAL CLERK**  
OF COUNSEL

JUDY M. JONES (DE)

DAVID R. THIERMAN\* (NJ, PA & FL)  
\*MASTERS OF LAW IN TAXATION

JOAN FREEDMAN MEYER (NJ & PA)  
1931-2011

EMAIL: KJARVIS@OBBBLAW.COM

**VIA REGULAR MAIL**

Hon. Michael Hughes, Council President  
East Brunswick City Council Members  
1 Jean Walling Civic Center  
East Brunswick, NJ 08816

**RE: Management and Full Service Maintenance Program for  
Water Storage Vessel (Tanks)**

Dear Council President Hughes and Council Members:

This firm is Counsel to the International Union of Painters and Allied Trades District Council 711 ("IUPAT 711") and its members living in East Brunswick and Middlesex County. As you know, IUPAT 711 has expressed concerns on several occasions with the proposed contract with Utility Services Group to manage the Township's Water Storage Vessels ("tanks"). The proposed contract is scheduled for discussion at the Council's August 31, 2015 meeting.

IUPAT 711 continues to have concerns for the proposed contracting for all of the reasons previously noted. As you will recall, IUPAT previously expressed concerns regarding the bidding process and whether there was any input into the drafting of the RFP by any of the bidding companies or whether the RFP was drafted in such a way as to make the "pool of contractors solicited [as] expansive as possible" as called for by the New Jersey Office of the State Comptroller's *Best Practices for Awarding Service Contracts*. If so, then it fails to "secure for the public the benefits of unfettered competition," which would violate the public bidding laws as upheld by numerous New Jersey courts over several decades.

Additionally, it has come to our attention that the contracting of this matter pursuant to the New Jersey Water Supply Public-Private Contracting Act, ("WSPPCA") N.J.S.A. §§58:26-



19, *et seq.*, instead of through the traditional procedures of New Jersey's Local Public Contract Law ("LPCL"), N.J.S.A. §§40A:11-5.1, et seq., may be inappropriate.


The WSPPCA requires that any city or other public entity seeking to enter into a contract with a private entity to operate and manage local water services must follow certain procedures and meet certain requirements. N.J.S.A. §§58:26-20 to 22. The Act authorizes local governments to enter into contracts for the operation and maintenance of water supply facilities. N.J.S.A. §58:26-20. Water supply facilities are defined as "the plants, structures, or other real or personal property acquired, constructed or operated, or to be acquired, constructed or operated, by or on behalf of a public entity for the collection, impoundment, storage, improvement, treatment, filtration, conservation, protection, transmission or distribution of water." N.J.S.A. §58:26-21. Thus, a reading of the plain language of the statute makes clear that the "water supply facility" would include all of the plants, structures. Or other real or personal property that goes into the township's water supply system. Carving out a contract to provide services solely to maintain the tanks violates the Legislative intent of the Act.

Thus, IUPAT 711 continues to have serious concerns regarding the process that has been utilized for both drafting the RFP and selecting the winning bidder. On behalf of IUPAT 711, we urge the Council once again to give serious consideration to these concerns and to thoroughly review the process that has been used for awarding this bid.

Thank you for your attention to this matter of significant concern.

Very truly yours,

**O'BRIEN, BELLAND & BUSHINSKY, LLC**

  
Kevin D. Jarvis, Esq.

Cc: Vincent Lane, Business Manager (*via electronic mail only*)

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TOWNSHIP COUNCIL  
TOWNSHIP OF EAST BRUNSWICK  
COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY

In the Matter of: )  
UTILITY SERVICE GROUP )      Transcript of  
----- )      proceedings

Monday, August 31, 2015  
Municipal Building  
1 Jean Walling Civic Center  
East Brunswick, New Jersey

TOWNSHIP COUNCIL

MICHAEL HUGHES, President  
DENISE CONTRINO, Vice President  
JAMES WENDELL  
MICHAEL SPADAFINO  
CAMILLE FERRARO CLARK

NENNETTE PERRY, Township Clerk  
DAVID STAHL, Mayor  
JAMES WHITE, Township Administrator

A p p e a r a n c e s :

JEAN CIPRIANI, ESQUIRE,  
Attorney for the TOWNSHIP

-----  
-----

DEBORAH A. MASTERTON  
Certified Court Reporter  
29 Hilltop Boulevard  
East Brunswick, New Jersey 08816  
732-257-7063

COPY

1 COUNCIL PRESIDENT HUGHES: Moving on to  
2 C, this -- can I have a motion for item A, opening  
3 the public hearing on a public/private contract with  
4 Utility Services Group for tank maintenance in  
5 accordance with N.J.S.A. 58:26-23.

6 COUNCILWOMAN CONTRINO: So moved.

7 COUNCIL PRESIDENT HUGHES: Motion by  
8 Councilwoman Contrino --

9 COUNCILWOMAN CLARK: Second.

10 COUNCIL PRESIDENT HUGHES: -- second by  
11 Councilwoman Clark. I will now open this portion up  
12 to the public for anyone wishing to speak.

13 MR. JASINSKI: Good evening. My name is  
14 Joe Jasinski. I'm from Utility Service Group. Also  
15 in attendance is Marty Mazzella. He's the director  
16 of our north region. And I'd like to thank everyone  
17 in the council for this opportunity to speak to you  
18 tonight. Like to talk about the program, how it  
19 will work, and what it will do for East Brunswick,  
20 New Jersey.

21 So first of all, Utility Service is very  
22 comfortable working with East Brunswick because we  
23 have the same visions. We're a long-term asset  
24 management minded company, and also, East Brunswick  
25 also has a sustainable vision, which makes it easy

1 to work with. We have created a customized  
2 comprehensive program for full-service tank asset  
3 management, which will extend the lives of these  
4 tanks indefinitely. It will shift the risk of  
5 maintaining these tanks from you to us so that you  
6 can focus on more important things. You're still  
7 going to operate the tanks, but we're going to  
8 simply maintain them.

9 So how will all this work? Beginning  
10 hopefully at the end of this year, we'll start  
11 working on the Fern tank, Fern Road tank, which is  
12 one of your large water storage vessels, and we're  
13 going to restore these tanks to first rate  
14 condition. Once we have them in first rate  
15 condition, we're going to maintain them in that  
16 condition through a series of annual inspections,  
17 cleaning, emergency services that we take care of,  
18 as well as putting them on a program to manage the  
19 coating system so it's always protecting the steel.  
20 This will make the life of these tanks indefinite.

21 And what will this do for the Town of  
22 East Brunswick? It's going to have a positive  
23 impact overall on the water quality because clean  
24 tanks mean clean water, and it's going to maintain  
25 compliance with the EPA, the DEP, and New Jersey,

1 and also OSHA, so that you're always going to be in  
2 compliance, and we're going to free up your water  
3 department staff so they no longer have to worry  
4 about the tanks, the maintenance of the tanks. They  
5 can focus on more important things. In addition,  
6 it's going to increase revenue opportunity for East  
7 Brunswick because I understand that you're  
8 interested in putting up cellular, and many of the  
9 towns like working with us because we act as their  
10 middleman. We make sure that the carriers are  
11 properly putting their cables and their antennas on  
12 the tanks so it doesn't interfere with the operation  
13 of the tanks or the maintenance of the tanks.

14 And finally, we're going to deliver  
15 peace of mind. Overall, the foundation of a  
16 full-service asset management program will  
17 strengthen your infrastructure to help attract and  
18 retain businesses and also provide clean, quality  
19 water for your townspeople.

20 I thank you very much.  
21 COUNCIL PRESIDENT HUGHES: Thank you.  
22 Anyone else wishing to speak on this particular  
23 topic? Seeing none, I will close the public portion  
24 here, but the clerk will be holding the record open  
25 for 7 days for anyone who is not able to attend who

1 may wish to make comment. They can call the clerk's  
2 office, and they can figure out how to get their  
3 written testimony over if they wishing to the  
4 township. What's the number to the clerk's office  
5 directly?

6 MS. PERRY: 732-390-6850.  
7 COUNCIL PRESIDENT HUGHES: 6850. Anyone  
8 on council wishing to speak on this? Councilman  
9 Spadafino.

10 MR. SPADAFINO: I just had one question.  
11 I think that somebody went over it before, but just  
12 one thing about the inspections. Who is going to be  
13 inspecting the quality of your work?

14 COUNCIL PRESIDENT HUGHES: Lou, if you  
15 want to answer that or --

16 MR. NEELY: There is a schedule that's  
17 been attached to the contract, which you all have,  
18 and with that schedule, it shows what inspections  
19 and what work is going to be done. Subject to that,  
20 they're to issue a report to us every quarter. That  
21 report will go to Ed Walker and to George Smith, and  
22 I'll probably get a copy of that, also, and we will  
23 maintain that they comply with all of the  
24 requirements of the contract so that it will now  
25 become contract enforcement, and that will done

1 through the finance department and through the water  
2 utility.

3 MR. SPADAFINO: They will climb on the  
4 tank?

5 MR. NEELY: If we need be. I've climbed  
6 everyone of those tanks a number of times.

7 MR. SPADAFINO: Well, are you -- but  
8 you're not a qualified inspector. You know, is  
9 there some qualification for inspection to make sure  
10 that it's done appropriately?

11 MR. NEELY: The primary qualification is  
12 going to be that GASB 34 is to hold these tanks in a  
13 condition of nondepreciation. Currently, we have a  
14 contract with Cathodic Protection Pro, which puts  
15 ions in the tanks to keep them from rusting because  
16 we don't maintain the tanks by paying them,  
17 continuously inspecting them, and keeping the bowls  
18 so we're trying to minimize rust between one paint  
19 job until the next paint job, which may be 15 or  
20 20 years, and meanwhile, we're having tanks -- once  
21 we enter this contract, we're going to stop putting  
22 ions in there and having the cathodic protection  
23 contract because they are responsible to keep it in  
24 primary -- in pristine shape every year, and they're  
25 going to do a robotic inspection of that. We'll get

1 a copy of that robotic inspection on the years we  
2 don't drain the tank to do a physical inspection.  
3 So we'll be looking both at the robotic inspection  
4 during when the tank's full and the physical  
5 inspection every 4 years when the tank is dropped  
6 down so that they can look inside, and if there's  
7 any rust or any lack of the epoxy coating that  
8 protects the tank, they're going to refurbish that  
9 at their cost.

10 So the inspection of it, yes, we're  
11 expert enough to know how to tell rust and not see  
12 rust and when the tank is not in good shape.

13 COUNCILWOMAN CONTRINO: Lou, I think the  
14 gentleman behind you would like to speak on the  
15 issue.

16 MR. MAZZELLA: My name is Marty  
17 Mazzella. I'm the director of sales for Utility  
18 Service Group. So I think your question was during  
19 the course of the project when actual work is being  
20 done, who ensures the quality of the work. Is that  
21 the gist of your question?

22 MR. SPADAFINO: Yes.

23 MR. MAZZELLA: Okay. So Utility Service  
24 Group, first of all, we have our own company owned  
25 paint groups with a foreman and with a group of --

1 cases, you'll have a third-party inspector  
2 inspecting the work of a low-bid contractor, and  
3 then there's always this battle between, you know,  
4 who's right and who's doing the work. With our  
5 group, they work together to make sure the spec is  
6 met and that the quality of the work is the highest  
7 possible so we don't have to come back out in a  
8 number of years and spend hundreds of thousands of  
9 dollars to fix a mistake that could have been  
10 avoided with the right inspection and the right  
11 work. Does that answer the question? Thank you.

12 COUNCIL PRESIDENT HUGHES: Councilwoman  
13 Ferraro -- Councilwoman Clark.

14 COUNCILWOMAN CLARK: That's all right.  
15 Excuse me. Just to clarify a few things then. Are  
16 there state standards for the tanks the way they  
17 should be?

18 MR. MAZZELLA: There are standards set  
19 forth by the American Water Works Association, and  
20 they're pretty much adapted by the state DEP.

21 COUNCILWOMAN CLARK: Okay. And your  
22 quality inspector, your quality control inspectors,  
23 which in effect is what they are, I believe.

24 MR. MAZZELLA: Yes.

25 COUNCILWOMAN CLARK: They are certified

1 and we're all union crews in New Jersey, but in  
2 order to ensure that those crews do quality work, we  
3 have inspectors within our organization that are  
4 certified by the national association of corrosion  
5 engineers at the highest level. There's three  
6 levels, level 1, 2, and 3. They're all level 3  
7 inspectors. And so the question is often answered  
8 -- or asked, you know, well, if your inspector is  
9 inspecting the work for your own crews, who's really  
10 responsible, and the idea behind this whole program  
11 is that Utility Service is taking all responsibility  
12 and all the risk for the coatings so the  
13 responsibility of our inspector is to ensure that  
14 the quality of the work being done by our crews will  
15 protect the company from having to come back in a  
16 short period of time to redo work that's going to  
17 cost money out of our pocket because we're not going  
18 to collect anymore money from the town. We've set  
19 our fee structure up to cover the cost of  
20 maintenance over the next several years. So if  
21 there's a failure on our part, then we have to  
22 absorb that cost. So our inspector's job is to make  
23 sure that the crew on site does the work to the  
24 standard that's in the specifications so that our  
25 risk is mitigated for the future. So in a lot of

1 at the highest level per this --

2 MR. MAZZELLA: Yes.

3 COUNCILWOMAN CLARK: -- standard group.

4 MR. MAZZELLA: Yes.

5 COUNCILWOMAN CLARK: Okay. So in terms  
6 of self-policing, it's in your best interest then,  
7 of course --

8 MR. MAZZELLA: Yes.

9 COUNCILWOMAN CLARK: -- by terms of the  
10 contract to have that, and if there is a deficiency  
11 that either is found, you're responsible for it. If  
12 it's something that's overlooked, we do have a  
13 standard that we can go to should we need to take  
14 action that it will be judged against. Is that  
15 correct, as well, Lou, if I'm understanding?

16 MR. MAZZELLA: There is a --

17 MR. NEELY: The standard for steel tank  
18 maintenance is approved by the American Water Works  
19 Association, national standard, and it's approved by  
20 the state DEP. We've listed that in the contract.

21 The set of standards that are about 40-page document  
22 is attached, and all of those are spelled out, and  
23 that was provided copies so that it's on file, and  
24 as an appendix to the contract are those standards  
25 that are set by AWWA, and those are to be maintained

1 and followed.

2 COUNCILWOMAN CLARK: Right. Okay.

3 Thank you for the clarification.

4 COUNCIL PRESIDENT HUGHES: Anyone  
5 further? Councilman Wendell.

6 COUNCILMAN WENDELL: I have some  
7 questions for Lou actually more about the finance of  
8 the -- this contract. This is a 10-year agreement?

9 MR. NEELY: No, it's a 40-year  
10 agreement.

11 COUNCILMAN WENDELL: Forty-year  
12 agreement.

13 MR. NEELY: And any time after the  
14 governing body or the mayor may cancel the  
15 agreement, but cancelling the agreement would be  
16 self-defeating to the whole concept, but it's a  
17 40-year public/private so that those tanks that are  
18 our primary head pressure for the system and  
19 maintain the pressure in the town, the fire  
20 protection, are protected against any corrosion or  
21 against any failure.

22 COUNCILMAN WENDELL: And then we pay  
23 monthly, annually?

24 MR. NEELY: We pay monthly at the end of  
25 the month for the services with the exception of

1 COUNCILMAN WENDELL: So we're going to  
2 pay a lump sum up front that we're going to repaint  
3 the tanks.

4 MR. NEELY: We're going to pay for work  
5 as it's performed. The Fern Road tank is the tank  
6 that needs to be painted first. As that tank is  
7 taken out of service, the inside is sand blasted  
8 white and then restored with the proper coatings and  
9 the proper epoxy and dried, and then the outside.  
10 Once that job's completed, we will then pay for that  
11 job completed, and that tank will then not have to  
12 be ever our nickel again to pay for it. For the  
13 next 40 years, they're responsible to take care of  
14 it, paint it if it needs, to clean it to any  
15 activity that takes place, and to keep it in  
16 compliance with OSHA.

17 COUNCILMAN WENDELL: So you're  
18 familiar -- you've done these tanks a number of  
19 times. You're familiar with the costs of  
20 refurbishing this tank at this point in time so  
21 you're going to negotiate that with these gentlemen  
22 as per the work that they perform, and then once  
23 that work is completed, that's when the maintenance  
24 program begins.

25 MR. NEELY: Well, the maintenance

1 when the tanks are first time fully blasted, cleaned  
2 both inside and out, and fully covered. At the end  
3 of that contract period, we'll pay for that capital  
4 improvement, and those are identified, but  
5 otherwise, it's a maintenance cost going forward,  
6 and then they're responsible for the next 40 years.

7 COUNCILMAN WENDELL: How do we handle  
8 repainting the tank in 10, 15, 20 years?

9 MR. NEELY: The contract provides that  
10 they will repaint the tank in 15 years at the most,  
11 and if it needs it prior to that, they'll repaint  
12 it, and it's all on their nickel, and it's all part  
13 of the maintenance fee, and the fee is structured so  
14 that there should be some accretion of value so that  
15 at the time they're ready to paint, they have to do  
16 that. Now, it would be nice to just take them as an  
17 article of faith and say, well, we'll trust them, in  
18 15 years they'll have money in the left pocket to  
19 pay for the painting of the tank, but sometimes we  
20 found that those things fail, and so we're also  
21 requiring insurance guarantees that will protect the  
22 town so that the town is not only protected with  
23 their registration with the state and through the  
24 various agencies, but it's also protected with  
25 insurance coverage that will cover us from harm.

1 programs begins on the other two tanks immediately  
2 because we have three storage vessels, and we're not  
3 going to paint all three of them at the same time  
4 because we don't want to take them out of service.  
5 They're phased. And the cost for those have been  
6 identified, and the structure is identified on that  
7 payment schedule, and each one will be then  
8 maintained as it goes along.

9 COUNCILMAN WENDELL: So we're going to  
10 do Fern Road first --

11 MR. NEELY: And then Summerhill tanks.

12 COUNCILMAN WENDELL: -- and then  
13 Summerhill Road somewhat immediately following?

14 MR. NEELY: Four years following.

15 COUNCILMAN WENDELL: Four years?

16 MR. NEELY: Right.

17 COUNCILMAN WENDELL: So we're going to  
18 pay the maintenance on that for 4 years.

19 MR. NEELY: Until then, right.

20 COUNCILMAN WENDELL: And then we're  
21 going to pay them for the work that they do to  
22 refurbish the tank at that point.

23 MR. NEELY: That's correct.

24 COUNCILMAN WENDELL: And then we're  
25 going to continue our payments after that.

1 MR. NEELY: Pay maintenance going  
 2 forward.  
 3 COUNCILMAN WENDELL: And then the Tices  
 4 Lane tank?  
 5 MR. NEELY: The Tices Land tank will be  
 6 in 7 years.  
 7 COUNCILMAN WENDELL: So I assume --  
 8 correct me if I'm wrong -- that those payments on  
 9 those tanks are a lot less than the payment that  
 10 we'll be paying on the Fern Road tank after it's --  
 11 MR. NEELY: No. The Fern Road tank is  
 12 the smaller of the three tanks. It's one million  
 13 gallons. The Summerhill tank is a million and a  
 14 half gallons, and the Tices Lane tank is a  
 15 10-million-gallon tank. They all have unique  
 16 properties that we have to deal with when we paint  
 17 them, and depending upon what the technology of the  
 18 time is, they have to be screened and protected so  
 19 there's no overspray and there's no particles that  
 20 come off onto the side properties so that they have  
 21 to be netted. There are very complicated issues,  
 22 but all of those have been structured, and we could  
 23 not paint them all at once because you would choke  
 24 on the water rate that I'd have to charge you to pay  
 25 for that and everybody else. We're trying to

1 concrete at the bottom. We're all beyond 12 years  
 2 of age.  
 3 COUNCILWOMAN CONTRINO: No, like the  
 4 Township of East Brunswick.  
 5 COUNCILMAN WENDELL: Not my name in  
 6 particular. I'm talking about the Township of East  
 7 Brunswick.  
 8 COUNCIL PRESIDENT HUGHES: I have a few  
 9 questions for you, Lou, and just to go back and the  
 10 expertise that you have with the water utility and  
 11 the water tank specifically. I mean, you've been  
 12 through would it be conservative to say numerous  
 13 repaintings and constructions of water tanks in East  
 14 Brunswick. You have a vast knowledge of what we  
 15 have.  
 16 MR. NEELY: Well, I've been here a long  
 17 time.  
 18 COUNCIL PRESIDENT HUGHES: You've been  
 19 through many of them. My other question that's  
 20 technical in matter is let's take the Summerhill  
 21 tank, for example. If there's an issue where we're  
 22 seeing rust or we have to repaint it sooner than the  
 23 4 years that it's slated to be, does the payment  
 24 schedule move up? How do we work that?  
 25 MR. NEELY: We always have the -- if

1 structure this so that our water rates do not see  
 2 rate shock over time because we have to maintain our  
 3 system, and in doing so, we have been doing capital  
 4 improvements to the water lines. We're now going to  
 5 do capital improvements to the storage vessels and  
 6 try to maintain those stable water rates, and that's  
 7 part of this structure is to maintain stable water  
 8 rates for the next 40 years without rate shock to  
 9 the customers.  
 10 COUNCILMAN WENDELL: Theoretically, I  
 11 love it, and my only concern is what we paid now  
 12 over the past 10 years for each tank and the past  
 13 20 years so we could see an analysis potentially of  
 14 what we'd paid versus what we're going to be paying  
 15 on an annual basis. I mean, I'm supportive of this,  
 16 but I'd love to see those numbers if possible.  
 17 MR. NEELY: I'll see what I can develop  
 18 for you. I don't know -- we haven't painted the  
 19 tank in 10 years so -- and we built the Tices Lane  
 20 tank, and with building it was -- painting was part  
 21 of it. So I'll see what I can do for numbers.  
 22 COUNCILMAN WENDELL: In all of this are  
 23 we going to put our name on the tank?  
 24 MR. NEELY: No, you cannot put your name  
 25 on the tank, and you can't scribe your name on any

1 the -- if there were something that would cause us  
 2 to feel that the tank is at risk because of  
 3 corrosion and rust before we fully restore it, that  
 4 could be moved up in those schedules so they could  
 5 be changed, but we have surveyed every tank. We've  
 6 looked inside it with robotic cameras. We have a  
 7 report of it. We've sampled the paint on the  
 8 exterior. We know what the particles are, the lead.  
 9 We know what the standards are for the millage that  
 10 has to be, and the Summerhill tank was the last tank  
 11 that we painted while I've been here, and we painted  
 12 that -- I forget the year right offhand, but I think  
 13 it's -- the schedule has been set based upon I think  
 14 some empirical evidence, not just economic evidence.  
 15 COUNCIL PRESIDENT HUGHES: Perfect. Any  
 16 further discussion? Councilwoman Clark.  
 17 COUNCILWOMAN CLARK: As long as we're  
 18 going down this path a little bit.  
 19 MR. NEELY: You're paying the  
 20 transcriber to transcribe everything, you know.  
 21 COUNCILWOMAN CLARK: Don't put that in  
 22 there. We have three tanks right now.  
 23 MR. NEELY: That's correct.  
 24 COUNCILWOMAN CLARK: With the  
 25 maintenance program and everything else. In terms

1 of growing population, how long will those tanks  
2 serve the township?

3 MR. NEELY: Well, I have spoken with the  
4 mayor, and I am going to be suggesting that there is  
5 need for a fourth tank west of the Turnpike for fire  
6 protection and for systemic protection for flow. We  
7 have just two lines that go under the Turnpike. If  
8 there were a major fire, I have said for the last  
9 5 years that would be a major problem because we  
10 wouldn't have the water flow, and so I think it's  
11 time to also look at building that fourth tank.  
12 I've sent you communications on that, and I had  
13 planned this week to send all of that information  
14 out to you all again. It's an opportune question  
15 you have asked. So I will be sending you  
16 information.

17 COUNCIL PRESIDENT HUGHES: And if we  
18 were to go down that road, would we be able to put  
19 them into this contract, or they would stay -- or  
20 that tank, itself, would stay separate out?

21 MR. NEELY: No, we would like to bring  
22 them into it, but you've got to bring them into in  
23 compliance with the local public contracts law. We  
24 can't just give them that opportunity, but it would  
25 be nice to deal with that, and we can then amend the

1 they're repainted the first time. The first time is  
2 set already. We know exactly when each tank is  
3 going to be painted within the next 7 years.  
4 Thereafter, the maximum period I believe -- it's  
5 been a while since I read the contract -- it was a  
6 15-year period during which they must be repainted,  
7 but if the studies show earlier, they're done  
8 earlier. Even right now, a simple maintenance  
9 issue, you know, you can drive by one of the water  
10 tanks. There was some graffiti painted on it.  
11 Won't be our responsibility anymore. They're going  
12 to make sure that graffiti gets removed, and our  
13 township employees, as one of the gentlemen said,  
14 have better things to do than worry about graffiti  
15 on a tank. Should their robotic inspections during  
16 the course of a year indicate that there's problems,  
17 you know, they're going to be responsible because  
18 obviously it's in their best interest from an  
19 economic standpoint to nip the problem in its bud  
20 than let it go much later on.

21 So I think this has been a very creative  
22 process that Louis put together, which from a  
23 financial standpoint I think it works, and then from  
24 just a maintenance schedule, it really takes the  
25 decision making and leaves it up to the

1 contract that happening, but there is a process that  
2 we must all follow.

3 COUNCIL PRESIDENT HUGHES: Perfect. Any  
4 further discussion? Mayor Stahl.

5 MAYOR STAHL: With respect to -- I know  
6 it's been characterized as a 40-year contract. The  
7 thing that you also have to remember is one thing  
8 that was important to myself in terms of the  
9 negotiations with this contract is, you know, we  
10 don't have any firsthand knowledge with respect to  
11 Utility Services Group in East Brunswick. We've  
12 done our due diligence. They do great work  
13 everywhere else. But you always want the ability to  
14 worry about what happens here in East Brunswick.  
15 Under the contract, I believe it's 120 days notice  
16 to get out of that contract at any one time. So if  
17 they're not performing up to East Brunswick  
18 standards, they're gone. Notwithstanding that,  
19 obviously, they've got to comply with -- I don't  
20 remember the exact alphabet -- water requirements  
21 that are there, but theoretically or from a  
22 philosophical viewpoint, what I would ask council to  
23 view this as, this is a set maintenance plan by  
24 which we know our tanks are going to be painted at a  
25 certain schedule no greater than so many years after

1 professionals for inspecting on an almost yearly  
2 basis. I think it's a win-win.

3 COUNCIL PRESIDENT HUGHES: Thank you.  
4 Do we need to vote on this tonight?

5 MS. PERRY: No.

6 COUNCIL PRESIDENT HUGHES: The record  
7 will be held open.

8 MR. NEELY: Thank you.  
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TOWNSHIP COUNCIL  
TOWNSHIP OF EAST BRUNSWICK  
COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY

In the Matter of: )  
UTILITY SERVICE GROUP ) CERTIFICATE  
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I, DEBORAH A. MASTERTON, a Certified Court Reporter and Notary Public of the State of New Jersey, certify that the foregoing is a true and accurate transcript of the proceedings in the above entitled matter at the time and place aforesaid.

DATE: September 1, 2015

  
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