

# **SOUTH JERSEY PORT CORPORATION**



## **BOARD OF DIRECTORS MEETING OCTOBER 29, 2019**

**THE CHAIRMAN COMMENCES MEETING WITH PLEDGE OF ALLEGIANCE AND ROLL CALL:**

- 1. APPROVAL OF MINUTES**  
Regular Open Meeting September 24, 2019  
Closed Session Meeting September 24, 2019
- 2. APPROVAL OF OPERATING BILLS**  
**RESOLUTION 2019-10-0074**
- 3. APPROVAL OF ADVANCE PAYMENT BILL LIST**  
**RESOLUTION 2019-10-0075**
- 4. APPROVAL OF CREDITS - NONE**
- 5. APPROVAL OF CHANGE ORDERS - NONE**
- 6. APPROVAL OF CONSTRUCTION FUND REQUISITIONS**  
**RESOLUTION 2019-10-0076**
- 7. RECEIPT OF TREASURER'S REPORT**
- 8. RECEIPT OF COUNSEL'S REPORT**
- 9. RECEIPT OF EXECUTIVE DIRECTOR'S REPORT**

**SOUTH JERSEY PORT CORPORATION**  
**Board of Directors Meeting – October 29, 2019**

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**10. ADDITIONAL AGENDA ITEMS REQUIRING BOARD ACTION:**

- A. RESOLUTION 2019-10-0077: EMERGENCY REPLACEMENT OF THE C-1 CONVEYOR BELT**
- B. RESOLUTION 2019-10-0078: NEW LEASE WITH THE DELAWARE RIVER STEVEDORES (DRS)**
- C. RESOLUTION 2019-10-0079: DEBT SERVICE RESERVE & TAX RESERVE CERTIFICATION LETTER**
- D. RESOLUTION 2019-10-0080: ACCEPTANCE OF THE 2019 RATE STUDY**
- E. RESOLUTION 2019-10-0081: SUBSTITUTION OF PROJECTS PURSUANT TO SECTION 208 OF THE BOND RESOLUTION**
- F. RESOLUTION 2019-10-0082: 2020 SJPC ANNUAL BUDGET**
- G. RESOLUTION 2019-10-0083: APPROVAL OF RENEWAL FOR PRIMARY PROPERTY, EXCESS PROPERTY, CRIME, NETWORK PRIVACY & SECURITY LIABILITY & STORAGE TANK POLLUTION LEGAL LIABILITY POLICIES**

**11. SUPPLEMENTAL BOARD INFORMATION:**

- H. INTENT TO POST RFP FOR ACQUISITION OF FORKLIFTS UTILIZING GRANT FUNDING**
- I. MARKETING COMMITTEE REPORT & PHOENIX/ARTLIP COMMUNICATIONS REPORT**
- J. PORT SECURITY UPDATE**
- K. PAULSBORO MARINE TERMINAL PROJECT UPDATES**

**PUBLIC SESSION FOR QUESTIONS / COMMENTS**

**12. CLOSED SESSION AND/OR ADJOURNMENT**



**ACTION ITEM:**

**A. RESOLUTION 2019-10-0077 : EMERGENCY**  
**REPLACEMENT OF THE C-1 CONVEYOR BELT**

Staff is requesting authorization for the emergency replacement of the C-1 Conveyor belt as authorized for re-bid (*Resolution 2018-6-0055 to reject the bids received and to re-advertise the Request for Proposals for Conveyor Belts Replacement Project*). **The second RFP solicited no bidders.**

As a recap of the initial RFP for the replacement of both the C-1 and C-2 conveyor belts:

Two bids were received; One did not include the required bond, and the second bid was priced more than double the amount of the estimate for the project.

Subsequently, the emergency replacement of the C-2 belt became a necessity, and causing the Port to also incur demurrage charges.

**RECOMMENDATION:**

Staff is therefore requesting emergency authorization to have this C-1 belt immediately replaced.



**ACTION ITEM:**

**B. RESOLUTION 2019-10-0078 : NEW LEASE WITH THE DELAWARE RIVER STEVEDORES (DRS)**

Upon the conclusion of the August 13, 2019 property closing on the property located at 551 South 2<sup>nd</sup> Street, Camden, NJ, an inspection of the property was conducted to facilitate the adoption of a new lease with Delaware River Stevedores (DRS) located at 441 N. 5<sup>th</sup> Street, Philadelphia, PA 19123. DRS has utilized the property for approximately 25 years under a lease agreement with the previous property owner and also during the tax sale phase when the City of Camden owned the property. The annual rent DRS was paying was \$46,800.00.

Staff investigated prevailing market lease rates for similar properties within Camden City proper and the surrounding municipalities. While there were not many properties available for lease, staff learned that the annual rent being paid to the previous owner was undervalued by a significant amount as far as values are concerned within Camden City proper.

Based upon these and other factors, it was determined the Port had the most accurate information regarding any consideration of prevailing lease rates appropriate to the requirements of the tenant. Staff successfully negotiated the creation of a specific one (1) year lease generating an annual revenue stream of \$70,560.00. This is new revenue to the Port.

**RECOMMENDATION:**

Staff recommends Board adoption of the lease between Delaware River Stevedores and the South Jersey Port Corporation



**ACTION ITEM:**

**C. RESOLUTION 2019-10-0079: DEBT SERVICE RESERVE & TAX RESERVE CERTIFICATION LETTER**

The Certification Letter to the Governor for the Debt Service Reserve and Tax Reserve Fund Requirements has been prepared (attached). In summary, for the year ending December 31, 2019, State appropriations of **\$17,000,000** for the Senior Lien Bonds and **\$11,375,275** for the Subordinated Bonds are necessary to restore the South Jersey Port Corporation's reserve funds to the amount of the debt service required per the provisions of N.J.S.A. 12:11A-14 and certifies that the sum of **\$5,100,224.37** is required to be appropriated by the State of New Jersey to fund the Property Tax Reserve Fund for the Corporation's FY2020 tax payment obligations, which consist of payment in lieu of tax payments (PILOT) to the Local Governments.

**RECOMMENDATION:**

Staff recommends Board approval of the Certification Letter to the Governor.



**ACTION ITEM:**

**D. RESOLUTION 2019-10-0080 : ACCEPTANCE OF THE 2019 RATE STUDY**

Staff is presenting the 2019 Rate Study. As required by our Bond Covenants, on an annual basis the South Jersey Port Corporation is required to do a rate study that evaluates our rates, fees and tariffs compared to our competitors in the region. The 2019 Rate Study was prepared by S.T. Hudson and is presented for acceptance. The report determined no rate increases are recommended at this time.

**RECOMMENDATION:**

Staff requests Board acceptance of the 2019 Rate Study.



**ACTION ITEM:**

**E. RESOLUTION 2019-10-0081: SUBSTITUTION OF PROJECTS PURSUANT TO SECTION 208 OF THE BOND RESOLUTION**

The SJPC has unexpended proceeds from its 2008 Series O-3 Bonds, originally earmarked for the Skylights Project and certain Building Projects that are no longer needed for those purposes.

The SJPC also has a need to purchase certain dump trucks, snow removal equipment, and other vehicles and equipment necessary for the support of Port operations. Pursuant to the Bond Resolution, the SJPC Board can reallocate funds from one project to another. The total amount that will be allocated to the new projects is not-to-exceed \$270,000.00.

**RECOMMENDATION:**

Staff recommends Board approval of the Substitution of Projects Pursuant to Section 208 of the Bond Resolution



**ACTION ITEM:**

**F. RESOLUTION 2019-10-0082 : 2020 SJPC ANNUAL BUDGET**

The South Jersey Port Corporation's (SJPC) bond covenants require that not less than 45 days prior to the beginning of each calendar year, the SJPC shall adopt an annual budget for the ensuing calendar year. Staff is proposing to the Board to adopt the attached operating budget for the 2020 fiscal year. In early 2020, after final results have been evaluated, a revised 2020 budget may be presented to the Board for approval.

**RECOMMENDATION:**

Staff recommends Board approval of the proposed 2020 SJPC preliminary budget.





**ACTION ITEM:**

**G. RESOLUTION 2019-10-0083 : APPROVAL OF RENEWAL FOR PRIMARY PROPERTY, EXCESS PROPERTY, CRIME, NETWORK PRIVACY & SECURITY LIABILITY & STORAGE TANK POLLUTION LEGAL LIABILITY POLICIES**

South Jersey Port Corporation's Primary Property (Including Equipment Breakdown), Excess Property, Crime, Network Privacy & Security Liability, and Storage Tank Pollution Legal Liability policies will renew on 12/15/2019.

**Primary Property (Including Equipment Breakdown) & Excess Property:** The Port's current insurance carrier for the Primary Property is Underwriters at Lloyds London (Lloyds) with a loss limit of \$25,000,000. For the Excess Property, RSUI Indemnity Company provides a limit of \$30,000,000, which is excess of the Underwriters at Lloyds London (Lloyds) \$25,000,000 limit. Additionally, Underwriters at Lloyds London (Lloyds) also writes a standalone policy covering Property losses resulting from an act of Terrorism with a \$55,000,000 loss limit. The total expiring bound premium on 12/15/2018 was \$794,634 inclusive of New Jersey surcharges, for the Primary and Excess Property policies as well as the standalone Terrorism policy. This was based on \$249,573,562 of total insured values.

The Primary Property (including Equipment Breakdown) renewal quote from Underwriters at Lloyds London (Lloyds) for the 12/15/2019-2020 policy term is \$745,000, based on \$249,838,946 of total insured values. Note that there will not be any New Jersey surcharges at renewal as Underwriters at Lloyds London (Lloyds) is a non-admitted insurance company in the State of New Jersey (AM Best Rating A; XV). The Excess Property renewal quote from RSUI Indemnity Company for the 12/15/2019-2020 policy term is \$95,382, including New Jersey surcharges, based on \$249,838,946 of total insured values. We have also obtained an option for increased limits through RSUI Indemnity, as described in our proposal. The standalone Terrorism renewal quote from Underwriters at Lloyds London (Lloyds) is \$10,500, the same price as expiring. Similar to the Property policy, there will not be any New Jersey surcharges at renewal as Underwriters at Lloyds London (Lloyds) is a non-admitted insurance company in the State of New Jersey (AM Best Rating A; XV).

# SOUTH JERSEY PORT CORPORATION

## Board of Directors Meeting – October 29, 2019

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The total renewal premium for all three of these policies is \$850,882 with coverages, terms and conditions as described in our proposal. While this represents an overall increase of 6.93% (+\$55,147) over the adjusted expiring pricing, it is worth noting the expectation set forth by the carriers going into this renewal was for a 15-20% increase. Increased pricing is due to the changing property marketplace made by the impact of multiple hurricanes, severe weather and fire events in 2017, 2018 and 2019. It is also due to 5 years of rate reductions (2012-2017) which has led insurance carriers to reexamine their books, appetites and underwriting. We pursued quotes from fifty-four (54) other markets/programs on your behalf, and the results of our marketing effort are included in our proposal. After consultation with SJPC's staff, Conner Strong & Buckelew recommends that South Jersey Port Corporation place the primary \$25,000,000 limit policy with Underwriters at Lloyds London (Lloyds), the excess \$30,000,000 limit policy with RSUI Indemnity Company, and the standalone Terrorism policy with Underwriters at Lloyds London (Lloyds) for a total annual renewal cost of \$850,882.

**Crime:** The Port's current insurance carrier is National Union Fire Insurance Company of Pittsburgh, PA (AIG) and their policy provides a \$500,000 limit with a \$10,000 deductible. The expiring premium is \$8,948, including New Jersey surcharges. The National Union Fire Insurance Company of Pittsburgh, PA renewal quote for the 12/15/2019-2020 policy term is \$8,769, including New Jersey surcharges. This represents a 2% (\$179) decrease against expiring pricing. TRIA is not available under a Commercial Crime Policy. We also pursued quotes from other markets on your behalf, and the results of our marketing effort are included in our proposal. After consultation with SJPC's staff, Conner Strong & Buckelew recommends that South Jersey Port Corporation renew with National Union Fire Insurance Company of Pittsburgh, PA.

**Privacy & Security / Cyber Liability:** The Port's current insurance carrier is ACE American Insurance Company (Chubb) and their policy provides a \$1,000,000 Privacy Liability limit subject to a \$10,000 Each Claim Retention and a separate \$1,000,000 Data Breach limit (notification and credit monitoring expenses) if using a provider from ACE's Cyber Incident Response Team. The expiring premium is \$6,747, inclusive of TRIA and New Jersey surcharges. ACE American Insurance Company's renewal quote for the 12/15/2019-2020 policy term is \$6,655, including TRIA and New Jersey surcharges. This represents a 1% (\$92) decrease against expiring pricing. Additional limits are available through ACE American Insurance Company for additional premiums as detailed in our proposal. We also pursued quotes from other markets on your behalf, and the results of our marketing effort are included in our proposal. After consultation with SJPC's staff, Conner Strong & Buckelew recommends that South Jersey Port Corporation renew with ACE American Insurance Company.

# SOUTH JERSEY PORT CORPORATION

## Board of Directors Meeting – October 29, 2019

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**Storage Tank Pollution Legal Liability:** The Port's current insurance carrier is ACE American Insurance Company (Chubb) and their policy provides a \$1,000,000 per Storage Tank Incident Limit / \$6,000,000 Total Policy Aggregate Limit subject to a \$5,000 deductible per Storage Tank incident (4 aboveground storage tanks). The expiring premium is \$2,604, including TRIA and New Jersey surcharges. ACE American Insurance Company's renewal quote for the 12/15/2019-2020 policy term is \$2,526, including TRIA and New Jersey surcharges. This represents a 3% (\$78) decrease against expiring pricing. After consultation with SJPC's staff, Conner Strong & Buckelew recommends that South Jersey Port Corporation renew with ACE American Insurance Company.

**STAFF RECOMMENDATIONS:** Staff recommends Board Approval of the recommendations from Conner Strong & Buckelew for the above insurance renewals.



**INFORMATION ITEM:**

**H. INTENT TO POST RFP FOR ACQUISITION OF FORKLIFTS UTILIZING GRANT FUNDING**

On December 8, 2015, the Board approved a resolution accepting a grant from the State of New Jersey, Department of Environmental Protection in the amount of \$950,000.00 for the Replacement of a minimum of nine (9) forklifts.

Grant funds need to be expended and forklifts identified for replacement need to be decommissioned on or before March 1, 2020. Initial research was conducted and an evaluation has shown that purchasing the equipment through a Qualified Purchasing Cooperative is infeasible based on expected delivery time for new equipment from participating vendors. It is anticipated that the SJPC will be able to comply with the prescribed deadline by posting an RFP on or about November 1, 2019.



**INFORMATION ITEM:**

**I. MARKETING COMMITTEE REPORT & PHOENIX/ARTLIP COMMUNICATIONS REPORT**

PHOENIX STRATEGIES/ARTLIP COMMUNICATIONS REPORT ATTACHED.

**SOUTH JERSEY PORT CORPORATION**  
**Board of Directors Meeting – October 29, 2019**

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**INFORMATION ITEM:**

**J. SECURITY UPDATE:**



**INFORMATION ITEM:**

**K. PAULSBORO MARINE TERMINAL PROJECT UPDATES**

The Paulsboro Marine Terminal Project updates are provided by the Gloucester County Improvement Authority.



## **MATTERS INVOLVING LITIGATION, PERSONNEL MATTERS & SPECIAL MATTERS**

The subject matter is covered by one or more of the following legal exemptions:

- Matters made confidential by state, federal law or rule by court.
  - Disclosure would result in an unwarranted invasion of individual privacy, unless the person affected consents in writing.
  - Disclosure would impair the body's right to receive federal or state funds.
  - Collective bargaining.
  - Lease or acquisition of property, setting of banking rates, investment of public funds if disclosure would harm the public interest.
  - Investigations into violations of law.
  - Strategies to protect public security.
  - Pending, ongoing or anticipated litigation or contract negotiation, including attorney-client privilege. The threat of litigation must be more than theoretical for this exemption to apply.
  - Personnel matters affecting employees of the public bodies, unless all parties request or consent to a public hearing. Prior to discussion of personnel, affected employees must be given notice, known as a Rice notice, which gives the employee the right to request a public hearing.
  - Proceedings that could result in a suspension, civil penalty, or loss of a license or permit.
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### **1. COUNSEL'S REPORT**