

1 STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
2 LOCAL FINANCE BOARD

3

* ----- *

4

MONTHLY MEETING AGENDA *

5

*

6

* ----- *

7

Conference Room No. 129

8

101 South Broad Street

Trenton, New Jersey

9

Wednesday, December 11, 2013

10

B E F O R E: THOMAS NEFF-CHAIRMAN

11

JAIME FOX-MEMBER

ALAN AVERY-MEMBER

12

FRANCIS BLEE-MEMBER

13

14 ALSO PRESENT:

PATRICIA MC NAMARA-EXECUTIVE

15 SECRETARY

EMMA SALAY-DEPUTY EXECUTIVE SECRETARY

16

A P P E A R A N C E S:

17

18 JOHN J. HOFFMAN, ACTING ATTORNEY

GENERAL

19 BY: TODD WIGDER ESQ.

Deputy Attorney General

20 For the Board

21

22

23 STATE SHORTHAND REPORTING SERVICE, INC.

P.O. Box 227

24 Allenhurst, New Jersey 07711

732-531-9500 FAX 732-531-7968

STATE SHORTHAND REPORTING SERVICE, INC.

1 (Transcript of proceedings December,
2 11th, 2013, commencing at 10:30 a.m.)

3 MR. NEFF: First off I have a
4 public service announcement. The Board has been
5 getting a lot of applications that are incomplete.
6 Sometimes we get applications that have three
7 sentences for an executive summary that don't go
8 into detail. I would ask that people try to do a
9 little bit better job of executive summaries.
10 We're also getting applications where we're
11 missing ordinances, we're missing resolutions. We

12 like to try and cut people slack and have

13 courtesies, because we understand. I've been on

14 the other side, too. Sometimes you are doing

15 things last minute for your clients

16 Its gotten to the point where we'll

17 have anywhere from, you know, up to ten

18 applications with two days before the meeting

19 people giving us new schedules, new maturity,

20 schedules, new ordinances, amendments and things.

21 It is just not manageable from a staffing

22 prospective.

23 If you need a courtesy every now

24 and then, you know, try and use it sparingly.

25 Please don't submit applications to us that you

STATE SHORTHAND REPORTING SERVICE, INC.

1 know are incomplete. Then we have a staff here
2 who are reviewing them and they are reviewing
3 things in the end turn out to be mythical
4 applications or phantom applications that aren't
5 real. It is like we are chasing tails. It is
6 really distractive and inappropriate. I just ask
7 to please keep that in mind as we go forward.

8 Also, we've began getting
9 applications from some of your clients, who
10 unrelated to your applications, to some extent,
11 they don't have their audits, they don't have

12 their budgets done. Please just check with them

13 and make sure they are on time and on schedule for

14 introduced budgets, adopted budgets, audits,

15 having compliance for their audits or having their

16 AFS' done.

17 We have three applications today

18 that we took off agenda because the municipalities

19 are five months late on their audit and it is not

20 acceptable. This is one of those hooks that we

21 have to tell municipalities to hurry up and get

22 things done.

23 We'll be doing a little bit more of

24 that. So please make sure they have their audits

25 done when they are submitting applications as

STATE SHORTHAND REPORTING SERVICE, INC.

1 well. Let them know that it's not going to be our
2 problem, whatever the consequences are for not
3 getting the application done. Unless they are
4 extreme and dire and they are going to miss a debt
5 service payment, we're really not going to care.
6 If it creates problems on the budget, it is on
7 them.

8 I know it is not your issues, as
9 most of you aren't auditors, but please help us
10 relay that message to the municipalities.

11 With that we're going to move to

12 the consent items. I'm not going to read them
13 off. There are sixteen items on the agenda that
14 are on, the Environmental Infrastructure Trust
15 projects. They are on consent as they are listed.
16 I would make a motion that we approve those
17 sixteen consent items for Environmental
18 Infrastructure Trusts

19 MR. BLEE: Second.

20 MR. NEFF: Take a roll call.

21 MS. MC NAMARA: Mr. Neff?

22 MR. NEFF: Yes.

23 MS. MC NAMARA: Mr. Avery?

24 MR. AVERY: Yes.

25

MS. MC NAMARA: Mr. Blee?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. BLEE: Yes.

2 MS. MC NAMARA: Mr. Fox?

3 MR. FOX: Yes.

4 MR. NEFF: Next up we have--there

5 are three items listed on the agenda for consent.

6 I won't be reading them off. We'll only be

7 considering the first Evesham and Pitman. The

8 third, Weehawken, will be dealt with later,

9 because we have one person who's going to have to

10 recuse themselves on that.

11 So take a vote on these two items,

12 Evesham and Pitman.

13

14 MR. FOX: So moved.

15 MR. BLEE: Second.

16 Mr. NEFF: Roll call.

17 MS. MC NAMARA: Mr. Neff?

18 MR. NEFF: Yes.

19 MS. MC NAMARA: Mr. Avery?

20 MR. AVERY: Yes.

21 MS. MC NAMARA: Mr. Blee?

22 MR. BLEE: Yes.

23 MS. MC NAMARA: Mr. Fox?

24 MR. FOX: Yes now.

25

Mr. NEFF: Now, we're going to jump

STATE SHORTHAND REPORTING SERVICE, INC.

1 out of order a little bit for the agenda. Mr. Fox

2 has to recuse himself on two items, one relating

3 to Weehawken and one relating to Jersey City.

4 So we're going to move Weehawken

5 first. But we're going to have to call Idida

6 Rodriguez and have her participate by phone on

7 these items.

8 (Pause in proceedings).

9 (Whereupon, Mr. Fox leaves the room

10 and Ms. Rodriguez is connected by phone).

11 MR. NEFF: Hi, Idida, it's Tom.

12 You're live so don't say anything crazy. There's
13 a whole room of people who are listening to you.
14 We're onto the Weehawken item which
15 was actually on consent, so there won't be any
16 discussion on it. It is just an \$835,000 proposed
17 re adoption of a Qualified Bond Ordinance that
18 otherwise wouldn't need approval, but for the
19 Qualified Bond Act tag. There is adequate state
20 aid to cover debt service.

21 So I'll take a motion on-- I'll
22 make the motion on Weehawken to approve their
23 application.

24 MR. BLEE: Second.

25

MR. NEFF: Take a roll call on

STATE SHORTHAND REPORTING SERVICE, INC.

1 Weehawken

2 MS. MC NAMARA: Mr. Neff?

3 MR. NEFF: Yes.

4 MS. MC NAMARA: Mr. Avery?

5 MR. AVERY: Yes.

6 MS. MC NAMARA: Ms. Rodriguez?

7 MS. RODRIGUEZ: Yes.

8 MS. MC NAMARA: Mr. Blee?

9 MR. BLEE: Yes.

10 MR. NEFF: Then, Idida, the only

11 other item that we have on the agenda that we

12 would need your participation on, otherwise having

13 a lack of quorum is a Jersey City RAB application.

14 I would ask for Jersey City to come

15 to the table.

16 (Michael Hanley, John Thieroff,

17 Diana Jeffries, Christian Fiori, being first duly

18 sworn according to law by the Notary, testifies

19 under oath as follows:

20

21 MR. HANLEY: Michael Hanley, from

22 NW Financial.

23

24 MR. THIEROFF: John Thieroff,

25 Deputy Mayor, Jersey City.

STATE SHORTHAND REPORTING SERVICE, INC.

1

2 MS. JEFFRIES: Diana Jeffries,

3 Assistant Corporation Counsel, Jersey City.

4 MR. FIORI: Christopher Fiori,

5 Executive Director, Jersey City Redevelopment

6 Agency.

7

8 MR. WALRATH: Chris Walrath, bond

9 counsel to Jersey City.

10 MR. NEFF: Okay.

11 MR. WALRATH: Thank you. The

12 application that was presented to the Board is in
13 connection with a Redevelopment Area Bond
14 financing and seeking approvals under the
15 Redevelopment Law for the private sale of bonds
16 under the RAB Law, for the approval of a financial
17 instrument by the Jersey City Redevelopment Agency
18 and under the Local Authorities Fiscal Control
19 Law, asking for positive findings.

20 The bond issue is a not to exceed
21 \$10 million Redevelopment Area Bond issued by the
22 Jersey City Redevelopment Agency. It will be
23 secured solely by a pledge of the annual service
24 charges. There will be big annual service charges

25 and a pledge portion. The pledge portion is

STATE SHORTHAND REPORTING SERVICE, INC.

1 what's going to secure these bonds. There is no

2 City credit involved here.

3 The bonds are going to be sold at a

4 private sale to an entity that's going to be

5 created or affiliated with the redeveloper.

6 The project is a large

7 redevelopment project in Journal Square. The

8 total project cost is roughly \$665 million. It

9 will be done in three phases. The first phase of

10 about \$204 million is going to be a fifty-four

11 story, with 540 market rate residential units,

12 4,000 square feet of commercial, a parking garage

13 plus some surface parking.

14 The start date will be at the

15 beginning of next year. The completion date is

16 roughly July of 2017.

17 The second phase is approximately

18 \$248 million. That will entail a seventy story

19 building, 700 market rate residential units,

20 18,000 square feet commercial and a parking

21 garage.

22 Let me take you back. Phase one

23 will also include some public improvements in

24 infrastructure as well as a pedestrian mall.

25

That will be scheduled roughly

STATE SHORTHAND REPORTING SERVICE, INC.

1 around January of 2020 to start.

2 Phase three is approximately \$213

3 million, involving a sixty story building with 600

4 market rate residential units, 14,000 square feet

5 commercial and a parking garage.

6 Some of the project benefits are

7 going to be basically job creation. Phase one

8 will have 711 construction jobs and roughly

9 twenty-five permanent jobs. Phase two will create

10 920 construction jobs and roughly six permanent

11 jobs. Phase three will create 790 construction

12 and 57 permanent jobs.

13 Some of the other things is,

14 Journal Square has had difficulty over the last

15 several decades in development, based upon it's

16 location. Notwithstanding that it's a transit

17 hub. Unlike the waterfront or other downtown

18 areas, it's been very difficult to generate the

19 kind of rentals or other economics that these

20 other areas have, yet construction costs are

21 similar. So it has created a gap needed in the

22 financing.

23 The developer has qualified and is

24 going to receive roughly \$33 million in Urban Hub

25 Tax Credits. They are going to put in substantial

STATE SHORTHAND REPORTING SERVICE, INC.

1 equity. There will be some conventional
2 financing. Then the \$10 million will makeup the
3 gap financing for this. And the structure of the
4 RAB will also provide them the consistency and tax
5 payments over the life of the PILOT itself.

6 We have, as you know, Mike Hanley
7 from NW Financial, who assisted the City in
8 negotiating the financial terms. John Thieroff is
9 the deputy mayor who also was in the negotiations,
10 Diane Jeffries, assistant corporation counsel,
11 Chris Fiori, the executive director.

12 We do have Jeff Perski and David
13 Kahan from the redeveloper, in the audience. To
14 the extent anyone had any questions for them we
15 could swear them in. We'd love to answer any of
16 your questions.

17 MR. NEFF: Obviously, as you know,
18 the staff at the Local Finance Board had an
19 opportunity to meet with the developers and go
20 through in more detail about what the project is,
21 whether or not the RAB was truly necessary to
22 facilitate the project.

23 I think all of our questions were
24 answered. I know that we have an analysis from

25 the Office of State Planning. That was supportive

STATE SHORTHAND REPORTING SERVICE, INC.

1 of the project we have an analysis from EDA that

2 supports project, though it's a bit dated.

3 So I think from the staff

4 prospective everything looks to be in order. From

5 the project, one item that we had requested and we

6 haven't received yet and it shouldn't hold the

7 project up, was the completion of a questionnaire

8 from Jersey City about their finances.

9 Just for the record, the reason

10 we're asking for the municipality to complete that

11 questionnaire, even though it's an application

12 submitted by the Redevelopment Authority, a
13 legally separate entity, because the City is part
14 and parcel of this project that it is having
15 before it, pending exemption, established a PILOT
16 agreement.

17 Obviously, there are no funds being
18 provided to the School District from Jersey City.

19 One thing we want to review why is it that Jersey
20 City can't share some of these funds with the
21 School District as they would with ordinary taxes.

22 We want to make sure that their
23 budget is no not overly excessive to the point
24 where they are wasting money on things when they

25 otherwise perhaps could be sharing this PILOT with

STATE SHORTHAND REPORTING SERVICE, INC.

1 another taxing jurisdiction that has a need to

2 provide services as well.

3 That's just a due diligence that

4 we're doing. I don't want to hold this project up

5 waiting for that if it is not done today. I take

6 it that it is not done today?

7 MR. WALRATH: It is not done today.

8 I did speak to both the director of finance this

9 morning and business administrator, they were

10 working on it. I would anticipate it is going to

11 go through in your departmental review before it

12 gets released.

13 MR. NEFF: We may want wind up

14 having questions in the future about that

15 questionnaire should things be unusual. For this

16 particular project, the RAB is relatively small in

17 relation to the entirety of the proposal. There

18 is a timing issue with respect to the tax credits

19 that are being made available by EDA.

20 We're not going to slow this

21 project down for that sole reason. We will be

22 looking for that questionnaire.

23 I would suggest that the motion to

24 support this project, if one is forthcoming,

25 should be conditioned on just the Board receiving

STATE SHORTHAND REPORTING SERVICE, INC.

1 some verification from the EDA that the \$10
2 million RAB was appropriate and necessary,
3 consistent with the level of tax credit that they
4 are providing. Just to make sure their analysis,
5 which is a bit dated, has been reviewed and
6 revised to make sure that there is not a PILOT
7 being pledged away in support of the project, as
8 otherwise unnecessary.

9 MR. WALRATH: We have, as you know,
10 responded to a number of questions of the EDA.
11 Dealt we have Michael Conte and got, I think, a

12 satisfactory response from him. If the report

13 wasn't to you, he said that it was going to be. I

14 can follow-up on that for you.

15 MR. NEFF: Are there any questions

16 on the project itself or the application?

17 (No response).

18 MR. NEFF: No, okay. I would make

19 a motion that we approve the project.

20 MR. BLEE: Second.

21 MR. NEFF: Conditioned as discussed

22 on the record. We have a motion and a second.

23 We'll take a roll call.

24 MS. MC NAMARA: Mr. Neff?

25

MR. NEFF: Yes.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. MC NAMARA: Mr. Avery?

2 MR. AVERY: Yes.

3 MS. MC NAMARA: Ms. Rodriguez?

4 MS. RODRIGUEZ: Yes.

5 MS. MC NAMARA: Mr. Blee?

6 MR. BLEE: Yes.

7 MR. NEFF: Okay, thank you. Idida,

8 we'll have a quorum for the remainder of the

9 meeting. So if you need to hang up, you can.

10 MS. RODRIGUEZ: All right, will do.

11 MR. NEFF: Thanks for helping.

12 MS. RODRIGUEZ: You're welcome.

13 (Whereupon, the telephonic

14 connection with Ms. Rodriguez concludes and Mr.

15 Fox enters the room).

16 MR. NEFF: So next up we have West

17 Orange Township.

18 (John Gross, being first duly sworn

19 according to law by the Notary).

20 MR. GROSS: John Gross, Township of

21 West Orange, Chief Financial Officer.

22 MR. DRAIKIWICZ: John Draikiwicz

23 from Gibbons, bond counsel to the Township.

24 The Township proposes to issue its

25 notes in an amount not to exceed \$3.35 million, to

STATE SHORTHAND REPORTING SERVICE, INC.

1 refund prior year tax appeals.

2 Court judgments for each of the tax

3 appeals have been submitted. The tax impact of

4 these judgments would result in a \$200.90 increase

5 for the average assessed home.

6 The Township requests a four year

7 repayment schedule to alleviate that tax impact.

8 We hereby request your positive approval of the

9 application. If you have any questions the Chief

10 Financial Officer and I will be happy to answer

11 them.

12 MR. NEFF: Just a quick question.

13 \$145,000 of this application is for interest costs

14 associated with the appeals. Just a question, why

15 when the municipality knew the amounts were due,

16 did they not just pass a Special Emergency to pay

17 the bills and were not paying what I presume to be

18 eighteen percent?

19 MR. GROSS: That litigation

20 actually was finalized this morning, going back to

21 2004, that we got a settlement. The municipality

22 has been in Tax Court and actually ended up in

23 Superior Court this morning and settled. We do

24 have the judgment for that. And part of the

25 decision and the settlement was a payment of

STATE SHORTHAND REPORTING SERVICE, INC.

1 interest. As rare as that is, it was part of the

2 settlement agreement.

3 MR. NEFF: So for the prior

4 properties that were the subject of this

5 refunding, there were no interest payments on

6 those?

7 MR. GROSS: On any of the other

8 projects. It was a single property.

9 MR. NEFF: When those were due and

10 owing you had negotiated no interest or you had

11 paid them promptly so you didn't--

12 MR. GROSS: We had an Emergency

13 that we passed.

14 MR. NEFF: What was the one item

15 that has interest associated with it and what was

16 the interest on the \$145,000?

17 MR. GROSS: The interest-- it is a

18 complicated case. It goes back to the early part

19 of the last decade.

20 MR. DRAIKIWICZ: 2004.

21 MR. GROSS: 2004. Whereby the

22 municipality at that time assessed taxes on a

23 piece of property owned in West Orange by a

24 neighboring municipality, claiming that our

25 position was that it was a[taxable use.

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 Subsequently sold the tax liens to a lien holder.
- 2 When the lien holder went to execute the ensuring
- 3 litigation that followed that, as part of the
- 4 settlement of that, quite frankly at a reduced
- 5 amount of interest, at the end of the day the
- 6 judgment was for that amount. It was actually a
- 7 lot more accrued on it, but the settlement --
- 8 MR. NEFF: I'm sorry, what's the
- 9 amount associated with this particular parcel? It
- 10 is \$145,000 in interest and how much month in
- 11 principal?

12 MR. NEFF: How much in principal?

13 Well, the total settlement was-- the settlement,

14 as of this morning is different than what we had

15 here, but a little bit higher, \$398,000 in total.

16 MR. NEFF: So \$400,000 total with

17 almost forty percent of that being related to

18 interest.

19 MR. GROSS: Going back ten years,

20 almost ten years.

21 MR. NEFF: Do we have a copy of

22 this settlement?

23 MR. DRAIKIWICZ: That was submitted

24 to Pat Mc Namara this morning by e-mail.

25

MR. NEFF: This morning.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. DRAIKIWICZ: It just happened.

2 MR. GROSS: The Judge just signed

3 the order this morning.

4 When we submitted, we submitted

5 that was pending. We had several fits and starts,

6 if you will, at a settlement which finally

7 culminated yesterday in Superior Court.

8 MR. DRAIKIWICZ: The thought was

9 they didn't really make it part of the

10 application, Director. That was out there. They

11 have been working on it for quite sometime. They

12 just wanted to get it in as part of the

13 application.

14 We note in the applications it was

15 to be submitted. We thought it was going to be

16 taken care of before this morning, but that's how

17 it played out otherwise.

18 MR. GROSS: Part of the consent

19 decree was contingent of this being made out in

20 2013, otherwise we would have been able to do it

21 in January. It would have been part of a

22 different process.

23 MR. NEFF: Okay, okay. It sound

24 like an unusual appeal. It sounds like an appeal

25 we might want to know a little more about. I

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 think my recommendation would be to approve a
- 2 refunding for \$3 million. And we'll take a look
- 3 at the settlement so we can better understand what
- 4 this is about. Then maybe we can approve it on
- 5 consent at the next meeting if everything seems to
- 6 be in order. It seems to be a rather large appeal
- 7 with an usually large interest payment. I just
- 8 want to make sure we are not approving something
- 9 that is otherwise inappropriate. We haven't had
- 10 an opportunity to have due diligence and see what
- 11 that particular appeal is.

12 MR. DRAIKIWICZ: What is the
13 timing? Is that something that you need to pay
14 this year?

15 MR. GROSS: According to the
16 consent agreement, which is now an order, we have
17 to pay it by 12/31. We do have to pay it.

18 Obviously, if it is not approved here then it
19 would come from surpluses as opposed to other
20 purposes. We would respectfully request if
21 possible to get this in. It has been a long
22 litigation that's come to an end.

23 MR. NEFF: Was there any discussion
24 of this particular aspect of the appeal in the

25 applications itself?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. DRAIKIWICZ: No.

2 MR. GROSS: Other than to list it.

3 We waited for the judgment.

4 MR. DRAIKIWICZ: We noted in the

5 schedule that particular judgment would be

6 submitted.

7 MR. NEFF: But not-- there was

8 nothing flagging this as sort of being unusual or

9 a particularly unique appeal?

10 MR. DRAIKIWICZ: It's one that's

11 been going on for ten years. I guess the

12 attorneys working on it, on the tax appeal, has

13 been working on it for ten years. I guess this is

14 what was decided as the proper dollar amount.

15 I don't think we considered it

16 anything unusual, except this is one of the many

17 tax appeals that needed to get consummated as part

18 of the application process. There is more of a

19 story behind it, but many tax appeals probably

20 could as well. This one was just a little

21 different. But it is really no different than any

22 other tax appeal.

23 MR. NEFF: What I would ask the

24 Board to do if they are more comfortable, is to

25 approve the application provided that the amount

STATE SHORTHAND REPORTING SERVICE, INC.

1 in this particular appeal is not to be included in
2 the approval and that the Division reviews the
3 documentation that was provided this morning and
4 finds nothing unusual, or any reason to withhold
5 the refunding for the amount of that particular
6 property.

7 MR. DRAIKIWICZ: That will be
8 highly appreciated, if you do that in our behalf.
9 We would be glad to speak to the Director or any
10 staff as soon as it is possible.

11 MR. GROSS: We also would make

12 available the attorneys that were involved in the
13 application and discuss any details that may come
14 up that you need subsequent. After reviewing the
15 documentation.

16 MR. FOX: I'll make a motion to
17 approve.

18 MR. BLEE: Second.

19 MR. NEFF: We'll take a roll call
20 on a motion to approve the recommendation of the
21 amount of this one particular appeal being
22 discussed, and that it be part of the funding
23 subject to the discretion of the Director, upon
24 review of the material that was submitted this

25 morning.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. MC NAMARA: Mr. Neff?

2 MR. NEFF: Yes.

3 MS. MC NAMARA: Mr. Avery?

4 MR. AVERY: Yes.

5 MS. MC NAMARA: Mr. Blee?

6 MR. BLEE: Yes.

7 MS. MC NAMARA: Mr. Fox?

8 MR. FOX: Yes.

9 MR. DRAIKIWICZ: Thank you very

10 much.

11 MR. NEFF: Next up on the agenda is

12 Englewood Cliffs Borough.

13 (Steven Wielkotz, Joseph Iannaconi,

14 being first duly sworn according to law by the

15 Notary).

16 MR. WIELKOTZ: Steven Wielkotz.

17 MR. IANNACONI: Joseph Iannaconi.

18 MR. MAYER: I'm Bill Mayer with De

19 Cotiis, Fitzpatrick & Cole, bond counsel for the

20 Borough.

21 MR. NEFF: If I can sort of save

22 you some time on this one, I think this ordinarily

23 would have been on consent. I think some

24 documents came to us late. Is there anything that

25 we're still waiting for from the municipality.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. WIELKOTZ: No. The resolution,
2 the ordinance and the Emergency were all sent down
3 to Ms. Mc Namara.

4 MR. NEFF: Okay.

5 MS. MC NAMARA: You had the
6 Emergency November 25th?

7 MR. WIELKOTZ: If that's what it
8 says.

9 MR. NEFF: Was there any interest
10 associated with this.

11 MR. WIELKOTZ: Funny you should

12 ask. There was one appeal that goes back to 2007.

13 And unfortunately the attorney for T-Land, in

14 order to get the settlement done, would not

15 waive-- would not let his client waive the

16 statutory interest from 2007 to 2013.

17 In the opinion of bond counsel, tax

18 appeal counsel, the Borough got a favorable

19 settlement. That if they had gone to Tax Court

20 and tried the case, in his view the Borough would

21 have lost a lot more in returned tax dollars than

22 they actually paid in statutory interpreter.

23 MR. NEFF: I take it that it is not

24 a case, as with the last application, where it's

25 on public property and where the town is trying

STATE SHORTHAND REPORTING SERVICE, INC.

1 to --

2 MR. WIELKOTZ: No. It's a company

3 called T-Land. It was that the attorney wouldn't

4 budge.

5 MR. FOX: Motion to approve.

6 MR. AVERY: Second.

7 MR. NEFF: Take a roll call.

8 MS. MC NAMARA: Mr. Neff?

9 MR. NEFF: Yes.

10 Ms. MC NAMARA: Mr. Bleue?

11 MR. BLEE: Yes.

12 MS. MC NAMARA: Mr. Avery?

13 MR. AVERY: Yes.

14 MS. MC NAMARA: Mr. Fox?

15 MR. FOX: Yes.

16 MR. NEFF: Cinnaminson Township

17 withdrew their application, so they will not be

18 heard.

19 Carlstadt Borough is not here. I'm

20 just going to sort of as another public service

21 message, announce why. Not so much a public

22 service, but an announcement for them.

23 They submitted a questionnaire with

24 respect to their application that had a number of

25 problems with it. Including a police director who

STATE SHORTHAND REPORTING SERVICE, INC.

1 is paid \$210,000 in a town that has a twenty-five

2 person police force, so some really high salaries

3 for some of their employees.

4 They have a health insurance plan

5 that's I think twenty or thirty percent more

6 expensive, about a million dollars more expensive

7 than if they used the SHBP.

8 They had significant, I think,

9 interest payments associated with their

10 application. Simply because. After they were

11 ordered to pay people money for tax appeals they

12 didn't bother to pass an Emergency and pay people

13 in a timely manner. So they started racking up

14 eighteen percent interest rates and their

15 budgeting there seems to be way out of whack.

16 So the staff asked for this

17 application to be pulled from the agenda pending

18 the municipality getting back to the Division with

19 what their corrective action plan is to deal with

20 some of these excesses.

21 We tried to send a signal that when

22 towns come in and ask for the ability to borrow d

23 money in difficult situations, they better be able

24 to show us that they are doing what they can to

25 keep their own spending issues in check.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Carlstadt has not done that. We'll
2 be waiting for the response on that. Please, as
3 we go forward, remind your complaints that they
4 need to be in a position to explain fully what
5 they are doing to keep their own spending under
6 check. If there are outliers in the
7 questionnaires that they are submitting to us,
8 they are going to need to be able to fully explain
9 why those outliers exist and what's being done
10 about them.

11 So at any rate Carlstdt won't be

12 heard. We'll move on to South Hackensack. On

13 South Hackensack, before you speak, there was one

14 issue that the Division has been asking for some

15 assurances on in terms of keeping things in check.

16 It had to do with compensation of local office

17 holders.

18 We received information from the

19 Township that they are curtailing the compensation

20 for those officials in a way that's reasonable.

21 The staff otherwise has no objections on those

22 matters.

23 Other than that one issue, the one

24 remaining issue for South Hackensack was that they

25 had and unusual maturity schedule, which caused

STATE SHORTHAND REPORTING SERVICE, INC.

1 the application to otherwise not be on consent. I

2 think it would have been otherwise.

3 I think I'm comfortable with the

4 maturity schedule, but I think if you can just

5 address the maturity schedule and what the

6 application is?

7 MR. ROGOT: Sure. I'm Steve Rogot.

8 I'm bound counsel to South Hackensack. We are

9 seeking approval of a \$1,010,000 tax appeal

10 Refunding Bond Ordinance with a nine year maturity

11 schedule. The schedule is wrapped around. We

12 were down here last year for a \$485,000 tax appeal

13 refunding and we got a five year maturity

14 schedule. The purpose of this year's maturity

15 schedule was to wrap around the prior one, to give

16 us a level debt service over the next nine years.

17 It is basically the reason for the

18 nonconforming maturity schedule. With that. Over

19 the nine year period, the tax impact is \$78.00 a

20 year to the average household. If we had to pay

21 it all in one year it would be \$622.00.

22 The nonconforming --just to be

23 clear. The nonconforming maturity schedule in the

24 early years, the first four years, has a payment

25 that essentially has an impact of approximately

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 \$50.00 per year, maybe a little bit less, around
- 2 \$50.00 a year less to the average assessed home.
- 3 It's otherwise consistent with the Board's policy
- 4 to try to structure payments such that there's at
- 5 least a \$50.00 impact. So the maturities don't get
- 6 too far.

- 7 MR. ROGOT: Once we get past the
- 8 drop off, it goes to \$100 a year, just for this
- 9 issue.

- 10 MR. NEFF: It's not if this is one
- 11 of those nonconforming maturity schedules where

12 someone is trying to get three or four years

13 making a payment. The town is making appropriate

14 payments. So anybody have any other questions on

15 this one?

16 MR. BLEE: Motion to approve.

17 MR. NEFF: I'll second it. Take a

18 roll call.

19 MS. MC NAMARA: Mr. Neff?

20 MR. NEFF: Yes.

21 MS. MC NAMARA: Mr. Avery?

22 MR. AVERY: Yes.

23 MS. MC NAMARA: Mr. Blee?

24 MR. BLEE: Yes.

25

MS. MC NAMARA: Mr. Fox?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. FOX: Yes.

2 MR. ROGOT: Thank you.

3 MR. NEFF: Next up is Ocean

4 Township. I believe they have an amended

5 application in a smaller amount. I believe they

6 are asking for a two year repayment schedule.

7 (Andrew Brennan, Steve Gallagher,

8 being first duly sworn according to law by the

9 Notary).

10 MR. BRENNAN: Andrew Brennan,

11 Township Manager.

12 MR. GALLAGHER: Steve Gallagher,

13 Director of Finance.

14 MR. STAUFFER: Drew Stauffer, bond

15 counsel.

16 Good morning. Drew Stauffer, Mc

17 Laughlin, Stauffer & Shaklee, bond counsel. With

18 me is Steve Gallagher, Chief Financial Officer and

19 Andrew Brennan, Township Manager. And as you

20 stated, we have reduced the amount of the request

21 from the \$1.4 million to the \$972,000 pursuant to

22 discussions with staff.

23 We are actually going to indulge

24 the Board and ask for a maturity schedule of three

25 years, if possible. We understand that does not

STATE SHORTHAND REPORTING SERVICE, INC.

1 necessarily comply with your \$50.00 per year
2 impact. However, this is the Township's first and
3 only expected appearance down here for this type
4 of relief. They are going to be participating in
5 the Monmouth County PILOT program for tax
6 assessment.

7 Basically we are doing a virtual
8 reevaluation every year. They do not expect there
9 to be any sort of this issue to arise again in the
10 future. As with everyone else, the past years
11 have been abnormally high in terms of appeals.

12 They have also been impacted by a delay Sandy

13 relief reimbursement. They are looking for a

14 little bit of relief here to spread this over a

15 couple of more years.

16 The appeals also do pertain to a

17 number of years. Rather than do it over a two

18 year period we're requesting to spread it over

19 three years.

20 MR. NEFF: Yeah, personally my

21 preference would be to keep it consistent with the

22 Board's standard of \$50.00. I'm not seeing a

23 large impact to the municipality outside of these

24 things that are out of our control. What's

25 the impact of taxpayers to Sandy issues?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. GALLAGHER: Right now we're
2 waiting on a \$1.8 million in reimbursement from
3 FEMA. There was some kind of confusion with our
4 application, in that they lumped the Board of Ed
5 employees in with our ours. So they had to go and
6 resubmit clean paperwork. That's money that we've
7 paid out of our operating budget. We didn't have
8 to do an Emergency for it. But the impact is that
9 we're going to have less amount to anticipate
10 through surplus to support the budget.

11 MR. NEFF: I got it. Ordinarily I

12 think-- okay that changes things. Ordinarily if

13 you had done a note, I would have told you that we

14 probably could have worked with you in 2014 to

15 just provide some method of payment, like

16 anticipating money from FEMA, such that it

17 wouldn't impact your taxpayers. We won't be able

18 to do that if you don't have a note. It is not a

19 large deviance from the \$50.00 dollars, in light

20 of having paid your Sandy money out of the surplus

21 instead of issuing notes like most municipalities

22 did, which is really a conservative process.

23 My recommendation would be to give

24 the three years instead of two. I'm never nice

25 like that.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. FOX: Notion to approve.

2 MR. AVERY: Second.

3 MR. NEFF: Take a roll call.

4 MS. MC NAMARA: Mr. Neff?

5 MR. NEFF: Yes.

6 MS. MC NAMARA: Mr. Avery?

7 MR. AVERY: Yes.

8 MS. MC NAMARA: Mr. Blee?

9 MR. BLEE: Yes.

10 MS. MC NAMARA: Mr. Fox?

11 MR. FOX: Yes.

12 MR. STAUFFER: Thank you very much.

13 MR. NEFF: Long Branch Sewerage

14 Authority.

15 (John Van Dorpe, Julie Ehlers,

16 David Kaplan, Joseph Martone, being first duly

17 sworn according to law by the Notary).

18 MR. CAPIZZI: Jason Capizzi, bond

19 counsel with John Kraft's office.

20 MR. VAN DORPE: John Van Dorpe,

21 Engineer, Long Branch Sewerage Authority.

22 MS. EHLERS: Julie Ehlers, Powell

23 Capital Markets, underwriter.

24 Mr. Kaplan: Dave Kaplan, CPA,

25 Auditor.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. MARTONE: Joe Martone,

2 Executive Director.

3 MR. KRAFT: I'm Jack Kraft, bond

4 counsel for the Long Branch Sewerage Authority.

5 Good morning. The Long Branch

6 Sewerage Authority is planning a financing through

7 the issuance of additional bonds under its

8 outstanding general bond resolution, in the amount

9 of approximately \$9.1 million. The purpose is to

10 undertake a variety of improvements to the

11 authority's system that were recommended by John

12 Van Dorpe, the engineer.

13 The funding is appropriate because

14 on June 1st of 2014 is the final debt service

15 payment on an outstanding bond issue. The

16 Authority has the opportunity to undertake

17 necessary improvements without increasing its debt

18 service over its current debt service. That means

19 also that the Authority is not contemplating any

20 rate increase.

21 The financing can be better

22 described by Dave Kaplan who is the auditor for

23 the authority, and the other people who are here

24 including Joe Martone, the executive director and

25 Mr. Van Dorpe, are available to answer any

STATE SHORTHAND REPORTING SERVICE, INC.

1 questions that you might have during this

2 presentation.

3 Julie Ehlers is the representative

4 of Powell Capital Markets, which has been

5 designated to be the underwriter for this

6 financing.

7 Thank you. Do you want to start,

8 Dave.

9 MR. KAPLAN: Good morning. The

10 Authority members considered whether to proceed

11 under a traditional financing or utilizing New

12 Jersey Environmental Infrastructure Trust for this

13 financing. They decided to go with the

14 traditional financing a for this project.

15 The Authority has traditionally

16 used the NJEIT. Most of the Authority's

17 outstanding debt is issued through the NJEIT.

18 Some of the reasons why the Authority opted to do

19 a traditional rather than EIT, the main reason is

20 they have a \$1.85 million short term note due in

21 March of 2014. And we have been advised by EIT

22 that the earliest that we could receive interim

23 financing would be either April or May of 2014.

24 The timing was just off between the repayment that

25 was necessary on the notes and the earliest that

STATE SHORTHAND REPORTING SERVICE, INC.

1 be we could have done the EIT project financing.

2 MR. NEFF: Before you go a little

3 bit further from that. You could have a just

4 extended your note though.

5 MR. KAPLAN: We could have done

6 that. There are a variety of factors that they

7 considered. We'll be able to enunciate all of

8 those for you. But the bottom line is they

9 decided to go with traditional.

10 MR. NEFF: If you can continue to

11 explain why it is that the EIT is not being

12 utilized for this? That's the one--whenever I see

13 that, that's a red flag. I know that the EIT

14 rates are very low.

15 MR. KAPLAN: Okay, I'll be more

16 than happy to. That was the major factor. The

17 other factors were FEMA didn't fund a lot of the

18 things that are necessary to improve the

19 infrastructure at the Authority. They had to do a

20 bond sale either through EIT or through

21 traditional.

22 When you do an EIT bond sale there

23 are additional costs. EIT bond sales result in a

24 single audit for The Authority. A single audit is

25 typically not necessary for The Authority unless

STATE SHORTHAND REPORTING SERVICE, INC.

1 there is an EIT financing. There is an additional

2 cost associated with the requirements of OMB

3 Circular 133.

4 MR. NEFF: I'm going to interrupt

5 you just a little bit as you go forward, just to

6 sort of have a little give and take on some of

7 this stuff.

8 You would have to acquire a single

9 audit anyway, because you got past financings from

10 the EIT; right or no?

11 MR. KAPLAN: No. Only for a period

12 of expenditure, not during the period of

13 repayment.

14 The draw down nature of the EIT

15 program causes delays. As you are aware, NJ EIT

16 is a draw down based program, so you don't get

17 your money up front. In a traditional bond sale

18 you get your money up front. That causes The

19 Authority to have to find funds to front-- what's

20 called front the expenditures until EIT

21 reimburses.

22 That was a concern. There is an

23 annual EIT admin fee of .3 percent a year. In

24 this deal that's about \$27,000 a year or \$540,000

25 over the life of the bond through traditional

STATE SHORTHAND REPORTING SERVICE, INC.

1 financing. That's eliminated.

2 There is a two percent up front EIT

3 financing charge. Two percent here is about

4 \$180,000. That's eliminated with a traditional

5 financing.

6 Looking further down the line with

7 respect to any potential refunding, refunding

8 possibilities are at the discretion of the EIT.

9 In a traditional financing refunding possibilities

10 are at the discretion of the borrower.

11 With respect to unspent proceeds,

12 should there be unspent proceeds in an EIT

13 transaction. Those are typically credited by EIT

14 at the end of the debt repayment schedule. In a

15 traditional financing, the Authority can utilize

16 those as soon as they are available.

17 One of the main factors that would

18 have swayed The Authority into EIT rather than the

19 traditional is the principal forgiveness. We had

20 lengthy discussions regarding the potential

21 eighteen percent principal forgiveness that the

22 Authority might have enjoyed. EIT could not

23 confirm that principal forgiveness was certain.

24 Had that happened we certainly would have gone

25 EIT.

STATE SHORTHAND REPORTING SERVICE, INC.

1 I mentioned the timing already.

2 And Mr. Kraft mentioned that there is no rate

3 increase required for this issue. There is going

4 to be additional and interest costs, I agree Mr.

5 Neff, however the project was down-sized so that

6 the total annual debt service will not cause a

7 rate increase. Those are the major factors they

8 considered in opting for this type of financing.

9 MR. NEFF: I would ask that any

10 analysis that you've done that's in writing,

11 concerning why it makes sense to not use the EIT,

12 just be provided for the Board. I intend to share
13 this testimony and anything you give us in writing
14 with EIT to ask them for their feedback and
15 guidance. It is always a red flag when someone is
16 not using the EIT, because they get much better
17 rates. We want to make sure they aren't running
18 off and deciding they don't want to be using EIT
19 because they'd rather use their favorite bond
20 underwriter.

21 I'm not suggesting that's the case
22 here. It wouldn't be the first time that it
23 happened in another municipality. So I am going
24 to ask that we look at that. Of course, it is a

25 business decision. That you may have decided that

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 it makes more sense. I don't think that if
- 2 approve this that we are necessarily endorsing
- 3 that belief that this is less expensive. I'm just
- 4 not sure whether that's right or not. We're not
- 5 going to stop that for this reason. It is your
- 6 decision to move forward.
- 7 Was there any other reason in terms
- 8 of EIT policies that made this a less --what you
- 9 are proposing, a more attractive option? For
- 10 example, would there have been any requirement for
- 11 EIT for rates to be raised? Would there have been

12 any requirements of EIT to do things substantively

13 different at the Authority that are able to be

14 avoided by issuing debt directly.

15 MR. KRAFT: I'd like to ask the

16 engineer. John Van Dorpe, if he would respond to

17 that point. Because it is my understanding that

18 if you go through the NJ EIT, their procedures

19 require the engineer to comply with their

20 requirements. It adds to the cost of the

21 engineering fees and thereby increases the cost of

22 the project to the Authority.

23 So I dragged my introduction out

24 long enough to give Mr. Van Dorpe a chance to--

25

MR. VAN DORPE: There are some

STATE SHORTHAND REPORTING SERVICE, INC.

1 additional costs.

2 MR. NEFF: Before the engineer

3 speaks, if I could ask, is there anyone there who

4 believes that the EIT's approval process would

5 have otherwise required a rate increase.

6 MR. KAPLAN: No.

7 MR. VAN DORPE: There are some

8 additional costs associated with it

9 administratively. How much is hard to determine.

10 One of the big issues here has to do with the

11 number of projects, number of bids that we'll be

12 putting out.

13 In the past the Authority, as we've

14 indicated, have done large projects. The last

15 time there were three projects. When you have

16 multiple projects it becomes a situation there

17 that becomes more difficult, time consuming.

18 There is a lot of work associated with this that

19 we want to get to now. We want to get to this

20 immediately.

21 The NJ EIT at one point in time it

22 indicated they would expedite some projects, that

23 their policy would be it wouldn't be rolling, but

24 they would be able to expedite the projects.

25

I haven't been able to get

STATE SHORTHAND REPORTING SERVICE, INC.

1 commitment on that part. Because of mitigation a
2 lot of the projects here, or parts of the
3 projects, are mitigation issues. The Authority
4 wants to get to those as soon as possible. There
5 is a lot of electrical upgrades. We want to raise
6 the electrical systems up above flood elevation,
7 as well as upgrading them. Just the approval
8 process with regard to NJ EIT takes more time than
9 what we would have to do on a number of these
10 projects that we don't have to go out and get the
11 approvals that we would normally have to get, like

12 we would with large projects.

13 Other than that, you know, there

14 are some administrative additional costs,

15 additional requirements as far as dotting the i's

16 and crossing the t's, both from the engineering

17 and the Authority's standpoint.

18 That's basically why in this

19 particular case we weighed all the options here.

20 As Mr. Kaplan indicated, if the debt forgiveness

21 or principal forgiveness factor had been a

22 commitment, then we would be. Obviously, going in

23 another direction.

24 MR. NEFF: Presumably a lot of

25 what's being done is in response to Sandy repairs.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. VAN DORPE: A lot of it is.

2 The electrical equipment is older anyway. It's

3 just not just raising it up. The Authority is

4 just completing a project under NJ EIT that was a

5 collection system, that was pump stations and a

6 treatment plant. The treatment plant is still

7 wrapping up.

8 With regard to this particular

9 project, this is the third phase of the collection

10 system, which amounts to about \$3.2 million.

11 That's a substantial project. With regard to the

12 others, we're talking about bidding the electrical

13 separately, for mechanical separately, from some

14 of the other aspects of it is that we have.

15 MR. NEFF: You are not concerned in

16 any way that financing this yourself and

17 potentially foregoing principal forgiveness by an

18 alternative source, EIT won't in any way to

19 jeopardize your ability to get FEMA reimbursement

20 for this project? They won't look at this and say

21 you are using our money for something that you

22 could have used EIT money for, why would we pay?

23 You don't think that would happen?

24 MR. VAN DORPE: We Don't think that

25 will happen. The Authority has been on top of all

STATE SHORTHAND REPORTING SERVICE, INC.

1 the submittals to FEMA and payments have been slow
2 with regard to those. The \$1.85 million that was
3 borrowed to do a lot of the FEMA work, the spent
4 \$750,000 on that. That's the part that we're
5 asking for reimbursement on. The remaining has
6 not been used at this time.

7 MR. KRAFT: I'd like to add one
8 more thing that affects all of the potential
9 projects that could be financed through the EIT.
10 Currently they are projecting that the bond sale
11 for the applications that are being made now, are

12 going to be sold 2015, not 2014 but 2015. The

13 long delay creates uncertainty as to interest

14 rates, tax law changes and other items that could

15 affect the availability and cost of borrowing

16 funds almost two years from now.

17 By taking advantage of selling the

18 bonds at this time, in the conditions that remain

19 favorable, we are protecting ourselves against the

20 unknown in terms of interest rates and general

21 market conditions 2015. I don't know why they

22 have put such a long lead time on it. It might be

23 something that the Board might want to inquire

24 about, everything is facing that.

25

MR. NEFF: So the Authority has no

STATE SHORTHAND REPORTING SERVICE, INC.

1 intention of doing like a one year note or BAN

2 before it goes to market, it is going to be long

3 term?

4 MR. KAPLAN: We have been in the

5 markets for some of the immediate Sandy repairs.

6 And that short term note matures on March the

7 19th. So we want to have the long term bond issue

8 at this time and not wait to see what happens to

9 the bond market two years from now.

10 MR. NEFF: Okay. Any other

11 questions?

12 (No response).

13 MR. FOX: Motion to approve.

14 MR. BLEE: Second.

15 MR. NEFF: Roll call.

16 MS. MC NAMARA: Mr. Neff?

17 MR. NEFF: Yes.

18 MS. MC NAMARA: Mr. Avery?

19 MR. AVERY: Yes.

20 MS. MC NAMARA: Mr. Blee?

21 MR. BLEE: Yes.

22 MS. MC NAMARA: Mr. Fox?

23 MR. FOX: Yes yes.

24 MR. KRAFT: Thank you very much.

25

MR. NEFF: Next up originally was

STATE SHORTHAND REPORTING SERVICE, INC.

1 scheduled to be Belmar Borough. They are one of

2 those places that they done have an audit done.

3 There is no one from Belmar here; correct?

4 MR. JESSUP: I'm am, but not today.

5 MR. NEFF: Trenton City.

6 (Neil Grossman, Janet Schoenhaar,

7 being first duly sworn according to law by the

8 Notary).

9 MR. GROSSMAN: Neil Grossman.

10 MS. SCHOENHAAR: Janet Schoenhaar,

11 CFO, S-c-h-o-e-n-h-a-a-r.

12 MR. MC MANIMON: Thank you. Ed Mc
13 Manimon, from Mc Manimon, Scotland & Baumann. Our
14 firm is bond counsel to the City of Trenton.
15 There are two ordinances that are back to back on
16 your agenda. The first one involves an approval
17 requested under the New Jersey Qualified Bond Act
18 for an ordinance that does not authorize any new
19 debt, but reallocates previous approved
20 appropriations for various projects that were
21 recipients of New Jersey DOT grants.
22 The City has met with DOT. They
23 are shifting the projects for which the grants
24 were provided, are finished and there is money

25 left over. So they are reallocating the left over

STATE SHORTHAND REPORTING SERVICE, INC.

1 grants with the consent of the DOT to other.
2 Projects, because they are a Qualified Bond Act
3 municipality. Their effort to do that requires
4 the approval of this Board. So we would address
5 that initially before addressing the second
6 ordinance. If you have any questions about that
7 we'll be prepared to answer that.

8 MR. NEFF: Ordinarily this would be
9 on consent. The only reason it isn't on consent
10 is because it is a transitional aid community. We
11 don't know if there is anybody who may want to

12 come in and testify. I take it, is there anyone

13 from the public to testify on this?

14 (No response).

15 I would ask if you could remind

16 your client that there is a requirement to get the

17 monitor's approval for any bond ordinances that's

18 over a million dollars. It is a transitional aid

19 requirement.

20 MR. MC MANIMON: Actually I

21 apologize. I was unaware of that. I would have

22 gotten that. I'm aware of that now.

23 MR. NEFF: It is not necessary

24 before the Local Finance Board. It is not

25 particularly an issue. If we can just make sure

STATE SHORTHAND REPORTING SERVICE, INC.

1 that discussion happens and there are no issues.

2 With respect to the expenditures, with that one I

3 would just make a motion to approve the first

4 item.

5 MR. FOX: Second.

6 MR. NEFF: Roll call.

7 MS. MC NAMARA: Mr. Neff?

8 MR. NEFF: Yes.

9 MS. MC NAMARA: Mr. Avery?

10 MR. AVERY: Yes.

11 MS. MC NAMARA: Mr. Blee?

12 MR. BLEE: Yes.

13 MS. MC NAMARA: Mr. Fox?

14 MR. FOX: Yes.

15 MR. NEFF: Then the second item.

16 MR. MC MANIMON: The second

17 ordinance involves appropriation and authorization

18 of debt of \$11,500,000 to essentially refinance

19 the debt that was incurred by Lafayette Yard

20 Community Development Corporation, which debt was

21 guaranteed by the City of Trenton in connection

22 with the hotel around the corner from this

23 building.

24 The Lafayette Yard Corporation

25 filed for bankruptcy. And as a result of several

STATE SHORTHAND REPORTING SERVICE, INC.

1 orders at the Bankruptcy Court, the hotel was sold
2 for \$6 million. There is \$14.5 million of debt
3 outstanding that is guaranteed by the City. The
4 city has been paying \$1.4 million a year since
5 2008 on these bonds. \$1.4 million has been
6 included in the state aid that the State provides
7 to the City. So essentially the responsible
8 party, has, to this date, been the State of New
9 Jersey. But the City has honored its obligation
10 to the bond community by committing to pay that
11 debt and that has been confirmed by the City.

12 The \$6 million of proceeds should
13 be available this month. The closing was
14 originally scheduled for today on the hotel sale.

15 It has been moved to December the 16th.

16 The \$6 million of proceeds will
17 result in about three and half million dollars of
18 net proceeds that will be used to reduce the
19 amount of outstanding bonds that the City would be
20 obligated on their guarantee.

21 As a result, the City's bond issue
22 will be less than the amount of debt that's
23 outstanding. Because we don't need to issue more
24 than eleven and a half million dollars.

25

Now, I believe that the actual

STATE SHORTHAND REPORTING SERVICE, INC.

1 amount will be closer to \$10 million. But we had
2 to make sure since we have one time in this very
3 fast moving train of bankruptcy, to have an
4 authorization in place. The city will only issue
5 the amount that is required to refund the
6 outstanding debt.

7 There is a debt service payment due
8 on those bonds on April 1, 2014. That amount has
9 been budgeted by the City and has been included,
10 from what I understand from the director in the
11 state aid package. That would reduce the

12 outstanding bonds down to thirteen and a half

13 million dollars. If we get three and a half

14 million dollars of proceeds from the hotel, the

15 obligations are more likely to be \$10 million or

16 less, but we won't know the exact amounts.

17 While we submitted some maturity

18 schedules with this application late, as we

19 submitted the application late, because this is a

20 moving target with bankruptcy.

21 They literally had to order this

22 morning to push the sale of the hotel to next

23 Tuesday. It is my hope that you approve the

24 application under the Qualified Bond Act and under

25 the extension of credit under 40A: 2-7D. With

STATE SHORTHAND REPORTING SERVICE, INC.

1 the understanding that he actual maturity schedule
2 when we have it, will be submitted to the
3 director. Because the City is only going to issue
4 what they have to issue, not what's authorized in
5 this bond ordinance. The City Council completely
6 understands that. It has been explained to them
7 twice by me. They are fully in conformance with
8 that process.

9 It is our hope that we will be able
10 to issue the bonds in late January, early
11 February, provide the Notice of Redemption and

12 have it all happen by April 1, which is the date

13 the payment is due on the debt service.

14 I am happy to answer any questions.

15 It is a daunting process that the City and

16 Lafayette Yard has gone through. I've been

17 involved in all of it. If you have any questions

18 I'll be happy to answer them.

19 MR. NEFF: Just a short statement.

20 There is a movie called "Motel Hell". This is

21 like "Hotel Hell".

22 Hopefully we're leaving that area.

23 So at the end of the day, this is just taking

24 existing debt that the City pays and reducing it

25 by as much as we can from whatever is gained from

STATE SHORTHAND REPORTING SERVICE, INC.

1 the sale. We're replacing more debt with less

2 debt, which is a good thing at the end of the day.

3 I know that our discussions were

4 the maturity schedules, we shouldn't be skipping

5 payments, we're not going to front load things or

6 that kind of nonsense with the issuance of debt.

7 So I can't see any reason why we wouldn't approve

8 this.

9 MR. FOX: Motion to approve.

10 MR. BLEE: Second.

11 THE CHAIRMAN: Roll call.

12 MS. MC NAMARA: Mr. Neff?

13 MR. NEFF: Yes.

14 MS. MC NAMARA: Mr. Avery?

15 MR. AVERY: Yes.

16 MS. MC NAMARA: Mr. Blee?

17 MR. BLEE: Yes.

18 MS. MC NAMARA: Mr. Fox?

19 MR. FOX: Yes.

20 MR. MC MANIMON: Thank you very

21 much.

22 MR. NEFF: Next up is Atlantic

23 Highlands/Highland Regional Sewerage Authority.

24 Is there anyone from the public who is here to

25 talk about that?

STATE SHORTHAND REPORTING SERVICE, INC.

1 (Affirmative Response).

2 There is. We're going to let the

3 applicant speak. Then you'll have an opportunity

4 to--

5 MR. JESSUP: He's not from the

6 public. This is a council member from Atlantic

7 Highlands. Maybe he's misunderstanding the

8 question. I don't know if you want to ask again,

9 but he's part of our team. He is signed in and

10 he's ready to testify.

11

12 MR. NEFF: H's part of the
13 applicant team. Is there anyone from the public
14 who wants to testify?

15 (Affirmative response).

16 We're going to let the applicant,
17 sir, testify first and then we'll call you up and
18 you can testify as well.

19 (Adam Hubeny, Timothy Hill, Rosario
20 Santos, Tom Fallon, Roy Dellusso, Christopher
21 Francy, Fred Rast, being first duly sworn
22 according to law by the Notary).

23 MR. HUBENY: Adam Hubeny, I'm the
24 Borough Administrator in Atlantic Highlands.

25

MR. HILL: Timothy Hill. I'm the

STATE SHORTHAND REPORTING SERVICE, INC.

1 Borough Administrator in Highlands.

2 MR. SORENSON: Arthur Sorenson.

3 I'm the special counsel to both boroughs for the

4 Regional Sewerage Authority.

5 MS. SANTOS: Rosario Santos,

6 engineer from the firm of T&M Associates,

7 representing both the Borough of Atlantic

8 Highlands and the Borough of Highlands.

9 MR. DRAIKIWICZ: John Draikiwicz,

10 Gibbons, representing the Borough of Atlantic

11 Highlands.

12 MR. FALLON: Tom Fallon, from
13 Fallon & Larson, the auditor for Highlands and
14 Atlantic Highlands.

15 MR. JESSUP: Matt Jessup, Mc
16 Manimon, Scotland & Baumann, counsel to Highlands.

17 MR. DELLUSSO: Roy Dellusso,
18 Councilman Atlantic Highlands.

19 MR. FRANCY: Christopher Francy,
20 Councilman Highlands.

21 MR. RAST: Fred Rast, Mayor
22 Atlantic Highlands.

23 MR. NEFF: Before the testimony
24 begins, I do want to note that there was new

25 material submitted to the Board last night with

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 respect to the application, reflecting some
- 2 changes in the percentage share of which towns can
- 3 assume what level of outstanding debt.
- 4 I received some information about a
- 5 liability of the Authority that's being proposed
- 6 to be dissolved. I believe there is one other
- 7 document and I can't remember what it was. But,
- 8 obviously, having received that last night there
- 9 hasn't been a whole lot of close attention being
- 10 paid to it by people here. Just by virtue of
- 11 time.

12 I haven't been able to read it. I
13 don't know if our staff has been able to received
14 it. I'm willing to bet that the gentleman in the
15 back of the room who wants to testify hasn't had a
16 chance to see it either.

17 So I just want to start off with
18 that we're going to have this discussion. It is
19 extremely unlikely that I would ask the Board to
20 vote on something like this today, because it is
21 just not right to vote on something without the
22 public and others being able to review the
23 material like that ahead of time. But with that
24 said, why don't you give your presentation and

25 let's try and walk through this project.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. JESSUP: Thank you, Director.

2 Matt Jessup, Mc Manimon, Scotland & Baumann, bond

3 counsel to Highlands.

4 On behalf the whole team and,

5 Director, with complete respect to that position,

6 we are hopeful that the Board will consider us,

7 after we walk through in great detail the

8 application before you for dissolution. This is

9 an application that this team has been working on

10 for two years. It is an application with public

11 meetings, with council meetings, et cetera.

12 That this team, almost to a person,
13 has met with pretty much every Friday for the last
14 six months or so, to try and take every aspect of
15 the application, every requirement that's required
16 by law, to prove out to the Local Finance Board.
17 To take those items seriously. And to prepare and
18 present an application that we certainly believe
19 and hope satisfies the burdens of proof that are
20 set forth in the application.

21 There are significant ongoing costs
22 every month that the dissolution does not take
23 place, for both of these municipalities.
24 Obviously, every dollar counts. Both are

25 rebuilding from prior projects, et cetera,

STATE SHORTHAND REPORTING SERVICE, INC.

1 Hurricane Sandy, et cetera.

2 We're hopeful, again, respectfully,

3 that we can change your mind, I suppose.

4 With that said, let me start with

5 the system. I think it is important to describe

6 very briefly the way the system works. The

7 Sewerage Authority operates two pump stations, one

8 located in Highland and one located in Atlantic

9 Highlands. The balance of the system, the

10 collection system itself, are owned, operated,

11 maintained and run by the boroughs. So the

12 boroughs have DEP staff that run their collection

13 systems. They have the licensed engineers that

14 are required to run their respective systems.

15 Their municipalities do all of the billing to

16 customers. That would continue post dissolution.

17 All the billing is already taken

18 care of, the administrative is taken care of.

19 Obviously, the Boroughs have their own audits.

20 This all runs through the Boroughs' utility

21 budgets which are already setup.

22 All of these items that might

23 otherwise have to be created as part of a

24 dissolution of an authority that runs an entire

25 system, don't exist in this case. Again, I think

STATE SHORTHAND REPORTING SERVICE, INC.

1 it is fairly unique, but in this case the Boroughs
2 do a significant amount of the work and bear a
3 significant amount of the burden and
4 responsibilities already.

5 That said, with respect to the
6 dissolution itself, obviously, the Boroughs have
7 two main concerns. One is to make sure that all
8 of the creditors, including bond holders, are
9 adequately covered by virtue of the statute, and
10 to ensure a complete assumption of the services
11 that ds currently being provide by the Authority.

12 With respect to the first one, the
13 debt obligations, the Authority has three
14 outstanding debt obligations right now, a 2010 NJ
15 EIT, a 2011 Monmouth County Improvement Authority
16 deal and a 2013 NJ EIT note that, we expect will
17 become financed in 2014, through the NJ EIT.

18 The total amount to be split-up
19 amongst the two Boroughs, as the Director
20 mentioned earlier, has been revised and agreed to
21 by both bond counsels, fifty-two percent to the
22 Borough of Highlands, forty-eight percent to the
23 Borough of Atlantic Highlands. That includes any
24 cash that remains, any assets other than two

25 specific assets I'll get to in a minute, any

STATE SHORTHAND REPORTING SERVICE, INC.

1 liabilities, any contractual or other liabilities

2 other than-- are all being allocated fifty-two

3 percent to the Borough of Highlands, forty-eight

4 percent to the Borough of Atlantic Highlands.

5 What this means practically

6 speaking from the numbers in the application, is a

7 \$225,867 increase in principal debt obligations to

8 the Borough of Highlands. Obviously the same

9 number decrease from the Borough of Atlantic

10 Highlands.

11 While those numbers are material

12 and important for the council to have considered,

13 both utilities are expected to be

14 self-liquidating. From a rate payer prospective

15 and from projected budgets for the 2014 operating

16 year as separate utilities, the increase and

17 decrease are, not quote", material".

18 So all of the debt would be

19 covered. The two assets I had mentioned that

20 would not be under the fifty-two/forty-eight

21 split, one is a building owned the Authority

22 located in Atlantic Highlands that will be

23 conveyed to Atlantic Highlands, and one is a

24 vehicle owned by the Authority that will conveyed

25 to the Borough.

STATE SHORTHAND REPORTING SERVICE, INC.

1 The second issue is provision of
2 services. We have a representative from T&M who
3 is, importantly, the engineer for the Authority as
4 well as the engineer for both Boroughs. So it's
5 important for the Boroughs to, obviously, have as
6 much knowledge, experience and expertise with
7 respect to the system that it's inheriting as
8 possible.

9 We have that with our engineer.
10 The engineer, included in the application, did
11 submit a report. The report-- there are no

12 changes to that. The report still stands.

13 With respect to both Atlantic

14 Highlands and Highlands, the report points out the

15 number of employes that are already on call, on

16 staff with each Borough, that retained the

17 experience to run the system. I believe it's four

18 employees in Atlantic Highlands, three in

19 Highlands. It enumerates eleven items, task items

20 that the Boroughs will have to undertake.

21 It concludes, with respect to

22 Atlantic Highlands, that they have in-place now

23 the sufficient operations and staff to run the

24 system upon dissolution.

25

With respect to Highlands, they

STATE SHORTHAND REPORTING SERVICE, INC.

1 came to the same conclusion so long as Highlands
2 has a C-2 operator on board. And Highlands does,
3 in fact, have an employment contract and a
4 resolution approved with that C-2 operator.

5 So with respect to the T&M report,
6 I believe the conclusion with both was without
7 service impact, these two municipalities can take
8 on the system upon dissolution.

9 So the provision of--an assumption
10 and provision of services and the payment of all
11 creditors, not just debt creditors, both Boroughs

12 believe have been adequately been provided for by

13 virtue of the ordinances, by virtue of the

14 conclusions in the T&M report, by virtue of their

15 existing DPW departments, administrative and

16 billing departments, municipal budgets, et cetera.

17 The last outstanding item --

18 MR. DRAIKIWICZ: If I may just add,

19 the thought would be then that both requirements

20 sets forth in the statute have been fully complied

21 with by the applicant.

22 MR. JESSUP: Savings, although not

23 critical to the burden of proof that John just

24 mentioned, you know, any savings, particularly in

25 these two towns, a dollar is worth doing, I think

STATE SHORTHAND REPORTING SERVICE, INC.

1 from that prospective. But the report that is
2 included in the application and also has not
3 changed, shows a projection of approximately
4 \$217,000 of savings the first year as a result of
5 the dissolution of the Authority.

6 MR. NEFF: Okay.

7 MR. JESSUP: I can introduce
8 everybody. I know they announced themselves
9 earlier. Obviously, if you have any questions
10 we'll figure out who is most appropriate to
11 answer.

12 MR. NEFF: One question pertains to
13 what sort of shared service agreements are still
14 necessary to ensure that services are going to be
15 provided and what's the status of those
16 agreements?

17 MR. JESSUP: I believe the answer
18 to that question is though there are no shared
19 service agreements are required as of this time,
20 I'll address the Thomas agreement in a second, I
21 think that's the other one, I think the Boroughs
22 are contemplating shared service agreements in
23 order to increase efficiencies, perhaps increase
24 savings and to cooperative good neighbors in

25 connection with the system. But the principal

STATE SHORTHAND REPORTING SERVICE, INC.

1 concern was the C-2 operators, both Boroughs have
2 that obligation covered. At this time there is no
3 required shared service. Which is not to say
4 there wouldn't be shared services in order to,
5 again, achieve more efficiencies that are savings.

6 The other agreement is an agreement
7 with TOMSA. Right now the two municipalities have
8 a service contracts with the Authority and the
9 Authority has a service contract with the Township
10 of Middletown Sewerage Authority. Where the
11 product goes from the Authority to TOMSA,

12 ultimately to MCBOA, Monmouth County Bayshore

13 Outfall.

14 That service contract between,

15 TOMSA, between the Middletown Township Sewerage

16 Authority and this sewerage authority, by virtue

17 of the dissolution, by virtue of the ordinances,

18 become-- the Boroughs become successors in

19 interest to that contract.

20 So without any further action, the

21 Boroughs maintain a contractual relationship with

22 TOMSA. That said, both Boroughs believe that it

23 makes sense to have separate individual service

24 contracts with TOMSA. Both have been in

25 substantial negotiations with TOMSA.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Our last correspondence with TOMSA
2 on Friday was that the agreements are in
3 substantially final form. They are virtually
4 identical to the existing agreement. They will be
5 presented to the TOMSA Authority on December 16th.

6 MR. NEFF: What actions were taken
7 last night by the either of the municipalities
8 with respect to this process?

9 MR. JESSUP: Sure. The dissolution
10 ordinances and the dissolution bond ordinances
11 that were included in the application, were

12 written assuming a fifty/fifty split of debt and

13 of assets and liabilities. They were introduced

14 back in October.

15 Both councils met last night, at a

16 public meeting last night. They both amended the

17 ordinances, where appropriate, to reflect a

18 fifty-two/forty-eight percent split of the debt --

19 the existing debt and the NJ EIT 2014 debt, any

20 other obligations, any liabilities. So, for

21 example, if there is an Authority bill that lags a

22 month, that comes in January, that bill gets split

23 fifty-two/forty-eight. Any assets, if there is

24 any cash at the end of the dissolution, that was

25 going to be split by the two municipalities. That

STATE SHORTHAND REPORTING SERVICE, INC.

1 would also be split fifty-two/forty-eight.

2 So adjustment--and again, that's

3 just shy of a \$226,000 adjustment on the principal

4 of the outstanding debt for each municipality.

5 Increased for the Borough of Highlands to reflect

6 the two percent increase. And decrease for the

7 Borough of Atlantic Highlands to represent the two

8 percent decrease.

9 The changes to the ordinances which

10 were approved by the councils last night, were all

11 made in connection with modifying from fifty/fifty

12 to fifty-two/forty-eight. Both of those
13 ordinances for each municipality as required by
14 statute, will have a public hearing at least seven
15 days after the amendment. They were not scheduled
16 for public hearing and final adoption until after
17 we came before the Board, because they can't be by
18 statute.

19 So that process does not change.

20 The public hearing portion of these ordinances
21 occurs after we appear before the Board. Final
22 adoption appears after we appear before the Board.
23 That process is setup for each municipality at
24 least seven days after last night's meeting. I

25 don't know the exact date they have chosen.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. RAST: The 18th.

2 MR. JESSUP: The 18th for both

3 municipalities? Both municipalities the 18 for

4 public hearing and final adoption.

5 MR. NEFF: Okay. I think I

6 understand. Anybody have other questions,

7 comments?

8 (No response).

9 Okay. I would just ask you all to

10 step back, let the members who of the public are

11 here to testify.

12 (David Palamara, being first duly

13 sworn according to law by the Notary).

14 MR. PALAMARA: Mr. Chairman, my

15 name is David Palamara, P-a-l-a-m-a-r-a. I'm the

16 administrator of the Atlantic Highlands/Highlands

17 Regional Sewer Authority since about 2004. I have

18 been a commissioner since 1998 of the Authority.

19 Some of the things that they are go

20 going forward with, I think really have to be

21 pointed out. I don't think there is a fair

22 understanding of what is required in order to

23 operate this sewerage authority. It is different

24 from the Boroughs' gravity collection system. Our

25 system is a hundred percent mechanical.

STATE SHORTHAND REPORTING SERVICE, INC.

1 It pumps the sewage through force

2 mains over the hills. It starts out at sea level,

3 goes up over the highest hills along the East

4 Coast, we say locally.

5 The pumps that we use in Highlands,

6 are unique to this sewerage authority. No other

7 sewerage authority, to our knowledge in the state

8 stated operates them. Why that is important is

9 because you cannot go out and hire people to come

10 in and operate these pumps, they are unique.

11 The people in Atlantic Highlands,

12 Atlantic Highlands has their own water department

13 and sewer department. Their sewer department runs

14 a gravity collection system with lift stations in

15 it. Having spoken with them and knowing them,

16 very, very qualified, very good people.

17 They are not trained and they are

18 not able to start operating the system on December

19 31st or January 1st. I've spoken to the licensed

20 operator there and the main person for this

21 operation. He has says in his situation it takes

22 about a year for a new hire to be trained so that

23 they can even stand on-call duty. Meaning when

24 the plant is not fully manned. They can respond

25 to the normal day to day problems that occur.

STATE SHORTHAND REPORTING SERVICE, INC.

1 In our situation it takes us at
2 least six months for a full-time employee to be
3 ready and qualified to stand that. In the past we
4 have hired and we still have part-time operators
5 who have had C-2 collection system licenses and
6 those people have taken about six months before
7 they were able to operate it. They operated pump
8 stations very similar to ours.

9 I think at this time as you noted
10 with things being sent in last night and there are
11 just too many questions here. I believe with my

12 experience it would be impossible for the Boroughs

13 to operate these systems without a longer lead

14 time.

15 There is some history on this. The

16 Boroughs have talked about dissolving the

17 Authority for two years. I've talked about

18 dissolving the Authority long before that. The

19 commissioners of the Authority in I believe 2010,

20 unanimously passed a resolution supporting the

21 concept.

22 With all the time they have been

23 talking about-- I know they have put work into it,

24 but they haven't addressed critical issues. The

25 contract with TOMSA--I mean, basic to a sewage

STATE SHORTHAND REPORTING SERVICE, INC.

1 authority is treatment of sewage. The contract
2 with TOMSA deals with one entity who handles both
3 towns. When that one entity handles both towns,
4 we are able to shift resources from one to the
5 other.

6 One thing that I haven't heard
7 addressed in any of the correspondence here, is
8 that there are times, periodic times, when the
9 flows from Atlantic Highlands Borough exceed the
10 amount that they are allowed to pump to TOMSA. In
11 the past twenty-seven years we've been able to

12 handle that. Because during those times there

13 have been offsetting decreases from the other

14 town, or the other town was flooded.

15 Highlands, unfortunately, just

16 because of its location, is very-- is right on the

17 water. The town regularly gets flooded. It can

18 be once a month, several times a month, it's

19 periodic.

20 Once it's flooded and the entire

21 sewers are covered there, there is no way, no

22 matter what capacity you have, that the Sewerage

23 Authority could pump down to the Bay. At that

24 point in time the Authority has the ability to

25 divert some of that capacity so we don't exceed

STATE SHORTHAND REPORTING SERVICE, INC.

1 the amounts that we're allowed to pump to TOMSA.

2 This has not been a addressed

3 between the Boroughs. Although they represented

4 here that they have licensed operators in both

5 towns, Highlands, does not as of this date have a

6 C-1 or C-2 licensed operator, which is required by

7 the state. Both towns, for the collection system,

8 are required to have a C-2 licensed operator.

9 Highlands has had previously, on a

10 temporary basis, an interim contract with the

11 Sewerage Authority, operations supervisor, to use

12 his C-2 license to kind of oversee. There is no

13 one else in the Borough that has a C-1 license or

14 any training to do so.

15 When they first started talking

16 about this two years ago, this transitions was

17 less of a concern, because the plans that were

18 stated by the Boroughs were to hire the operations

19 supervisor and the operator, the full-time

20 operator, that the Borough employs.

21 So, therefore, the people with the

22 experience and the knowledge, would be on staff.

23 Of course, it would be one in one town and one in

24 the other. But the towns, as I said, work

25 together and they would be able to share this.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Now, it's been our understanding
2 that they are not going to hire the second person.
3 About a week ago he was told that they don't have
4 a full-time position for him. There has been
5 very, very little, basically no information
6 between the towns as far as any transition plan or
7 what they are planning to do.
8 Early on in the process the
9 Authority was-- myself and one of the
10 commissioners went to the dissolution committee
11 meetings. But many months ago we were told not to

12 come any longer. The Authority hasn't been copied

13 on these contracts, or proposed contracts with

14 TOMSA.

15 You know, as administrator I think

16 it's very clear that without the basic coverage

17 for sewage treatment, with all the things that are

18 missing there is just no way that this can be

19 completed by 12/31.

20 With proper planning, I think it

21 would be a good thing for the Boroughs to-- I

22 think that they can reduce their sewage costs by

23 coming through a different mechanism than the

24 Sewerage Authority. But that has to be well

25 thought out, that has not been done.

STATE SHORTHAND REPORTING SERVICE, INC.

1 The engineer's report that you saw
2 submitted, the engineer was retained. I believe
3 several weeks before the report was submitted.

4 That engineer has been working with T&M for
5 several years. And T&M has been the Authority
6 engineer for twenty-five years or longer.

7 Those engineers who have done that
8 in the past are no longer with T&M. This engineer
9 who we utilize right, now, has only been with the
10 Authority a few months. I think highly of her,
11 but she does not have the institutional or

12 equipment knowledge that was alluded to by saying

13 it was the same engineer here.

14 Some other things that I haven't

15 had heard them address at all, and I think it is

16 because they have excluded intentionally, the

17 Authority. The Authority has contracts with Bank

18 of America, annual contracts for our bond debt

19 payments and bond reserve. As an authority we're

20 required to have bond reserve funds set aside.

21 We have agreements with Bank of

22 America of about \$1.1 million a year. I happened

23 to get a call from them the other day. And they

24 said they have heard nothing from the Boroughs

25 about taking over those, contracts, or whether

STATE SHORTHAND REPORTING SERVICE, INC.

1 they could take-over those contracts, or the

2 penalties that would be involved with that.

3 One of those contracts provides the

4 Authority with five percent interest on the bond

5 reserve that we are required to have, going

6 through the length of our bonds. In our case it

7 has got a \$26,000 a year interest income. Those

8 things just have not been done.

9 To this date the Authority has not

10 received any transfer plan. As far as we

11 understand, it is on 12/31 hand them the keys.

12 You know, in my position I
13 represent both Boroughs in my job, that's part of
14 my job. But as far as, professionally, can the
15 Boroughs take-over the operation? Absolutely,
16 cannot. It would take at least six months for the
17 people- -someone else to learn the situation or to
18 learn these operations.

19 A couple of other things. Again, I
20 know the people have been working hard. I know
21 everybody on the council on both towns. I know
22 everybody involved with this. I think highly of
23 them. And I know they have been working hard.

24 But they haven't--as I said, the

25 engineer only got involved in the very last minute

STATE SHORTHAND REPORTING SERVICE, INC.

1 here. They have been sharing people. So they

2 really don't know how each one will operate their

3 systems in proper detail to my opinion.

4 One of the things we have, we have

5 just built a new forced main. Actually that

6 forced main was acquired because of the failure of

7 the old forced main.

8 Before that the Highlands sewage

9 was pumped to the Atlantic Highlands Pump Station

10 and repumped. This is funded through an NJ EIT

11 loan. It is actually a 2014 loan. We built that

12 project through interim financing.

13 For completion of the 2014

14 financing, I just got a call that the Boroughs

15 have not filed the required financial addendum

16 statements that are due by Friday. We will be

17 filing those in their absence, so they get in

18 place.

19 But the Boroughs would be intending

20 to take-over operation on January 1st. The closing

21 on the 2014 EIT would be in April or May, not if

22 they don't have the proper forms filed.

23 I think these things just are not--

24 so many things are left in limbo that I think

25 properly, from my position and with my

STATE SHORTHAND REPORTING SERVICE, INC.

1 understanding of this, that this is an application

2 that should be held. I don't think that

3 necessarily it should be denied.

4 I think that the Boroughs can do

5 better than using the Sewerage Authority to

6 operate this. They can't do it on their own.

7 They don't have the economies of scale or the

8 staffing to do so. But there are ways to

9 accomplish this and to reduce the costs to the

10 residents.

11 Professionally, as I said, I

12 represent the two towns. I also, though, lived in
13 Atlantic Highlands for fifty years and also lived
14 in Highlands. The split that is being talked
15 about here, what no one really talked about, since
16 the Authority became in operation in 1986, the
17 towns have been billed each year for operating
18 cost and debt based on upon tear actual flows the
19 prior year. Every year that's adjusted based on
20 the actual flows.

21 The Atlantic Highlands flows have
22 been going down consistently over the past five
23 years. Over the last couple of months they are
24 down to forty-five percent, below forty-five

25 percent.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Over the last couple of months they
2 have been averaging forty-two percent. Primarily
3 because Atlantic Highlands have done some other
4 improvements to reduce the inflow and
5 infiltration, groundwater and stormwater that gets
6 into the system. Once it is in the system it
7 becomes sewerage and has to be treated at the same
8 cost of that.

9 I don't think that this is a good
10 business decision. This is a personal comment
11 here with my time in Atlantic Highlands. I don't

12 think it's a good business decision. I don't
13 think it fairly represents the people or the
14 public interests. I think that they need more
15 time to work this out amongst themselves and come
16 up with something that is fair.

17 Professionally there is no way that
18 they can assume this operation in a safe and
19 efficient manner. People-- nobody thinks about
20 the sewage. As long as the handle on the toilet
21 works everything is well in the world. But it is
22 a significant health and safety utility.

23 I think going forward-- it is not
24 going away, it is there for ever. Making plans

25 that are going to take effect in the long term,

STATE SHORTHAND REPORTING SERVICE, INC.

1 it is just not prudent to do so on a last minute

2 basis.

3 With the things that are still

4 hanging, you've seen in the applications--

5 Colonel Bishoff has written you a letter there.

6 He was unable to come today because of health

7 reasons. Those issues have not been addressed by

8 any submissions that any Boroughs have made in

9 this regard.

10 So in that tone, I mean, there is

11 just-- I would say that the proper recommendation

12 would be to ask the Boroughs to reassess their

13 plan and come to you with a full plan in six

14 months. And when they finally do have a plan,

15 allow for proper time for implementation.

16 If they are using the same people,

17 then it can be very quickly. If they are training

18 new people, it would have to be at least a six

19 month lead time. To do so would endanger the

20 health, safety and welfare of the people.

21 One last item that I overlooked

22 before, is that Highlands has made it clear that

23 it is their intention not to operate the system.

24 That they want to sell the system and get out of

25 the sewer business. That's why, when they did

STATE SHORTHAND REPORTING SERVICE, INC.

1 have a licensed operator who retired, I believe a

2 year ago, that they never replaced him or did

3 anything in that regard.

4 I think that there was also an

5 underlying concern about approving new development

6 in the towns. Right now the Sewerage Authority

7 has connection restrictions because there are

8 insufficient capacity as defined by DEP

9 regulations in the system, wet weather capacity.

10 Dry whether there is plenty of capacity.

11 I think it might be wishful

12 thinking that if the Authority is not there nobody

13 will notice, that these rules still need to be

14 enforced. So if there are questions I'll be glad

15 to answer them.

16 MR. NEFF: I don't have any

17 questions. But I do want to just clarify, you

18 probably know already, but our statutory mission

19 here is to make sure whatever outstanding debt is

20 there for the Authorities, otherwise taken care of

21 and paid for. And to make sure that the

22 operations of the Authority then that are

23 essential for public health and welfare, can

24 continue under the new arrangements.

25

I just want to point out that when

STATE SHORTHAND REPORTING SERVICE, INC.

1 it comes to this business decision as to whether
2 or not it is fifty-two/forty-eight or fifty/fifty,
3 whatever it may be, I don't think this Board is
4 going to assert its judgment on that. It's a
5 business decision at the local level. We're
6 taking the other statutory requirements seriously.

7 I would ask-- if other folks on the
8 Board have questions you can ask them. Otherwise
9 I would just ask the applicants to come up and
10 address any issues that they feel need to be
11 addressed.

12 Look, I don't want this to become

13 an all day affair where we go back and repeat the

14 same things over and over again. We've heard what

15 you have to say. We've distributed the letter

16 that came from Mr. Bishoff. That raised some

17 issues. We are aware of those as well. We'll

18 consider what folks have to say. I can't guarantee

19 it. We're not going to be voting for this today.

20 Because I can tell you, I won't be voting for this

21 today, so there won't be four votes. I don't know

22 if other members are comfortable with it.

23 I think it is pretty likely that

24 we'll be bringing this up again in January and

25 voting yes or no at that point. There will still

STATE SHORTHAND REPORTING SERVICE, INC.

1 be some time for you and others to review the
2 material that we received through yesterday. That
3 will be part of the application. Anything that
4 people provide the Board will be considered.
5 Ultimately I think I will probably ask that the
6 applicants provide the Board with draft agreements
7 between the two municipalities and the Middletown
8 agency. And we may be asking for a little bit
9 more due diligence prior to giving the final
10 sign-off and approval as well.

11 At the end of the day, from my

12 prospective, if you would better provide that the
13 job can get done, to disposition is going to be
14 more like to approve than not. At the end of the
15 day, you know these type of arrangements are
16 extremely complicated. You get into the chicken
17 or egg issue. You can't wrap up every loose end
18 for this to be approved. Every "I" could be
19 dotted and "T" could be crossed. But I will ask
20 to see a little bit more due diligence on the
21 Middletown agreement. I do what to hear what they
22 have to say in response to some issues that have
23 been raised. Then we'll have some time to digest
24 it, think about it and review any other

25 submissions that you want to give and probably

STATE SHORTHAND REPORTING SERVICE, INC.

1 vote on it in January. That's my position.

2 With that I'd like to --if you can

3 step back and let these people come up and address

4 any comments.

5 MR. JESSUP: We appreciate the

6 opportunity to come back and discuss some of the

7 points that were raised by the Authority

8 administrator. I think with respect to the

9 operation, the successful operation of the system

10 post dissolution, I think it really comes down to

11 one sentence, that I'd like to read word for word

12 by T&M. Who is the professional engineer hired by

13 the Authority, has been the engineer to the

14 Borough of Highlands for at least ten years, has

15 been the engineer to the Borough of Atlantic

16 Highlands, for at least since 2006.

17 MR. HUBENY: 2006 and a period of

18 years before.

19 MR. JESSUP: It is sufficient

20 expertise with respect to the system. "Without

21 adverse service impact, the Borough has the

22 administrative and operational capabilities to

23 maintain and operate the Station."

24 The report does not consider the

25 financial or legal impacts to dissolving the

STATE SHORTHAND REPORTING SERVICE, INC.

1 Authority, and, of course, it would not. That

2 hopefully are the topics that we have tried to

3 adequately address.

4 With respect to the flow excess,

5 absolutely there are months where the flow in one

6 town is higher or lower than they flow to another.

7 As it relates to the total flow of 1.3 million

8 gallons per day that flows to TOMSA, that has been

9 addressed in the new service contracts. Those are

10 service contracts that, of course, the Authority

11 is not a party to, which is why the Authority has

12 not yet seen them.

13 But those service agreements,

14 again, being considered by TOMSA, on the 16th,

15 they address the overflow of one versus the under

16 flow of the other, based on the max capacity.

17 We'll we do understand that there

18 were changes made to the ordinances last night,

19 hopefully we have described sufficiently the

20 details of those changes. There is a public

21 hearing where members of the public, employees of

22 the Authority and others, will be able to go in

23 and share their views with the elected officials

24 who are responsible with making these decision.

25

The Ordinance will be made

STATE SHORTHAND REPORTING SERVICE, INC.

1 available seven days ahead of that meeting, which
2 is the same time that it would have been made
3 available had we introduced the ordinance three
4 months ago versus last night.

5 The public will have the same
6 opportunity and the same time frame to review the
7 ordinance. They will have the same opportunity to
8 comment on the public. Regarding the split which,
9 to the Director, I appreciate your sharing our
10 view. Which is that at the end of the day a
11 decision by elected officials, which they believe

12 based on the past ten years of flow history and
13 other factors, are the correct decision to be
14 made. That certainly lies in the hands of the
15 elected officials. I'm sure they will welcome
16 that public discussion on the 18th, as required by
17 law.

18 With respect to the NJ EIT, I
19 believe the EIT has reached out to the Division.
20 We certainly had conversations about that. John
21 Draikiwicz and I have spent a significant amount
22 of time working with the Trust on both the
23 existing loan and the 20013/2014 loan. The
24 Boroughs are fully aware of the obligations they

25 are undertaking. The Trust is fully now on board

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 with the fact that the two municipalities are
- 2 going to be taking on the 2014 loan in lieu of the
- 3 Authority.
- 4 Drafts of the legal documents that
- 5 won't be required to be executed until next May
- 6 have already been submitted to bond counsel for
- 7 both Boroughs by the NJ EIT for comment so that we
- 8 can sign off and agree to these, no later than
- 9 12/31. The Boroughs and NJ EIT have been in
- 10 consistent constant communication regarding both
- 11 the existing and the next 2014 loan.

12 With respect to the sale of the
13 system by Highlands, there, to my knowledge
14 anyway, has been no action taken by the governing
15 body in Highlands with respect to the sale of the
16 system. Whether there has been talk internally
17 and externally among residents or others, I,
18 obviously, can't speak to that. But the governing
19 body has not taken any action with respect to the
20 sale of the system.

21 With respect to any existing bond
22 related contracts, the bond ordinance, by statute
23 and by ordinance, we succeed to the interest of
24 those contracts. I appreciate the administrator

25 bringing up the debt service reserve fund, because

STATE SHORTHAND REPORTING SERVICE, INC.

1 I forgot the first time to put on the record, that

2 reserve fund remains in place for the benefit of

3 the bond holders. That reserve fund is not,

4 cannot be liquidated or otherwise used to the

5 benefit of the two municipalities. It stays in

6 place. It is for the benefit of the bond holders.

7 In lieu of issuing new debt, the

8 two Boroughs are simply making payment on the debt

9 service, and undertaking any other obligations

10 under the bond resolution required of the

11 Authority as an issuer.

12 Finally, the final point, at least

13 for me anyway, with respect to the potential to

14 defer the application until January, I would hope

15 that the Board would convey to us what else in the

16 month we need to do to help satisfy our respective

17 burdens. Because, obviously, this is two years of

18 hard work. Every day that goes by that the

19 Authority lives on, is a day that employees who

20 have received termination notices don't know

21 whether they were keeping their jobs or not

22 keeping their jobs.

23 We go into the next year, the

24 Authority, we have to pay the Authority audit for

25 2014, even if it's only a month or two. It's

STATE SHORTHAND REPORTING SERVICE, INC.

1 \$35,000 a month and operating in administrative
2 operating expenses of the Authority. All of which
3 is money. Unfortunately for the unfortunately for
4 the employees, uncertainty in lives. Obviously,
5 the Boroughs are hoping, as best they can to
6 avoid. So we appreciate that.

7 MR. NEFF: If I can interrupt you
8 for a minute, again, as I stated early in this
9 meeting, when the Board gets actual resolutions of
10 ordinances that we're expected to do reviewing and
11 signing off on, getting final versions, the real

12 versions, the night before a meeting is not
13 helpful. Receiving audited statements about
14 deficits in an authority that haven't previously
15 been provided to us, the night before a meeting,
16 is not helpful.

17 Those were things that are
18 important to receive and we now have them. Those
19 aren't things that we're continuing to wait on to
20 receive, but we did just get them yesterday.

21 A couple of points. As stated
22 earlier, one of the things I would like to see is
23 some version of the draft of the agreement with
24 the Middletown agency as to how some of these

25 things are going to be addressed in the future.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Again, we'd like to see it, I would like to see

2 it.

3 So there are real things that need

4 to be looked at here. There is an issue of

5 process. It's not just an opportunity for

6 applicants to come before us, it is an opportunity

7 for the public to come before us. With all due

8 respect to the gentleman in the back of the room

9 who had a lot to say already, I think they ought

10 to have an opportunity to review final documents

11 before they come to this Board and say what they

12 have to say.

13 So that's to clarify my position,

14 what I'm looking for. And a couple of things that

15 we still--we have the record from the gentleman

16 who spoke, that this system is so unique, even

17 though T&M has been the engineer for a long period

18 of time, that the individuals at T&M aren't

19 familiar with the system and otherwise may not be

20 capable of running it. That was sort of his

21 suggestion. So I want to hear on the record, for

22 us, what is-- from an engineer, not a lawyer. I

23 want to hear from an engineer if they are capable

24 of running this system? What is their response to

25 what we heard from the gentleman who testified

STATE SHORTHAND REPORTING SERVICE, INC.

1 that somehow that there isn't the expertise from
2 the professionals to be able to handle the system.
3 I'm assuming they are going to say that that's all
4 bunk. But we need to hear it on the record and we
5 need to hear it from an engineer, not a lawyer.

6 So we need to get some discussion
7 from an engineer or someone who actually runs
8 sewer systems. That would be helpful.

9 MS. SANTOS: My name is Rosario
10 Santos. I am the representative from T&M,
11 representing both the Borough of Highlands and

12 Atlantic Highlands. Recently the Authority

13 engineer for the Atlantic Highlands /Highlands

14 Regional Sewerage Authority, as I think Matt had

15 said earlier, the Borough, at least the Borough of

16 Highlands has retained the services of the

17 licensee, the operator that now operates the

18 current system, the Authority. It is their

19 intention to, once the Authority dissolves, to at

20 least continue that relationship with him, to get

21 his experience and whatnot.

22 They also have contracted services

23 for maintenance and operation and in the event of

24 a repair or replacement. Those things are in

25 place already.

STATE SHORTHAND REPORTING SERVICE, INC.

1 As you said, T&M has been--is
2 familiar with the systems, both Atlantic Highlands
3 and Highlands. Though recent personnel have left
4 who have been most familiar with the Sewerage
5 Authority, there are still personnel in the office
6 that have experience with the system on the
7 Sewerage Authority's side.

8 We are confident that the personnel
9 both on the Highlands' side with the assistance
10 from the licensee operator, as well as the
11 personnel on the Atlantic Highlands side, have the

12 adequate experience, background to operate the

13 systems once the Authority is dissolved.

14 MR. NEFF: You're a licensed

15 engineer?

16 MS. SANTOS: Yes.

17 MR. NEFF: You understand--what's

18 your experience in sewer systems, just for the

19 record?

20 MS. SANTOS: I have been with T&M

21 for the past fifteen years, designing, evaluating

22 and doing construction administration services for

23 wastewater and water systems, in particular

24 sanitary pump stations and collection systems.

25

MR. NEFF: In your professional

STATE SHORTHAND REPORTING SERVICE, INC.

1 judgment, is there anything so unusual that this
2 particular system makes it so unique that it
3 couldn't possibly be operated by someone without
4 the year's worth of training or six months worth
5 of training?

6 MS. SANTOS: I do not. I do grant
7 you that there are unique pieces of equipment.
8 But we have identified outside vendors and
9 contracted personnel that can come in and assist
10 in the event something goes wrong with that unique
11 equipment.

12 MR. HUBENY: Adam Hubeny. I the
13 Borough Administrator in Atlantic Highlands. I'd
14 just like to add to that. I have also received
15 permission from our personnel committee and the
16 mayor to offer employment to the current C-2
17 licensed operator at the Atlantic Highlands/
18 Highlands Regional Sewerage Authority. So
19 Atlantic Highlands would actually bring that
20 gentleman on.

21 We've had three meetings. We have
22 no agreement, but were we had three meetings.
23 Pending the outcome of the dissolution, he would
24 be offered employment in Atlantic Highlands. He

25 would supplement and become the Assistant

STATE SHORTHAND REPORTING SERVICE, INC.

1 Superintendent of the sewer department, which
2 falls under my current C-2 licensed operator for
3 water and sewer.

4 If it is okay with Mr. Draikiwicz
5 and Mr. Jessup, we will supply you with the TOMSA
6 draft. We're in our third draft, I believe, with
7 TOMSA, which will be considered on the 16th.

8 MR. NEFF: The TOMSA draft will be
9 very helpful, along with any--again, as I stated
10 earlier, the I's have to be dotted and the T's
11 have to be crossed, but if we have some sort of

12 informal agreements or indication as to how far

13 along that agreement is, we would like to see it.

14 If there is --if by the time the

15 application comes back in January there is an

16 acceptance of that, gentleman, it will be helpful

17 to see that as well. If there is not acceptance

18 of that gentleman and there is some other process

19 by the municipalities to find somebody as a C-2

20 operator, the world is not two blocks long, I sure

21 you can find somebody at some point if you don't

22 have one.

23 MR. HUBENY: We do have a C-2.

24 MR. NEFF: Anything that you can

25 provide us that you have the qualified personnel

STATE SHORTHAND REPORTING SERVICE, INC.

1 in place and running the system.

2 MS. SANTOS: Atlantic Highlands

3 does have in place a C-2 operator and they also

4 have a--

5 MR. RAST: A C-1 also.

6 MR. AVERY: I just want to make

7 sure I understand it. The original authority is a

8 joint authority. It operates a pump station,

9 which is one installation and forced mains?

10 MS. SANTOS: They operate two pump

11 stations, one in the Borough of Atlantic Highlands

12 and one in the Borough of Highlands.

13 Right now all the flow from

14 Atlantic Highlands is directed into that pump

15 station and redirected into the collection system

16 for TOMSA. In Highlands the same thing, gravity

17 sewer is collected through the Borough's

18 collection system, goes through their Highlands

19 pump station and now goes to a different discharge

20 point of TOMSA's collection system.

21 MR. AVERY: No treatment work is

22 involved?

23 MS. SANTOS: No treatment work is

24 involved.

25

MR. AVERY: No combined source?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. SANTOS: No.

2 MR. HILL: Tim Hill, Borough

3 administrator. I think with the new pipe that was

4 installed, that almost separated the systems even

5 more so, in terms of how.

6 It flows to TOMSA. The illusion

7 before which may have been correct and I'm not a

8 hundred percent accurate at this point, of

9 allowing certain flows to be cutoff or changed as

10 referred to by Mr. Pamelor, I don't know if that

11 exists right now with the new system.

12 MS. SANTOS: In the past the flow
13 from the Borough of Highlands, would feed into the
14 pump station at Atlantic Highlands. They would
15 have to throttle back pumps, so that they would
16 not exceed whatever flow was allowed by TOMSA.
17 With the same type of separation of the same type
18 of sewer now, the flows are fed from two different
19 points of TOMSA's system. So there is no
20 interconnection, at least among the
21 municipalities.

22 MR. HILL: TOMSA would control
23 that, Director.

24 MS. SANTOS: As far as combined

25 sewer, I think you were talking about combined

STATE SHORTHAND REPORTING SERVICE, INC.

1 CSO's. There is no CSO in either Borough.

2 MR. FOX: I hope you're handling

3 the public meetings, you did very well.

4 MR. DRAIKIWICZ: John Draikiwicz.

5 Just to mention the two items that I want to be

6 clarified in my mind, I guess. In terms of the

7 two agreements that were referenced today, one on

8 the TOMSA agreements-- two items, I'm sorry, the

9 TOMSA agreement. If for some reason an agreement

10 is not reached, according to the statute no

11 agreement is required. I wanted to make sure for

12 the record, there is no legal requirement under

13 the statute that an agreement needs to be redone

14 between Atlantic Highlands, Highlands and the

15 TOMSA Sewer Authority.

16 If the dissolution occurred

17 pursuant to what's in front of you today, the two

18 towns will be assuming the existing contractual

19 legal relationship.

20 So I want to make sure I note for

21 the record and I'd like to hear the Board's

22 thoughts on it as well, whether the thought is

23 that a new agreement is suggested, required for

24 the next meeting? I want make sure if for some

25 reason it doesn't occur, which is not anticipated,

STATE SHORTHAND REPORTING SERVICE, INC.

1 it is anticipated to occur, that would be an
2 impediment to a potential moving forward on it.

3 It is my believe that it would not
4 be because it is an assumption of that contract.
5 I'd like to hear that the thoughts of the Board
6 whether that's a contract that's nice to have or
7 something that we need to have.

8 MR. NEFF: I don't know where to
9 start with that one. But I've read the Supreme
10 Court case on what it means when there is a
11 dissolution and what contracts are automatically s

12 sort of recognized as a dissolution process as

13 remaining in force and effect.

14 I believe my reading, although I'm

15 not a lawyer-- I am a lawyer, but not one

16 recognized by the state because I'm not with the

17 Attorney General's office, so my opinion doesn't

18 mean a whole lot. The DAG's does. I am willing

19 to bet he's not going to speak today.

20 MR. WIGDER: I'm not quite ready.

21 MR. NEFF: My reading of that Court

22 case is that debt instruments remain in place or

23 assumed by the replacing agencies. That doesn't

24 mean that every contract is automatically assumed

25 and remains in force and effect. I could be wrong

STATE SHORTHAND REPORTING SERVICE, INC.

1 on that.

2 I believe that there are certain

3 labor contracts in place. They may not

4 necessarily be to the detail and one might think

5 they are a liability that would, but they really

6 don't. It is not debt, it is not a note, it is

7 not a bond. It is not a binding signature.

8 I'm not a hundred percent sure of

9 the answer. I understand your ordinances may say

10 that yes, we accept all the rights or

11 responsibilities of the this agreement exists.

12 But what if-- we're playing the what if game of

13 law school. But what if the Middletown agency

14 said that we don't recognize this contract of

15 these entities, we want to recognize the contract

16 that we have with the agency that's being

17 dissolved?

18 We don't have a say. I don't know

19 what happens in that case. But--getting into the

20 what if scenarios, but I commented because you

21 asked me to. I'm not sure how much my comments

22 matter, because the gentleman to my left, his

23 comments do matter. And I wouldn't ask him to or

24 expect him to speak on that at a public meeting

25 like this.

STATE SHORTHAND REPORTING SERVICE, INC.

1 At the end of the day I don't think
2 I need to see the contract. I don't think I need
3 to see it. I have a belief that-- I personally
4 believe that at the end of the day agreements will
5 be reached if there is an approval granted by this
6 Board that are necessary to make this process
7 work. But a little bit more assurances on some of
8 these things will go a long way.

9 MR. DRAIKIWICZ: With respect to
10 potentially the next hearing, I think we heard
11 from the engineer, that it is her licensed

12 professional judgment that there is no adverse

13 effect on the services to be performed by the two

14 towns.

15 I'm wondering whether or not as far

16 as that prong of the two pronged test goes,

17 whether additional information is required.

18 Because I think we have to put on the record that,

19 as we stated here, whether we need to bring her to

20 the next meeting or is that prong satisfied?

21 The second question I would have

22 would be as far as the debt piece goes, by statute

23 we presented the creditors, et cetera, as required

24 by statute. We believe we fully satisfied that

25 prong.

STATE SHORTHAND REPORTING SERVICE, INC.

1 I would like to hear, in terms of
2 two prongs, is there any additional testimony or
3 information that we need to bring with us to the
4 next hearing, if there is a next hearing? Because
5 I think it is-- we'd like to know that.
6 I heard, obviously--.
7 MR. NEFF: It is something that I'd
8 like to see. It is already in the record. I'd
9 like to see a draft of the Middletown agreement.
10 I'd like to see a little bit more about whether or
11 not there has been employment acceptance or what's

12 done in that area. I'd like a little bit more

13 time to review the record that's before us.

14 Including the material that was submitted to us at

15 5:30, when I was sitting at my computer working on

16 something else, until 7:30 and haven't had a

17 chance to read them, review them, trust and verify

18 the things that I heard here are reflected in the

19 documents, are actually in the documents.

20 I can't convey, nor can any of the

21 staff members for this Board, convey to the other

22 members of this Board of the things that you

23 discussed are actually in those documents. We're

24 going to take the time to review them.

25

Those are the things we're looking

STATE SHORTHAND REPORTING SERVICE, INC.

1 at. Those are the things that we want to see.
2 Look, I have nothing but positive things to say
3 about the mayor and council of both towns moving
4 these things forward, trying to do so diligently,
5 dotting I's and crossing the T's.

6 But the fact remains, this Board is
7 an adjudicatory body that has certain
8 responsibilities to review things, to determine
9 that, yes, actually the services can be provided
10 and that, yes, the financing obligations of the
11 authorities being dissolved can be assumed and

12 will be assumed by the two entities.

13 I'm not comfortable on something

14 that's this important, as the gentleman in the

15 back said, you are talking about a sewer is

16 growing to be treated for next umpteen years. I

17 want to make sure the I's, to the extent I can,

18 are dotted and the T's are crossed, before I vote

19 yes on something that's this important.

20 Frankly, while I'm on a tear, I

21 think that you should be appreciative of the fact

22 that we're taking the time to make sure that the

23 record is complete, to evidence that this Board

24 took the time to review this material. So in the

25 event someone decides to sue over this, in the

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 event that it is ultimately approved, they don't
- 2 have a procedural issue to sue over, too, which
- 3 makes everybody's billables go through the roof.
- 4 Because at the end of day if you
- 5 don't have a clear record that shows that we did
- 6 we're supposed to do, people will come in and the
- 7 Judge says, you know, the Board just got stuff the
- 8 night before. It wasn't clear as to whether or
- 9 not there is going to be an agreement with
- 10 Middletown. There were questions about whether
- 11 somebody is going to be hired or not.

12 You can lose a lawsuit based on
13 procedural matters. I'm trying to protect you as
14 much as the Board at the end of the day, to make
15 sure that this process is done right and
16 procedurally issues don't otherwise discourage and
17 hurt a very, I think, thoughtful and appropriate
18 effort by the two governing bodies to try and
19 consolidate governments and make sure things are
20 more efficient.

21 That's my rant. I guess I'm done
22 with what I've got to say. If there is anything
23 more on those two points, that anyone at this
24 table wants to say or the gentleman who testified

25 earlier wants to add, we'll hear one last round

STATE SHORTHAND REPORTING SERVICE, INC.

1 from each. I ask you to keep it brief and don't
2 repeat things we heard already. Then I'm going to
3 suggest that we defer this to the next meeting and
4 we'll consider it at the next meeting.

5 MR. AVERY: Mr. Chairman, can I add
6 a couple of sentences here, too? One of the
7 comments that we did receive from the public on
8 this application, dealt with the ratio of the
9 split between towns. I didn't realize until just
10 now, that there had been a change. So I think we
11 have an obligation to that person who I understand

12 is not here, to give him an opportunity to comment

13 as well. Because he's already commented on that

14 point. I don't know if that satisfies his

15 concerns or not.

16 The other issue that I would like

17 to ask of the engineer, maybe she knows, is

18 whether there is any understanding on your part

19 that the Middletown Authority has a capacity issue

20 or a permit issue with the department that would

21 make them inclined not to accept the sewage for

22 these two Boroughs?

23 MS. SANTOS: Not that I'm aware of.

24 MR. AVERY: So they built treatment

25 capacity into their system and undoubtedly want

STATE SHORTHAND REPORTING SERVICE, INC.

1 their revenue from the sewage to pay for that?

2 MS. SANTOS: Whatever the flow

3 agreement would be built into the final

4 agreements, they would take into consideration how

5 much capacities in their plant. If not, they

6 would go through the DEP and re-rate any

7 additional capacity. There is a process that they

8 would have to go through.

9 MR. AVERY: I understand that

10 process. There is no discussion of changing the

11 amount of sewage that's permitted under the

12 current agreement, that's essentially the same?

13 MR. SORENSON: Arthur Sorenson.

14 I've been part of the discussions with TOMSA,

15 Township of Middletown Sewerage Authority. They

16 have advised that they are now running at

17 sixty-five percent of capacity. They have plenty

18 of capacity. They are anticipating further

19 development in their own collection area of

20 Middletown Township. There is plenty of capacity

21 now and in the foreseeable future.

22 MR. AVERY: What's their discharge?

23 Where do they discharge?

24 MR. SORENSON: They discharge into

25 the bay.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. SANTOS: They actually go to
2 the Monmouth County Bayshore Outfall Authority,
3 which then collects their treated sewage. It gets
4 pumped through an outfall, out by Sandy Hook Bay?

5 MR. HILL: It goes all the way back
6 to us. We pump it all the way to Monmouth
7 Bayshore Middletown--Tim Hill, by the way. It
8 comes all the way back to us.

9 MR. JESSUP: The--I'm sorry, Mayor,
10 go ahead.

11

12 MR. RAST: Fred Rast, Mayor of
13 Atlantic Highlands. Mr. Neff, one thing--you
14 know, you are referring to the two ordinances that
15 you just got last night as something new.

16 Those two ordinances, the first
17 reading, were past and approved by the towns and
18 ready for the prior meeting that was cancelled by
19 the Local Finance Board. The only changes is the
20 difference between and the fifty/fifty split and
21 the forty-eight/fifty-two split.

22 The forty-eight/fifty-two brings
23 less of a debt to Atlantic Highlands. That's the
24 absolute only changes. If that paperwork was

25 submitted prior to the last hearing that was

STATE SHORTHAND REPORTING SERVICE, INC.

1 supposed to be setup, there are no changes except
2 dollar amounts in that. It is exactly the same
3 narrative. It is not like it is a brand new
4 document.

5 MR. NEFF: I appreciate that. But
6 and this is no way a reflection of Highlands or
7 Atlantic Highlands. It would not be the first
8 time that someone tells us that an ordinance is
9 one thing and it's something else. Part of our
10 due diligence and I'm sure you can appreciate it,
11 we actually have to review these documents and

12 make sure they are what we think they are. That's

13 part of what we do, the trust but verify, which

14 becomes difficult.

15 To do that is by no means the only

16 reason that I believe there should be a

17 postponement for final action on this by this

18 Board.

19 If I can ask a question in terms of

20 timing? If this is delayed until January, is the

21 municipality going to then have to reintroduce the

22 ordinance?

23 MR. JESSUP: Director, that's what

24 I was going to try and just address, briefly. So

25 you have an expectation of when documents might

STATE SHORTHAND REPORTING SERVICE, INC.

1 come into you. The documents that were amended
2 last night, we will provide those to you today,
3 tomorrow. Because both governing bodies will have
4 to reintroduce from scratch those ordinances in
5 January, by law, prior to appearing before you
6 which is the 8th--the 15th, I'm not sure which
7 one?

8 MS. MC NAMARA: The meeting is the
9 15th.

10 MR. JESSUP: The 15th, okay so I

11 don't know whether the councils have had their

12 meetings schedules set for next year. But what I
13 would say is that the ordinances that we send to
14 you today or tomorrow, certified as amended last
15 night, they will be the exact same ordinances. I
16 just don't want to be in the same position here,
17 where they all meet on the 5th and we present
18 those same ordinances. So they will be the same
19 ordinances reintroduced.

20 MR. NEFF: IF the things that I've
21 suggested that we need to see, that we have enough
22 time to review the documents that we recently
23 received things we've asked to see come in
24 sometime in the middle of December, late December

25 and they satisfy us in terms of work you did with

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 due diligence, and assuming there are no other
- 2 issues that are raised by the gentleman in the
- 3 back of the room who can come up and speak again,
- 4 it may well be that we can schedule a phone
- 5 meeting, to ratify this, if there are no other
- 6 issues that are raised and no objections to this
- 7 moving forward.
- 8 We may be able to avoid that step,
- 9 possibly. We'll have to check on the time table,
- 10 whether that works or not what. We would consider
- 11 doing a special meeting, assuming the things we

12 asked for, the time for due diligence, is done.

13 We may be able to schedule a meeting for the end

14 of December.

15 I'm not promising that, but it is

16 an option that we would consider so you don't have

17 to go start from scratch again on your ordinance.

18 We don't, frankly, want a whole bunch of people

19 yelling for another round of ordinances either.

20 MR. JESSUP: We appreciate that

21 consideration if that ends up like that.

22 MR. NEFF: I make no promises and I

23 make no predisposition on--you know, we may hear

24 the gentleman who is going to have another chance

25 to testify. But, you know, it is holidays, it is

STATE SHORTHAND REPORTING SERVICE, INC.

1 tough schedules for you people here, for Board

2 members. We'll do the best we can and try.

3 If, after the gentleman testifies

4 it doesn't sound like we're getting these sorts of

5 documents. That we're going to have a concern.

6 MR. JESSUP: We appreciate that.

7 Thank you.

8 MR. NEFF: Thank you. Do people

9 want to take a quick break? There are only few

10 more applications and I don't think they are going

11 to take that long? We'll just keep plowing

12 through.

13 (Pause in proceedings.

14 The gentleman who just testified

15 indicated that he didn't want to testify again.

16 So I let him know he can submit any other comments

17 in writing to the Board.

18 Next up I think is Newark City

19 Housing Authority--or MiddlesexCounty Utilities

20 Authority. Is Middlesex County here?

21 (Richard Fitamant, being first duly

22 sworn according to law by the Notary.

23 MR. FITAMANT: My name is Richard

24 Fitamant. I'm the Executive Director of the

25 Middlesex County Utilities Authority.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: Your show.

2 MR. PANNELLA: Tony Pannella, bond

3 counsel with Wilentz, Goldman & Spitzer. I have

4 with me Richard Fitamant, the Executive Director

5 of the Middlesex County Utilities Authority.

6 This is a not exceeding \$10 million

7 one year project note financing application for

8 Hurricane Sandy related emergency expenses.

9 The Authority, like many other

10 public entities, is in the process of sifting out

11 the approval of the cash receipt process with

12 FEMA. It pushed itself as far as it could in
13 terms of avoiding to do this not. But the FEMA
14 cash receipts have been sufficiently slow that The
15 Authority reached a point where there is no more
16 cash to raid in the budget. It needs to do this
17 interim note financing receipt of the FEMA money.

18 Mr. Fitamant can answer any
19 questions that you may have about the nature of
20 these repairs and where the money is coming from
21 to pay the note.

22 MR. NEFF: Okay. I think this is
23 going to be a quick one. We probably should have
24 put you before the last one.

25

MR. PANNELLA: We enjoyed the last

STATE SHORTHAND REPORTING SERVICE, INC.

1 application.

2 MR. NEFF: We really only have one

3 comment -- well, actually two. When we got the

4 application last month there was nothing in the

5 application saying what the money had been spent

6 on. And subsequent to that when we requested, we

7 got that information. Just generally, you

8 shouldn't have to ask for stuff like that. If you

9 are spending \$10 million, tell us what the money

10 is being spent on, but we got it.

11 One point, I have make it because I

12 make it for every other applicant when we see this

13 sort of thing. There is, I think it is \$300 or

14 \$350 catered lunches every time that this Board

15 meets, which just seems excessive. In fact, it is

16 going in the wrong direction. It used to be \$150

17 for stuff brought in, some simple spread. And now

18 it is double that. It could be scaled back. I

19 didn't want to belabor it, but I did want to

20 mention it. I mentioned it to others and we'll

21 mention it here. Other than that I have no issues

22 with this application.

23 MR. AVERY: Move to approve.

24 MR. FOX: Second.

25

MR. NEFF: Roll call.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. MS. SALAY: Mr. Neff?

2 MR. NEFF: Yes.

3 MS. MS. SALAY: Mr. Avery?

4 MR. AVERY: Yes.

5 MS. MS. SALAY: Mr. Blee?

6 MR. BLEE: Yes.

7 MS. MS. SALAY: Mr. Fox?

8 MR. FOX: Yes.

9 MR. PANNELLA: Thank you very much.

10 MR. NEFF: Next up-- actually I do

11 want to mention, Newark City is on the agenda for

12 a \$36 million issuance of debt. But they are
13 deferred about because they provided absolutely no
14 information about what it is they are awarding
15 their \$36 million to. Despite the Board's staff
16 requesting they provide information for the last
17 month. So that's not going to be heard today.

18 So last but not least before the
19 Authority budgets is Newark Housing Authority.

20 (Philip Dodds, Marcy Porter,
21 Michael Moore, being first duly sworn according to
22 law by the Notary).

23 MR. DODDS: Philip Dodds, Public
24 Financial Management, financial advisor to the

25 Authority.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. PORTER: Marcy Porter, Public

2 Financial Management.

3 MR. WILLIAMS: Sani Williams,

4 Patton, Boggs. We are bond counsel to the

5 Authority.

6 MR. MOORE: Michael Moore, Chief

7 financial Officer of the Housing Authority.

8 MR. WILLIAMS: That's S-a-n-i, last

9 name Williams.

10 Good afternoon everyone, thanks for

11 having us. This is a not to exceed \$20 million

12 application for a proposed issuance of the
13 Authority's capital funds program revenue bonds.
14 These would be twenty year maturities for these
15 bonds. The primary purpose for the issuance would
16 be for the renovation and modernization of the
17 Authority's public authority stock, numerous units
18 in their stock as well as certain administrative
19 buildings for the Authority.

20 The bonds would be issued under
21 HUD's capital fund program or capital fund
22 financing program. Which allows public
23 authorities across the country to issue bonds for
24 modernization projects. And also pledging their

25 receipt of annual allocations to payoff debt

STATE SHORTHAND REPORTING SERVICE, INC.

1 service on the bonds.

2 It is the situation with the

3 Authority that they have traditionally received

4 monies to fund their public housing program

5 through the receipt of annual allocations pursuant

6 to an annual contributions contract.

7 Under an agreement with HUD through

8 a capital fund financing amendment, HUD has agreed

9 to divert the payments that the Authority normally

10 gets directly.

11 They are going to pay directly to

12 the trustee those amounts that the Authority

13 normally gets under the annual contribution

14 contract in order to pay debt service on the

15 bonds.

16 These payments will be done

17 pursuant to a debt service schedule that is

18 approved by HUD and will be finalized after

19 execution of the financing documents as per HUD's

20 normal procedure.

21 We think of particular note that

22 should be mentioned is that these payments are

23 based on allocations that are subject to

24 congressional appropriation. So based on that,

25 these bonds are, you know, special obligations of

STATE SHORTHAND REPORTING SERVICE, INC.

1 the Authority and they are not-- they don't
2 constitute formal debt or liability of the
3 Authority, the City of Newark, Essex County, the
4 state or HUD for that matter.

5 All of the approvals that we needed
6 to get from HUD have been obtained. And we're
7 hopeful that the Board will allow us to proceed.

8 MR. NEFF: For the record, because
9 I always throw rocks, so sometimes it is nice to
10 say nice things. Originally the staff had a lot
11 of questions for the Authority. Newark Housing

12 Authority, historically the Authority in the past

13 had a lot of complaints about, you know, lot of

14 nepotism, patronage, inappropriate expenditures,

15 waste. And frankly, we had a very long productive

16 meeting at the staff level. The Executive

17 Director there, whose salary although high,

18 clearly warranted as a professional, has done some

19 good things for the Authority to reduce their

20 payroll and to end some of the policies on

21 patronage for family members and that sort of

22 thing.

23 I would notes that the authority

24 uses the State Health Benefits Plan, instead of

25 the City of Newark itself which uses a plan, which

STATE SHORTHAND REPORTING SERVICE, INC.

1 I have no idea how much more expensive it is.

2 We're trying to get them in the SHBP. So where

3 credit is due you give credit. I always look for

4 rocks to throw, and, frankly couldn't find a whole

5 lot to throw here on this one. So I just wanted

6 to--

7 MR. FOX: You're in a good mood

8 today.

9 MR. WILLIAMS: And we're last.

10 Mr. NEFF: To save something for

11 the last one. So I have no issues with the

12 application.

13 MR. BLEE: Motion to approve.

14 MR. FOX: Second.

15 MR. NEFF: Roll call.

16 MS. MC NAMARA: Mr. Neff?

17 MR. NEFF: Yes.

18 MS. MC NAMARA: Mr. Avery?

19 MR. AVERY: Yes.

20 MS. MC NAMARA: Mr. Blee?

21 MR. BLEE: Yes.

22 MS. MC NAMARA: Mr. Fox?

23 MR. FOX: Yes thank you.

24 Mr. WILLIAMS: Thank you for your

25 time. Happy holidays to you.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: I guess last we do have
2 one final thing. We have two port authority
3 budgets. And they are very routine matters where
4 ordinarily the staff just approves budgets for
5 local governments. But for some reason the state
6 law requires port authorities to come to the
7 Board. The financial staff, Tina Zipzach, has
8 found has substantially found them statutorily
9 compliant, that their anticipations are
10 reasonable, their expenditures. So Tina is her in
11 case anybody has any questions for her on the

12 budgets.

13 MR. FOX: What do they do?

14 MS. ZIPZACH: What do they do? The

15 Carteret Port, I'm not sure does much of anything.

16 MR. NEFF: I believe they have one

17 staff member in the last year. They essentially

18 bill for marina slips, administrative things.

19 Typically when the Board looks at

20 these types of budgets, we really are only

21 checking at a superficial level to make sure the

22 debt service is being paid.

23 MR. FOX: If you're okay, I'm okay.

24 MS. ZIPZACH: We're okay with it.

25 We're okay with it financial wise. As to other

STATE SHORTHAND REPORTING SERVICE, INC.

1 things, operational, I can't be as confident.

2 MR. AVERY: It is an airport,

3 Woodbine?

4 MS. ZIPZACH: Woodbine, they run an

5 airport, but they call it a port authority.

6 MR. FOX: Like the Port Authority

7 runs airports and bridges.

8 MR. NEFF: Recently we had an

9 application recently, who was it--the port

10 authority without the port?

11 MS. ZIPZACH: Bridgeton.

12 MR. NEFF: Neither of these are

13 like that.

14 If there are no comments we'll take

15 a motion for Woodbine.

16 MR. FOX: I'll second it.

17 MR. NEFF: Roll call.

18 MS. MC NAMARA: Mr. Neff?

19 MR. NEFF: Yes.

20 MS. MC NAMARA: Mr. Avery?

21 MR. AVERY: Yes.

22 MS. MC NAMARA: Mr. Blee?

23 MR. BLEE: Yes.

24 MS. MC NAMARA: Mr. Fox?

25

MR. FOX: Yes.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: And Carteret Borough.

2 MR. AVERY: So moved.

3 Mr. FOX: Second.

4 Mr. NEFF: Roll call.

5 MS. MC NAMARA: Mr. Neff?

6 MR. NEFF: Yes.

7 MS. MC NAMARA: Mr. Avery?

8 MR. AVERY: Yes.

9 MS. MC NAMARA: Mr. Blee?

10 MR. BLEE: Yes.

11 MS. MC NAMARA: Mr. Fox?

12 MR. FOX: Yes.

13 MS. MC NAMARA: Motion to adjourn?

14 MR. BLEE: So moved.

15 MR. FOX: Second.

16 MS. MC NAMARA: All ayes?

17 (Unanimous affirmative response).

18 Any nays?

19 (No response).

20 MR. NEFF: Thank you.

21 (Whereupon, the Board stands

22 adjourned at 1:30 p.m.)

23

24

STATE SHORTHAND REPORTING SERVICE, INC.

1 C E R T I F I C A T E

2

3 I, CHARLES R. SENDERS, a Certified

4 Shorthand Reporter and Notary Public of the State

5 of New Jersey, do hereby certify that prior to the

6 commencement of the examination, the witness was

7 duly sworn by me to testify to the truth, the

8 whole truth and nothing but the truth.

9 I DO FURTHER CERTIFY that the foregoing is

10 a true and accurate transcript of the testimony as

11 taken stenographically by and before me at the

12 time, place and on the date hereinbefore set

13 forth, to the best of my ability.

14 I DO FURTHER CERTIFY that I am neither

15 a relative nor employee nor attorney nor counsel

16 of any of the parties to this action, and that I

17 am neither a relative nor employee of such

18 attorney or counsel, and that I am not financially

19 interested in the action.

20

21 C:\TINYTRAN\Charles Senders.bmp

22

23

24 CHARLES R. SENDERS, CSR NO. 596

25

DATED: January 10, 2014

STATE SHORTHAND REPORTING SERVICE, INC.

