STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
LOCAL FINANCE BOARD

Department of Community Affairs
Conference Room #129/235A
101 South Broad Street
Trenton, New Jersey 08625
December 10, 2014

B E F O R E: TOM NEFF, Chairman
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FRANCIS BLEE, Member
ALAN AVERY, Member
TED LIGHT, Member

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MR. NEFF: We're going to get this meeting started. And before we start I just want to let folks know here that this is my last meeting. I'm going to be leaving and going to the Department of Treasury to help the state put its budget together and implement the state budget. And there's a new Director coming whose name is Tim Cunningham. He's somebody who has a pretty broad background in municipal finance. He was a deputy county administrator. He worked in a law firm on finance issues, redevelopment issues, pay to play issues. He's worked for a county improvement authority. He's worked for the governor's office. Most recently working on some of the Sandy recovery issues. And he's just a really reasonable and sound adult. And I'm sure everybody here will enjoy working with him when he comes. And I just want to say I've always found this Board to be very supportive. And I've always appreciated their help and guidance. And I know they'll give that same courtesy and advice and guidance to the next Director. And I've also been very thankful and appreciative of the professionals that I've worked with who have always tried to represent their clients well but also be very fair and open and transparent with the Board.

So with that, we'll start the meeting.

So rather than read everything that's on the Consent Agenda if there's any recusals on these let me know. Otherwise, we'll just vote on them as a batch.

MR. AVERY: I have to recuse myself on 2, 3, 7 and 8.

MR. NEFF: Okay. So we'll take them as a batch. So with that, the first item on the agenda are 14 items on consent. They're environmental infrastructure trust proposals for various municipalities. We'll be voting for them as a group. Mr. Avery would be voting but not with respect to the four items that were referenced. And they're item numbers?

MR. AVERY: 2, 3, 7 and 8.

MR. NEFF: 2, 3, 7 and 8. Okay.

MR. LIGHT: I move the approval of the 14 consent agenda items.

MR. BLEE: Second.

MR. NEFF: Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes. Abstaining on 2, 3, 7 and 9.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. NEFF: Okay. And the next up we have three consent items. They're fire district proposals. Staff at the Division reviewed the requests and found them to be reasonable, competitive, reasonable interest rates and found no issues with them. And so we'd be taking a motion on those three consent items for Wall Township, Bridgewater and Mantua Township.

MR. BLEE: Motion to approve.

MR. NEFF: I'll send second it. Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Okay. And next up we have two consent items. Atlantic City and Newark are under state supervision pursuant to the supervision law. As such, the Board approves the municipality's budget which has been done in prior meetings. And we had also let those cities know that the Board should be approving their transfers. They're being done at the end of the year for their budget. And their transfers have been reviewed by Division staff. There's nothing particularly problematic with them. And I just want to make special point of noting that for the City of Newark we reviewed the transfers to make sure that there were no monies being transferred back into accounts for either the city clerk's office or the governing body, the council salaries which this Board had reduced when we approved their budget. We wanted to make sure at the end of the year they didn't backfill what the Board had cut. And they didn't. So with that take a motion on approving their transfers believe.

MR. BLEE: Mr. Chairman, I'll be recusing on Atlantic City.

MR. AVERY: I'll move the approval of the transfers.

MR. LIGHT: I'll second it.

MR. NEFF: All right. Take a vote.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes. I'm recused on Atlantic City.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. NEFF: Next up we're actually going to go just a little bit out of order. We're going to take one item which is at the end of the agenda. There's a proposed rule. It's not a rule adoption. It's a proposed rule. And I just ask Jason Martucci if he could come up to the table. Jason Martucci is staff member of the Division who helped put together this rule proposal. And he'll explain it very briefly.

MR. MARTUCCI: Thank you, Chairman, members of the Board. The proposed rule amendment on the agenda, 5:30-5.4, pertains to certification of available funds that a CFO, chief financial officer or other certifying finance officer must make to the governing body before the governing body awards a contract. Now, certification available funds certifies that funds are available to fulfill the contract. And that certification is attached to any resolution or ordinance awarding the contract. The proposed rule amendment requires three things. One, that the maximum dollar value of the contract be awarded. It requires that it be set forth in the certification with available funds document. Number two, it requires that no CFO or certifying finance officer shall issue a certification of available funds unless the governing body provides the maximum dollar value of the contract. And finally, the rule amendment would require that the maximum dollar value of the contract be set forth on the resolution or ordinance awarding the contract.

Now, this rule proposal is in response to a rule making petition dated August 5, 2014 from a Mr. John Path in response to a petition to the Board at its September meeting. Referred the matter to Division staff for further review and recommendation. And the proposal before the Board is a product of that review by Division staff. And we believe that it promotes transparency and fiscal accountability and insures that the certification of available funds remains a useful fiscal control tool. Thank you.

MR. NEFF: And just to further clarify, we discussed the proposed rule with representatives from the Government Finance Officers Association and others. And it's our understanding that most responsible CFO's engage in this sort of practice anyway without regard to this rule, but there are some CFO's out there who, you know, I guess they sort of act like one of those Prego commercials where they say "It's in there" and they just sort of attest to there's enough money that we can cover this. And that's not appropriate. There should be some clarity as to, you know, what are they certifying to? How much is the contract? What's the line item that's going to pay for this? What's the maximum amount of funds that are available for this? It's not enough to just sign the certification without having some due diligence behind it. So we think it makes sense. And it's just a rule proposal. We make comments on it for a period of time. And then ultimately it will be up to the Board whether or not to adopt this rule or to amend it slightly. And it came to us as a suggestion from a citizen who, frankly, their comment made some sense. And we agreed.

MR. MARTUCCI: And Chairman, it actually goes beyond what the petitioner requested which is only that the maximum dollar value of the contract be set forth on the certification of available funds. So we're actually going over and above to promote fiscal transparency.

MR. LIGHT: May I ask two questions, if I may? Why is number two necessary if number three requires the governmental, I assume township council or whoever the governing body is, to set the maximum control value set? Why is it necessary then to have certification? Seems to me that there's a duplication between one and two if the governing body sets rule number three.

MR. MARTUCCI: Well, currently there's no -- currently it should be implied in the rule. I mean, it should be implied that the CFO would need to have the maximum dollar value of the contract.

MR. LIGHT: Right.

MR. MARTUCCI: From the governing body before the certification is made. But since that's presently not spelled out there are certain instances where that has not been done. It's really not duplicative because number one being the maximum dollar value being set forth in the certification of available funds, it actually allows the citizens who want to view these documents and want to view the certification of available funds as well as the resolution awarding or ordinance awarding the contract, it allows them to see the maximum dollar value of the contract.

MR. LIGHT: All right.

MR. NEFF: Very simple one page certification from the CFO.

MR. LIGHT: Okay. Not a massive document?

MR. NEFF: Right. Don't have to hunt through an ordinance to figure out what was approved.

MR. MARTUCCI: Correct.

MR. LIGHT: When this is accepted, then, how do we notify -- does that go out to the CFO's and the townships? Or how do you notify the change in the rule.

MR. NEFF: If it's adopted we have the e-mail address for every CFO in the State of New Jersey. They're required to keep them maintained with us. So we routinely if we need to communicate with CFO's we would notify them of the rule adoption. And in fact, we notified them that the rule's been proposed.

MR. LIGHT: So they can comment.

MR. NEFF: So that they can -- and we solicit comments. And we'll accept comments. And ultimately we'll have to respond to any comments we receive from them, but we communicate with them pretty regularly.

MR. MARTUCCI: And there's a 60 day comment period.

MR. LIGHT: Thank you.

MR. AVERY: How would this apply to contract amendments if you to increase the contract? Would there be a new certification of funds form required?

MR. MARTUCCI: If it's increasing the maximum -- if there's a -- if initially a contract had X maximum value and then it had to increase that would have to --

MR. NEFF: Receive a second certification.

MR. MARTUCCI: Yes.

MR. AVERY: Wouldn't prohibit an amendment?

MR. NEFF: Would not prohibit an amendment.

MR. MARTUCCI: No, it would not.

MR. NEFF: Any other questions or concerns?

MR. LIGHT: I'll move that the proposed amendments for the rule or certification of available funds be approved.

MR. BLEE: Second.

MR. NEFF: Okay. Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Okay. Thanks. We'll get back on the regular agenda. North Wildwood City.

MR. McMANIMON: Thank you. Ed McManimon from McManimon, Scotland and Baumann. Our firm is the bond counsel for the City of North Wildwood. At the risk of sounding patronizing I just first blush with your departure I was surprised by that. And I just wanted to say very much appreciate the respect and the attention over the years with you as the Director to all the applicants of the cities we were involved. So it's very helpful.

MR. NEFF: Thank you.

MR. McMANIMON: This is the third time, I guess, this -- well, I guess as a matter of gesture you're not going to just approve all the applications today? Just wondering before I get into this. This is a third time that North Wildwood has been presented to the Board in connection with a $900,000 refunding bond ordinance to fund an emergency appropriation to cover the payment of some tax liens that a court ordered the city to pay back while the dispute over the amounts are still in court. So it isn't that they're being paid back and not going to be ultimately paid to the city in some fashion. But there's a $900,000 appropriation to fund the amount now that the court ordered to be paid to the party who bought the tax liens while the city and the property owner remain in litigation over the calculation of a PILOT and the taxes. And so the city had to pay them this year. And they adopted an emergency appropriation to do it. And they're simply asking for the ability to fund that over a two-year period as opposed to all at once since it's not a normal expenditure. I know the Director has some questions which Mr. Burkey attempted to answer, but I asked him to come again along with Leon Costello so he can address whatever issues you have in connection with this.

MR. NEFF: And I think from staff's vantage point we received correspondence from the municipality. It gave us comfort that we better understand what the issues are about. We don't have further questions, but since it had been debated previously and underlying matters were somewhat problematic we wanted to make sure it was on the agenda so that if Board members had further questions they could ask them. I don't know if there's any further questions on this. Concerns? Okay. Then we don't need to belabor it, then.

MR. AVERY: I move it approved.

MR. BLEE: Second.

MR. NEFF: And roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Next up is Vineland $8,495,000 proposed non-conforming maturity schedule.

MR. McMANIMON: Thank you. Again, for the record, Ed McManimon from McManimon, Scotland and Baumann. Our firm is the bond counsel to the City of Vineland. Roxanne Tosto, the chief financial officer's to my left and Leon Costello who serves as the city's auditor is to her left. This request is to permit the city to finance from the outset 8,495,000 of general improvements for various projects over the useful life which is ten years, but to structure it in a modestly nonconforming matter they're skipping the first year and then the payment schedule is nine years to keep within the ten-year. So there's zero in the first year and then there's a doubled up payment in the second year. And the nonconforming beyond that they're not even close to a hundred percent step up. So we fully recognize that this Board the Director don't like nonconforming maturity schedules. And we have generally avoided them, but there are occasions when they make sense. And this one in the context of the debt service of the City of Vineland dropping off significantly in the second year they're not trying to spread it out and back load it. In fact, they're front loading most on it. And so we'd ask this Board to consider approving that schedule so we can proceed and issue the bonds rather than issue notes to impact on the way the budget would deal with this. If we did a conforming schedule you'd have a bump up and then a bump done which is not abnormal, obviously, but we think this is an example of why the Authority and the statute has granted to this Board the discretion to approve a nonconforming schedule. It makes sense here. So we're prepared to answer any questions. I did provide to the staff a comparison of a conforming maturity schedule of debt service and a nonconforming. This particular nonconforming schedule. They're virtually identical in total debt service. So again, it's not like we're expensing it out of cost to do it differently than the way the statute presumes. So.

MR. NEFF: And I would just add to that that it's only a one year basically deviation from the conforming maturity schedule. It could be done anyway through issuance of BAN, like I said. So I've sort of been pig headish on this for the last four years. This seems to be a relatively small deviation from the prior policies. So I don't think we have a problem with it at the staff level. And it may be appropriate in the future, not for today, but it may be appropriate in the future for the Board to perhaps for a period of time to allow for places that want to do a nonconforming maturity schedule they can essentially effectively effectuate through issuance of BAN's for a period of years and then going to a debt service to allow towns to do that because there's so much in outstanding BAN's and TAN's now that one year notes that Moody (sic) has raised issues with that and a concern that there's so much in outstanding one year debt that it just makes sense to get people into permanent financing. And if our past positions have stopped that or somehow aggravated them maybe perhaps it's worth rethinking it. That's not for today. But this particular application is such a small deviation from the nonconforming maturity schedule I don't think I have an issue with it.

MR. LIGHT: I'll move the approval of the application.

MR. NEFF: I'll second it. Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light. Yes.

MR. NEFF: Okay. Thank you.

MR. COSTELLO: Tom, good luck. It took me by surprise, too. And I certainly enjoyed working with you on every issue we had. It's been a pleasure.

MR. NEFF: Next up is Kearney. Is there anyone else from Kearney here?

MR. McMANIMON: Thank you. Again, for the record Ed McManimon from McManimon, Scotland and Baumann. The bond counsel for the Town of Kearny. To my left is the chief financial officer, Shauib Firozv.

We're here in connection with the adoption of two bond ordinances under the Qualified Bond Act. As you know, the town is in the Qualified Bond Act program. And they have $18 million of Qualified Bond Act revenue. The amount of debt service that's outstanding that's covered by that is only $7.2 million. So there is significant coverage for both of these ordinances. The debt service would be approximately $355,000 which would be added to the 7.281. So they're still largely covered almost not quite 3 to 1 but close. The one ordinance is for $2 million with 1 million 9 for bonds and notes for a variety of equipment and vehicle purchases. And then the second one is a million dollars of appropriations and a million dollars of bonds and notes for the water utility infrastructure and improvements. The town is way below their borrowing capacity. Looking at 1.7 percent. So, but Shuaib's here to answer any questions that you have. I know the staff raised some questions which he did answer, but if you have them to be raised here we'll answer them.

MR. NEFF: And the main reason why we put this on the agenda not as consent is because it is a transitional aid community. So if anybody from the public had wanted to come testify we would have wanted to make sure they had an opportunity to speak. And they're not here. So ordinarily it would have been on consent. I do just want to note as well part of this financing is for 12 patrol SUV's for police vehicles. And I know sometimes, and I'm not saying that's the case here with this, but sometimes there's a desire amongst municipalities to purchase SUV's which are more expensive than regular patrol cars because they can finance them whereas you can't finance a vehicle. And there's pending legislation that would allow for vehicles to be bonded for as well. And we think that's appropriate because then you won't have this perverse effect where municipalities sometimes want to go buy an SUV which they can finance and have short-term savings as opposed to paying for a vehicle all at once. So hopefully that will get some movement and pass in the legislature. And that will get fixed at some point. It may have been appropriate 30 years ago when, you know, products from GM lasted five years so you didn't want to finance them longer than that, but sometimes vehicles when you purchase them last longer than five years now. But regardless, for this particular application that was reviewed by the monitor for Harrison they found no issues with it and we have no issues with it at the staff level. So if there's any questions we'll take them. If not.

MR. BLEE: Motion to approve.

MR. NEFF: I'll second it. Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Okay. Next up is Irvington.

MR. McMANIMON: Thank you. For the record, Ed McManimon from McManimon, Scotland and Baumann. We are bond counsel to the Township of Irvington. This also is an application under the New Jersey Municipal Qualified Bond Act in connection with two bond ordinances. One of which actually appropriates money and authorizes debt. The other is simply amending bond ordinance to amend the purpose. Just for the benefit of the Board, the mayor is in the audience because I know there have been some issues raised about an ordinance. And that was adopted. And to the extent that there are questions about that he's prepared to address them, but he's not going to address the issue unless it's important from the perspective of the Board for this application. So. But he is here prepared to testify if that becomes important. Again, the two bond ordinances, the first one is to provide for a whole variety of capital projects which we can address to the extent they are material one at a time. Again, they are relatively low in their debt as well. They're at 2.6 percent. Their qualified bond revenue is $11,600,000. Their qualified bond debt service 10,590,000. So they are close to 1 to 1 coverage. This ordinance doesn't throw them over the one times coverage but it brings it close. So we're prepared to answer any questions you have with whatever representatives of the township that you would like to have address them.

MR. NEFF: So on the application itself there's funding to purchase a number of properties. And I believe we got a one paragraph explanation as to what that's for. No real detail. I don't know what the city's doing with these properties. And if we can get some explanation on the record as to what the money is for for purchasing foreclosed property.

MR. RA-OOF: Mainly the township has approximately about $15 million in outstanding tax liens due from tax, you know, previous years building up over time. What we're looking to do is to try to get those tax liens back on the rolls that have been non-participating. So we have a substantial list, a little bit over 1100 pieces that we'd like to move forward on and put forth the process to foreclose on those properties.

MR. McMANIMON: These are tax liens that were not purchased that the city owns. So their desire is to foreclose against them instead of just leaving them unbought, unpaid to so they can try to own those properties and put them back into productive use.

MR. NEFF: And what is the money that's being borrowed being used for?

MR. McMANIMON: To acquire those properties. They have, I guess, to pay the tax on them.

MR. NEFF: Who's going to receive the money? The city's going to borrow money. And then where's it going to.

MR. RA-OOF: Right. We have to pay out the professionals to do the actual foreclosing. Do the legal foreclosing process. So we're looking to do at least somewhere close to 200 to 300 of them. And it cost so much to even try to attempt to do it out of our operating budget.

MR. NEFF: Isn't that traditionally an operating sense? Doesn't sound like to me it's a capital expense.

MR. McMANIMON: It's associated with acquiring properties.

MR. NEFF: It's not acquiring property. It's just money to pay lawyers and professionals to move forward with forecloses which is an operating cost.

MR. McMANIMON: I guess that depends in the eyes of the beholder. Because if you a hire a lawyer to acquire property and they do that by foreclosing or to acquire liens that's part of the capitalization of the acquisition of a piece of property. It incurs on tax appeals. It closes when you acquire the property. And it depends on the amount of it and how much is involved. And I mean, that's a -- I don't really think it's a close call, but I mean, generally that's an item in a corporation that they capitalize. And that's what they would do in the town as part of the acquisition of the property. You don't acquire the property in a vacuum.

MR. LIGHT: Properties are not owned by the by the township at this time?

MR. McMANIMON: The tax liens are but

not the properties. So they have to foreclose against the owner in order to acquire them.

MR. LIGHT: They have the tax lien. Right.

MR. NEFF: So just to be clear, the city's going to essentially pay for one time expenses associated with acquiring properties. We're not quite sure what these properties are going to be used for, whether they're going to be turned around and resold by the municipality or whether they're going to be a part of a redevelopment plan or whether they're going to be a park. We don't know what they're being h used for. And there's a 30-year maturity on what are professional costs associated with according to the application a 30-year maturity for professional service cost I think that many municipalities would just have as part of their operating budget. To me I'm not prepared to be supportive of something like that unless we get something in writing that's explained what are these properties? What's being done with them? Why are they being purchased? Is the municipality going to wind up purchasing properties that are contaminated and that have no real great use for the municipality? I mean, what's happening? And I'm not comfortable with that aspect of what's being requested. Somebody in 2045 his going to be paying for the costs today of an attorney and professionals to try and buy some property. To buy the tax liens.

MR. McMANIMON: They're buying the properties. They have the tax liens. They're still privately owned properties. And Irvington's not the only town. This is a fairly, I don't know --

MR. NEFF: And then the money that comes in and buys the tax liens some portion -- buys the property some portion of that then goes back and pays the city for its own taxes that were never paid. So.

MR. RA-OOF: Correct.

MR. NEFF: Unless I'm missing something, the municipality is indirectly borrowing money which will then pay itself for taxes that were not paid in prior years. Right? That's unfortunate what's happening.

MR. RA-OOF: If we get the monies back from sales most of the properties in which we get and we'll do a combination of trying to resell them to get them back on the tax rolls and then the other part will be part of development plans. Some of them may have to be given away or some of them may be given away at a nominal cost. A lot of these properties are abandoned and really run down. So we won't probably receive back a full value of what the outstanding tax bills were. It's just they're right now totally non-performing. So in order for us to try to attempt to get to that point we needed to try and make an impact. Typically for us to do foreclosures we can only do a certain amount in a batch. Maybe 25. But we have so much at this stage of the game. We have, like I said, 1100 of them. In order to make an impact we need to try to hire a number of firms to be able to take it on. And so we were looking to try to do the 2 to 300 of them to be able to turn them over and continue to do that to get them off and to stabilize our tax revenue.

MR. NEFF: The same way I'm not uncomfortable saying yes to something like this today I'm also not comfortable saying no. It sounds to me like there's a reasonable effort to try and deal with the problem, but what's before us on the record in writing is one paragraph statement which isn't backed up with what is plan B? What's going to happen with these properties? What are the monies for? And then there's this concern that some of this is operating expenses that really ought to be just appropriated as part of the budget as opposed to somebody paying for them 30 years from now. But that's my concern on that aspect of this proposal.

There's also a lot of things in this proposal that are unrelated to that, things that are just various roof repairs, acquisition of some equipment, installation of interior carpeting at various township facilities. My carpeting's 44 years old. Interior, exterior painting at various township facilities. And I'm looking at this proposal in an aggregate. I'm not comfortable with this land piece. And there's one other piece I want to discuss just for two seconds is there's a $16,000 item that would be paid for with this bond act for the development and implementation of a securities and exchange commission disclosure compliance plan. Again, that looks to me like an operating cost. I don't know why that's something that should be borrowed for. It's $16,000. And essentially it's a plan to come into compliance with what the SCC requires for disclosure for bond purposes. I don't understand. Why is that something that somebody five years from now should have to pay for a compliance plan? It's an operating cost.

MR. McMANIMON: I agree with you that most of the towns in terms of the costs have not moved to the option of funding it through a bond ordinance, but this is no different than -- this isn't the annual compliance review. They've had a -- as you know, under the SCC initiative that you've been as involved in as have I there is a report that needs to be done in the context of not just the past five years but all bonds that are outstanding that were representing certain things during that five-year period for the five years before that. So it isn't something -- the report isn't something they're going to do every year because after this report is done it brings them into compliance. And then going forward they would have an annual requirement somewhat consistent with the local finance notice that this Board prepared. And so this isn't the annual ongoing current expense item to do that. It's to determine what has or hasn't been done over the past. So at least in our view that is capable of being financed like an engineering report that's done for a road program and things like that. But while it's a small number, and it's actually smaller than this number in real terms in terms of what it actually costs them, but I guess they can make a note because obviously the way you're moving here you're going to want more information with regard to some of these items and perhaps some other issues that we will probably be back and they can consider how they want to deal with that issue. Whether they want to include it in there or not. But we believe legally that this is not the ongoing current expense type of thing they're going to be doing from now on and perhaps should have been doing all those years previously, but a one-time report to take them back for as much as 10 years in terms of where they were so they know how to go forward with their annual item you're referring to. So that's for the record.

MR. LIGHT: I agree with Tom on the $16,752. It's a five-year plan. I can see how that should be capitalized. I'm having difficulty. So if you are coming back I'd have to have something that that sets forth the fact that that's a capital rather than an operating expense. I could lean either way on the acquisition of the foreclosure of the properties. Is there a threat to the public or safety or hazardous because of these properties? Are they creating difficulties with respect to somebody might possibly getting hurt or something like that?

MR. RA-OOF: Some of them are, substantial amount of them are abandoned and condemned.

MR. LIGHT: Boarded up and things likes that?

MR. RA-OOF: Boarded up. Some of them un-boarded up.

MR. McMANIMON: It's a not uncommon

urban problem.

MR. AVERY: Are all the properties vacant?

MR. RA-OOF: I can say all of them are vacant but, you know, substantial amount of them are.

MR. LIGHT: Might have some people living in tome of them.

MR. RA-OOF: Some of them might be foreclosed or they just walked away from the properties and stopped paying the taxes. And so basically they became municipal liens maybe for the last four or five years over the last economy.

MR. LIGHT: I could probably lean in the green with that item being a solution to the problem to the Township of Irvington, but I have difficulty with the implementation of the disclosure compliance plan. It's a small item compared to the other one.

MR. NEFF: Just a quick comment. I mean, if some of these properties are attractive nuisances and there's activity going on in the properties that are dangerous that's all the more reason than before you start moving forward with securing them to have a plan to what to do with them once you get them. Otherwise, it's the city's liability I would think as opposed to whoever owns those property now. Right? So my concern is not that there's an effort to acquire the properties. That probably makes sense. But you got to have what's the second step before you run off and acquire them? And maybe there is a second step somewhere that I haven't seen but it's not in this application. And it hasn't been clearly the explained today. I'm just not comfortable with that piece for that reason today.

MR. McMANIMON: Let me ask you a question because it's December. They're a calendar year town and they reorganize in January. So the ordinances have to be introduced and adopted in the same year. And I'm not even sure they would want to this, but if those two items are removed and separately presented next year, I don't know if they have time to amend this ordinance and adopt it before the end of the year, but if you approve this ordinance but with the exception that those two should come back in a separate ordinance for further consideration with a better plan for the acquisition of the properties and what they have to do with them and whether they want to fund this SCC initiative or not, would the Board consider that if the town had two meetings between now and the end of the year? I don't know that they do or if they --

MR. LIGHT: You might not have enough

time because you're required to do 20 something days --

MR. McMANIMON: It's ten days between the meeting. The publication is 20 days but the legislative action is what has to take place in the same year. The 20 days could run into the following year. And I don't know -- I don't even know their meeting schedule or if this was important enough that they wanted to adopt the rest of these without those two. They could set a meeting schedule up to do that. I don't know if you would entertain that on the fly.

MR. NEFF: I don't have a problem with the suggestion that you just made. I don't want to slow down things like capital acquisitions and things that are important. They need move to forward. But these two other items are I think problematic. I don't think -- I can't speak for a future Board, going to have a new chairman soon, but I can't see how they're going to either see a $16,000 cost for compliance to be an appropriate thing to bond for. But the other issue clearly I think needs to be explained a little bit better and what the long-term planning is for bunch of properties that are being purchased.

And this is awkward, but I think it needs to be said today in a public session. And that is that the Board received a complaint from an ordinary citizen. And the citizen we received the complaint from is not somebody who has a bone to pick with politics. It's somebody who contacted the Board who is a taxpayer and expressed frustration and concern that relatively recently an ordinance, salary ordinance was passed that I think doubled council members' salaries and significantly increased the mayor's salary. And Irvington is a municipality that has been in and out of transitional aid in the past. And the level of increase was rather dramatic. And frankly, at the Division staff level we did a review of similar salaries of mayors and council members for the City of Paterson where council members are paid $20,000 and receive no payment in lieu of expenses and do not receive health benefits. And a mayor who would receive in the second largest city less than the mayor in Irvington under this ordinance as it's been passed. And the same is true of mayors in several municipalities that we reviewed that are much larger than Irvington. Have similar challenges. I give you an example. Mayor of Union City, full-time mayor effectively. And receives a pay of less than $20,000 a year and no health benefits. Mayors in Woodbridge, Toms River, other urban areas receive significantly less as do council members. Significantly less. And so with all due respect, when it comes to seeking approval for things that we would view I think typically as being operating expenses when there doesn't seem to be enough money to pay for things as small as $16,000 for a compliance plan in a regular budget it's hard to swallow that and to vote on something like this when at the same time there appears to be enough for a very large increase for the mayor and council. And I mean that as no disrespect to the mayor or the council members. I know they have extremely difficult jobs. And I don't envy the positions that they're in any respect. They're difficult. But there's an aspect of I think appropriateness and scale. And it seems to be to me to be lacking in those things. And I want to be clear that if this Board's going to be supporting and asked to support applications that effectively are borrowing for what I think we would continue to some extent operating expenses which is unusual. Most municipalities would pay for things like attorneys' fees and engineering fees -- attorneys' fees with respect to property acquisitions through their operating budget. And they'd be paying for a compliance plan through their operating budget. And if there's not enough room in the budget to pay for those things. I just have issues with what I see as some of the priorities. And I think that needs to be stated on the record. It's always awkward to state those things but I think it would be derelict not to point those concerns out. And I invite comments back to put it in perspective as well, but I've said my piece.

MR. McMANIMON: Before we decide whether the business administrator or the mayor would like to address that issue, if the ordinance is changed, take those two items out, not that your comments relate only to those, but if it's changed in there would the Board consider that regardless of the -- because perhaps that discuss with regard to the salaries can take place if we come back with a different application rather than do it now.

MR. NEFF: I'd be more than happy to conditional approval with these two items being removed from the ordinance, the other items that come before the Board at a future date.

MR. McMANIMON: Thank you. I think unless you want comments back from the business administrator and the mayor we'd like to take into account your comments and address them internally and decide whether to address them in the context of this additional ordinance we would come back with if that's okay with the Board.

MR. NEFF: That sounds like it's fine.

MR. LIGHT: We're looking for approval with the removal of the 335,037 acquisition of proposed properties and the removal of the 16,752 for the exchange commission disclosure compliance plan. Is that correct, Tom?

MR. NEFF: Correct.

MR. LIGHT: All the other items.

MR. McMANIMON: That is our understanding as well.

MR. LIGHT: I'll make a motion that we make that approval as just previously stated.

MR. NEFF: And I'll second it. But before I do I would just, you know, for the record to the city did give us what they characterized as a justification for the ordinance salary increases which was a comparison of what is provided to the governing body and mayor in East Orange and the governing body and the mayor in Newark. And with all due respect, I know this Board recently decreased budget items in Newark for exactly the council compensation. So we don't view Newark necessarily as a good comparison for Irvington. East Orange I can't comment on. Haven't looked at it as closely. But like I said, we did look at other areas and found something different when we did our comparison for what's comparable and fair and reasonable. And I'm sure the Board will be open to if the city wants to take another look at what is appropriate and fair and reasonable. And perhaps look at a few other municipalities and provide information. We'll look at it. The Board wants to be fair and reasonable. And at the end of the day want to show some deference to the city, but I think a little more due diligence is needed on that end.

MR. McMANIMON: Thank you.

MR. LIGHT: I'm also concerned with that foreclosure of property. And I do think that you should go back and come forth with another plan to discuss with the new Director some way of solving that because obviously it's a problem.

MR. McMANIMON: Thank you.

MR. NEFF: So I'll I guess I'll second the application. If there's no other comments we'll take a roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. McMANIMON: On the record, thank the mayor for coming even though it wasn't necessary to address the issue.

MS BUSH: Stephanie Bush, former DCA commissioner with the township of Irvington. Mr. Neff, I'd just like to thank you for all the work you have done over the years and congratulations on your movement forward, I guess, and wish you the best.

MR. NEFF: Thank you.

MS BUSH: Thank you.

MR. NEFF: West New York. West New York had a request for a borrowing. That's only coming to us because they're a Qualified Bond Act municipality. We found no issues with their application. There was nothing usual. There was no borrowing for operating. It's just standard borrowing for capital repairs. And so our recommendation is that we approve. Is there anybody here from West New York? You're not objecting?

A VOICE: No.

MR. NEFF: Is there no one here to object? So we can help expedite and move on. If you want to say a few words you're more than welcome to, but otherwise.

MR. AVERY: Motion to approve.

MR. BLEE: Second.

MR. NEFF: Motion and a second. The roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Okay. Thank you. I'm going to go a little bit out of order because I think Jersey City may take a little bit of time. We have a couple other people who I think we can get out of the room quickly. So let me just move to Gloucester Township Improvement Authority.

MR. WINITSKY: Good morning. My name is Jeff Winitsky, bond counsel to the Gloucester County Improvement Authority. We're here on behalf of Rowan University for the issuance of two series of bonds. The first in an amount not to exceed $58 billion. That would be county guaranteed. The second in the amount of $36 million not to be county guaranteed. In addition, we're here to seek approval and positive findings with respect to the final adoption by Gloucester County for the guarantee related to the first series of bonds that I referred to.

By way of background, in 2002 New Jersey voters approved a referendum authorizing about three quarters of a billion dollars under the Building Our Futures Bond Act for higher ed. Pursuant to that directive Rowan University sought certain funds by way of grant application, and in fact, has received the same, for a number of projects. Principally for their Rohrer College Business and for their engineering school. Pursuant to the way the Building our Futures Bond Act procedures the college or the university is required to match approximately 25 percent of those funds. For that purpose they have partnered with the Gloucester County Improvement Authority not only for the issuance of bonds but also with respect to the construction and management of all of these projects.

So pursuant to that matching portion the Gloucester County Improvement Authority's agreed to issue not to exceed $58 billion to finance the cost of the Rohrer College of Business and the new engineering school additions. In addition to those projects, the university is also looking to finance certain technology improvements and general capital improvements through a separate series of bonds in the amount of $36 million. The first series of bonds as I mentioned, the business school and the engineering school, will be guaranteed by the County of Gloucester. And both series of bonds would be set up and structured between two lease agreements pursuant to which the university will make lease payments equivalent to the debt service due on the bonds. The structure of the bonds will be such that they will be wrapped around Rowan's existing debt. And Josh can speak better or Joe Scully can speak better if you have any questions. And we expect both projects to come online -- when do you think, Joe?

MR. SCULLY: January 2017.

MR. WINITSKY: So if you have any questions specifically with respect to the structure or the nature of the projects themselves we have various representatives from the university and financial advisors to answer any of those questions.

MR. LIGHT: Would you introduce them?

MR. WINITSKY: Sure. Of course. George Strachan, executive director from the Gloucester Township Improvement Authority, Joseph Scully who's VP of finance and CFO for the university, Dave Thompson who's the financial advisor to the Gloucester County Improvement Authority and Josh Nyikita who's the financial advisor to Rowan University.

MR. NEFF: Actually have a question or maybe it's more of a comment. So it's an authority financing. So at end of the day we don't approve authority finances. We only give our findings.

MR. WINITSKY: Correct.

MR. NEFF: So I don't want to make too much of this, but if this were a municipality that came in and asked for a nonconforming maturity schedule where their first payment for one project was ten years out and the other project was did 18 years out the Board would almost certainly reject it. Especially since a lot of the costs that are being financed are things like technology improvements and those sorts of things, which, frankly, I don't think have a very long life span in and of themselves. Maybe perhaps with the other things that are borrowed they have an average, weighted average maturity of much longer. But seems to me like the first principal payment on some of this financing is way out in the future. And there's a lot of CABS. I don't know that that's the greatest way to do things. My recommendation, and it's just a recommendation because we don't do approvals, but my recommendation would be that the Board give positive findings for the overall project which our advancing a university in South Jersey that needs to be advanced and that has been looked at and reviewed and approved at some level by the higher education state folks. But you know, this kind of nonconforming maturity schedule cost taxpayers who are students who are whoever's paying this in the end more money than if there was a conforming maturity schedule. And it just seems to me to be inappropriate. But with that said I'm not looking to hold up the project. It needs to go forward. We don't have the ability to say no. So that would be my recommendation, a motion to provide positive findings with the exception of the maturity schedule with the understanding that it's not a denial. If the county wants to move forward in this fashion it can.

MR. LIGHT: Just question as to why it's pushed out as far as it is.

MR. NYIKITA: This is Josh Nyikita with Acacia Financial Group, financial advisor to Rowan. Rowan University's existing debt service structure sees approximately $40 million in debt service at the present time all the way out through 2027 with drops of about a million a year thereafter. So they have significant debt service that requires a wrapping of the new bonds around that to minimize the impact today. Had we not structured it this way the university would see a significant increase in annual debt service starting immediately which would be difficult to absorb given the current debt structure of the university.

MR. LIGHT: How many years out did you say that was?

MR. NYIKITA: It's 40 million out until 2021. Then it begins to drop down, slightly down to 30 million in '29. And it finally drops off at '35.

MR. LIGHT: You're talking 15 to 20 years. That means you can't do any other debt projects for 30 to 40 years.

MR. NYIKITA: When you combine the existing structure and the proposed new structures there is a decline in structure. It begins to decline after about 10 years. So there is room in the future for future borrowings, but this is a significant undertaking today. This is one of the largest bond issues they're going to do in the near term. So we thought it was appropriate to structure this way in order to allow the university to absorb this debt as well as any future debt they're going to have to incur going forward.

I would add that the useful lives projects are in excess of our proposed amortization schedules. We could actually amortize it out longer if we wanted to under the rules of useful lives. So we think it's prudent with respect to that. We understand the Board's concerns about no principal payments early on, but as you can see looking at the schedule in the far right that you're referring to it's significant debt service already exists for the university.

MR. NEFF: What's the university's debt rating right now for S & P?

MR. SCULLY: A plus. Stable outlook.

MR. NYIKITA: I point out the university went to the rating agencies last year and actually presented this plan as part of that. It wasn't for that transaction. It was for a separate transaction, but we referenced that we were going to be going forward with this debt issuance. They're aware of this debt coming on the books. And it did not have any effect on that rating.

MR. WINITSKY: There's also -- I would add there's also a couple of series bonds that the university has identified as refundings. That should generate some savings, too. Not that it will completely offset but they're looking at that as well.

MR. NEFF: I understand. I don't want to belabor the point. It's like beating a dead horse because for the last four years I've been saying it, but if there's something new that's being built and, you know, we have things like one of the things that's being built, I'm sure it's a nice thing, is a room that's going to be like a holographic some sort of educational system where people can wear gloves and see things that aren't really there and have some advanced technology and interesting good things. You know, when you're building interesting and good things it would seem to me that it's appropriate to pay for it as you go along instead of building brand new things and people who are going to use it for the next ten years pay nothing. And then somebody 11 years out -- or actually in this case starting in, what, 2037 is the first principal payment on one aspect of the issuance. For the other aspect of the issuance the first payment is in 2028. So 14 years out. I think that's the portion that made some of these technology improvements. But it just seems to me that A, it's more fair to have people who are using those things pay for them while they use them. And B, it seems to be generally accepted that having a more standard payment schedule for debt tends to get a better interest rate.

Again, I don't want to belabor it because we can't say no. And we're not going to say no, I don't think. But at the end of the day it's just a recommendation from the Board take a look at this again and see if there's a way to pay some of this down a little bit sooner and have the people who are going to be using it for the next 10, 15 years pay for a piece of it instead of somebody who, you know, is going to be a student in 2036 who hasn't even been born yet which is what this is. So it's a suggestion. It's not a requirement. I hope this moves forward. And I hope it improves the university and all of that, but seems to me there's a better way to finance it. I don't want belabor it. So unless any of you have any further comments I think I would make a motion that we find positive findings for the project but that we recommend with the exception of the nonconforming maturity aspect of it and we would recommend that there be a second look at is there a better way to finance it. And if there is there is. If there isn't there isn't.

MR. LIGHT: I'll second.

MR. NEFF: Take a roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Is this the lease revenue refunding project?

MR. WINITSKY: Yes, correct. Again, for the record Jeff Winitsky from Parker McKay, bond counsel to the Gloucester Township Improvement Authority. To my right George Strachan, executive director and to his right Dave Thompson of Phoenix Advisors, financial advisor to the Improvement Authority. The purpose of this application is seeking positive findings for the issuance of not to exceed seven and half million dollars to refund existing outstanding bonds of the Improvement Authority that were issued in 2004. The transaction is simply for savings. It's pretty straightforward under the existing bond resolution that will be supplemented, an existing lease that exists with the county which will also be supplemented and a county guarantee which is also in place and will not be increased by this issuance. In fact, will probably go down. So it's a very short amortization out to 2019. It's, like I said, it's simply for savings. So if you have any questions we're happy yo answer them.

MR. NEFF: Not that it's overly late, but just another quick question. I note in our staff review the Improvement Authority budget was due on November 1st but we don't have it yet. Do you know when that's coming?

MR. STRACHAN: We filed for an extension and we're looking to have a new budget to you in the first quarter of 2015.

MR. NEFF: Okay. All right. So this is just savings?

MR. WINITSKY: Yes.

MR. NEFF: Refundings?

MR. AVERY: Move to approve.

MR. BLEE: Second.

MR. NEFF: Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. STRACHAN: If I may, Chairman, good luck in your new role. And we've dealt on a number of difficult budget financing. You've always been thoughtful. And I'm sure you're going to serve the taxpayers well. Thank you.

MR. NEFF: Thank you.

MR. THOMPSON: And the state budget clearly needs help. Go for it.

MR. NEFF: Wrightstown. Can we do Wrightstown quickly?

MR. WINITSKY: Good morning. Jeff Winitsky from Parker McKay, bond counsel to the Wrightstown Municipal Utilities Authority. We're here today seeking positive findings from the Board to issue $976,000 of project notes to finance the costs of -- to temporarily finance the cost of the replacement of water and sewer lines on West Main Street in the borough of Wrightstown. The reason we're doing project notes is we're intending to permanently finance this issuance through the USDA through their Rural Development Program. As part of the program there's a grant that is utilized and the other part is for the MUA to finance. That's part of the reason we're not also going through the EIT which I know is often a question of utilities authority. In this instance we're receiving a grant of almost $800,000 which is simply not available from EIT. And we're able to amortize up to 40 years which is also why we're going through the Rural Development Program which is pretty standard for MUA's of this size. So if the Board has any questions or myself or for the members of the authority we're happy to answer.

MR. NEFF: And the only reason it wasn't on consent is because it's a 40-year maturity. So it was little bit unusual. And it's a sewer system. It's going to last that long presumably. So I don't have any issues. But anybody, questions? Concerns?

MR. LIGHT: Just for sewerage? They don't do anything else.

MS HARRINGTON: It's water and sewerage.

MR. AVERY: Do you operate your own sewerage treatment plan?

MR. GHRIST: Yes. Matter of fact, they built a new one in early 90's because the EPA required it. So that's substantially most of our debt right now.

MR. LIGHT: I move the application.

MR. BLEE: Second.

MR. NEFF: Roll call.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: Jersey City.

MR. WALRATH: Good morning. As you know, the people sitting at the table Bob Kakoleski, who's the business administrator in Jersey City, Greg Corrado to his right, the assistant business administrator and Dennis Enright with NW Financial as financial advisor. Bob, you wanted to...

MR. KAKOLESKI: Good morning. And thank you for allowing us to appear today. You know, we understand that this is a nontraditional application. And there are a lot of questions and concerns. We understand that the Board still has some concerns and is considering possibly deferring this to next month. We understand that some of our concerned citizens have also raised some questions. So on behalf of Mayor Fulop he certainly will support entertaining of this application next month if that's what the Board chooses.

In an era of transparency we would like to air out all the concerns with our local residents to make sure that they are comfortable with this transaction as much as we are so they don't have to go through you. So we're prepared to answer questions today, but we would certainly have no problem appearing before you next month when everything has been ironed out locally and here as well.

MR. WALRATH: And Director, if you want we can present the application as we intended and then that might spur whatever questions you have. Or I kind of leave it up to you.

MR. NEFF: I would ask that you walk through the -- we've had the benefit of meeting. Frankly, I was impressed with some of the thoughtfulness behind the bigger picture of what you were trying to do to consolidate space and put it in a place that makes sense and all that, but there's no record on that. So I would just ask -- and the Board members haven't heard that. So I would just ask that you walk through what the project is, why it's being done, that sort of thing.

MR. WALRATH: Well, the application of course is filed with this Board for two reasons. One, the city is a municipal Qualified Bond Act municipality. And as part of previous approvals by this Board it was required that any capital ordinance or ordinance authorizing capital projects be approved by the Local Finance Board that's the first reason the application was filed. The second is the structure of the transaction is being done through an installment purchase arrange. And under the Local Land and Buildings Law a municipality is allowed to acquire by lease lease purchase installment arrangement a property that's going to be improved and then delivered to them. As long as the payment schedule under the installment purchase matches what would have been under the local bond law there would be no need to come to the Board for that. But because the structure of the payment schedule is what would be nonconforming at a local bond law we need to seek approval of that payment schedule.

The reason it's nonconforming is -- well, first of all, the repayment structure is going to be a 25 year payment. And that's going to start once the building's completed and turned over to the city. And the first five years of that payment schedule the city wanted to make sure that there was no increase in their existing lease payments that they'd otherwise have to make. And then after the next 20 years it would be dependent upon what interest rate the developer who is the owner would have with this lender. There might have been some confusion on the interest rate that gets locked in. Right now the payment structure was based upon 4.6 percent interest rate. That's what the commercial lender had indicated to its borrower. And that rate may or may change higher or lower. We hope it doesn't change. If it changes it might be lower. We're also looking at a structure that would be good tax exempt rate. So instead of 4.6 it might be substantially lower. So that is the payment structure. That's why we need approval of a nonconforming maturity schedule because the first five year payments -- in fact, we should say there are later payments that are greater than a hundred percent of any prior payment.

There are reasons that I'll let Bob or Greg explain as to why this is important to the city, a benefit to the city, but from a financial structure the financial advisors and we have gone through and analyzed this structure versus if the city went and did its own bond financing. Because if they did their own tax exempt bond financing the net interest cost might be in the neighborhood of right around 3.6 percent. So at first blush maybe it's 100 bases points higher than doing it under this structure. But because if you have to do it as your own general improvement bond and go through the whole bidding process you have to add in reserves, contingencies, and increase the principal amount borrowing. So in essence the cost of doing the installment purchase is less than doing a tax exempt bond structure. And as I said, we're going to try to lower that by looking at a tax exempt installment purchase arrangement as well. I'll let Bob speak about the MLK hub and the reasons why these buildings are necessary, but I think what in essence what the city's trying to do is get away from just strict leases and get to a point where they actually own facilities.

MR. KAKOLESKI: The Martin Luther King hub is a commercial strip that was built or started in the 1990's. It was a hope back then to revitalize the inner city of Jersey City whereas the waterfront is booming. The west side of our city is about to explode. And then, you know, our Journal Square transportation hub, you know, is now realizing new construction. And it's going to be prime office space in a couple years. So it's always -- the inner city's always been neglected. So in the 90's they built this commercial strip mall. You know, bank and restaurants and retail space and super market. You know, it was hoped to revitalize the neighborhood. You know, it hasn't worked. Businesses coming in and out. The bank has moved out. The restaurants have moved out. And the space has been occupied by sometimes city offices just to help out. And that property is a partnership with our Jersey Redevelopment agency as well Brandywine Corporation. But Brandywine wasn't the original partner. There was a local business management group that fell under as well. So the redevelopment agency had to solicit a new partner and got proposals and partnered with Brandywine.

Now why this location? Well, you know, as Chris mentioned we are leasing space throughout the city. Our waterfront office space, you know, Journal Square space, you know, we find that paying rent on prime office areas is not wise use of taxpayer dollars. It's just getting too expensive. There's been talk about building a municipal annex for years by several administrations. Mayor Fulop campaigned on revitalizing the inner city. We just thought we had a piece of property that we're in partnership with in an area that we're looking at revitalize. And we decided that build a municipal annex in this neighborhood would bring 250,000 new employees into the neighborhood. Therefore, it would spur retail coming back into this commercial strip. It would take us out of prime office areas paying that lease price into a building that we will own in 25 years. So therefore, there would be no more leases moving forward. You know, we're moving a public safety department into there. So we would have a police presence in this neighborhood that truly needs it. The health and human service department which caters to the clients of this neighborhood would be there on site. The WIC program would be right there. So parents can get their needs and go right across the parking lot into the supermarket that's there. We just thought it was a great idea to partner in this neighborhood. Just made sense to us.

MR. CORRADO: Exactly the reasons. It's a neglected part of the city. Could use a shot in the arm.

MR. NEFF: And can you go back to why it's important to have a nonconforming maturity schedule and why is it being scheduled the way it's being scheduled?

MR. WALRATH: If we went with a conforming maturity schedule the first five years of the conforming payment schedule would exceed what the city's currently paying under their lease agreement's now. So the intent was for at least five year period to keep it the same, static or less if the interest rate is lower.

MR. KAKOLESKI: Since we're paying for it out of our operating budget we would have certainty for those first five years and then we can plan accordingly moving forward. We're not incurring any debt here.

MR. NEFF: It is debt in a sense that it goes on the supplemental debt statement. Right?

MR. WALRATH: Yes it is.

MR. NEFF: It counts against your overall debt authorization?

MR. WALRATH: Yes, it does.

MR. NEFF: And even if it goes under your supplemental debt statement, though, and it is considered debt for that purpose you're still under three and a half percent?

MR. WALRATH: I think it's two and a half percent.

MR. NEFF: Right. That's well below that.

MR. WALRATH: Correct.

MR. NEFF: What happens -- I know you had brought staff through this, but for the record and for the other members what happens to the other properties that municipal services are currently being offered through?

MR. KAKOLESKI: So health and human services is currently housed in a trailer complex. They move into this annex. Therefore, the lease payments for that would come off the books and be toward the payments on a new building. Our housing and economic development which is located on the waterfront property that lease is expiring in 2016. That would not be renewed. They would be moving into this new facility. The public safety department is currently spread out. The administrative staff and the Journal Square office space which obviously we would not renew. And our fire headquarters, the administrative staff, is located in downtown Jersey City and located on one of the most valuable pieces of property still in Jersey City that we own. You know, they would be relocated into this new annex. And it just gives us options of what we want to do with that property moving forward.

MR. CORRADO: There is a fire station at that location. So when fire headquarters leaves it won't be vacated because there's a fire station there.

MR. KAKOLESKI: There's a police district right around the corner that is in an old brownstone neighborhood that the neighbors would love to get them off that neighborhood and get all the extra parking spaces. So eventually build a joint police and fire station within that neighborhood to maintain that presence probably within a couple block radius.

MR. AVERY: The so the city functions that are in leased properties that would go into this proposed building you wouldn't have to break leases. Those leases would all be expiring. There wouldn't be extra cost?

MR. KAKOLESKI: Right. In 2016 is when one lease expires. The police headquarters staff is currently in the Journal Square space. Their lease expires in '15. So we're going to probably extend that for another year.

MR. AVERY: You won't pay a significant penalty for breaking the lease?

MR. KAKOLESKI: No.

MR. CORRADO: In fact, the landlord has asked us to leave Journal Square early. So we actually vacated one of the floors. We had two floors there. The rental market is so strong in Jersey City that the landlord asked us to move.

MR. KAKOLESKI: And the lease on the trailers was just initially a two-year lease that we began about eight months ago with one year options. So be able to plan accordingly when the time comes.

MR. CORRADO: They're in very bad shape. They had be used for the Board of Education. And so they're at their end of their useful life. So we went in there just to bridge a gap for the finishing of this build that we're here for.

MR. AVERY: The builder was selected because of an existing partnership arrangement not through a public process, an RFP?

MR. WALRATH: It's a redevelopment area.

MR. AVERY: So they have a role there already?

MR. CORRADO: Correct. They're partners in the ownership of the strip mall because what they do Brandywine Financial is a national wide firm that's headquartered in Pennsylvania that builds -- I should say designs, develops, builds and manages strip malls and regular malls. That's what they do. That's their specialty. And so I think it was 2006 the Jersey City Redevelopment Agency was looking for someone to help. As Bob said, the strip mall was doing very poorly. So they went out and got some RFP's looking for someone who could help revitalize it. And in the time that they've been there they've been able to get it fully leased. Just this year it's fully leased.

MR. AVERY: So at one point in time there was a public solicitation?

MR. CORRADO: Yes, that's right.

MR. AVERY: Thank you.

MR. CORRADO: 2006. And they were approved by the Jersey City Redevelopment Agency's Board.

MR. NEFF: Other questions, comments? There's some property -- my understanding as to prior conversations there's some property where there's currently tenants, government tenants that would move to this new property and that the property would be sold?

MR. KAKOLESKI: That was the fire headquarters facility that we were just talking about.

MR. NEFF: So it won't be sold?

MR. KAKOLESKI: That's not the initial plan.

MR. CORRADO: We can make that clear at the meeting. 90 percent of the building is going to be occupied by people who are at leased places. The one that Bob was talking about, the fire station, that's why I brought it up, we won't be totally vacating that. We won't be able to sell that. It will be developed. We do have that in mind. The city will develop it eventually, but as Bob mentioned we to have to do something with the fire station, the police house. Won't be sold in the short-term.

MR. NEFF: Okay. If you sold it in a short term.

MR. KAKOLESKI: It's a long-term project.

MR. NEFF: By short-term you mean?

MR. KAKOLESKI: It's years away for the consideration.

MR. CORRADO: Something else has to happen there. So.

MR. NEFF: Couple of housekeeping questions. Have we received the installment purchase contract?

MR. WALRATH: It was e-mailed yesterday, Patty.

MS McNAMARA: Last night? I didn't have it as of 5 o'clock.

MR. WALRATH: It was earlier than that. It should be there. I'll check my system. Maybe because it's a large document that it gets rejected on your side and I didn't get notice of that, but it was sent out. But the installment purchase payment schedule you do have. It's in the application. That's what we're looking for.

MR. NEFF: We received -- just for the record, we did receive comments from two people who are opponents of the project. Characterize them that way, I guess. Mia Scanga. I don't know if I'm saying that name right. And the second person, Von Bellser. And a third one, Bridgette Desusa. And just generally they had expressed opposition to it. They also expressed concern that the payments for this would be back loaded which is directly the issue that is before us with respect to the purchase installment contract. They maintain that any change in the interest rate where it may go above 4.6 percent would be reflected in years after year five. And that did seem like a legitimate issue to me. If there's a change in interest rate why not just spread it out equally over the five years? I mean, presumably if there's a decrease from 4.6 percent you would spread it out equally over the years. Right?

MR. WALRATH: Once this gets approved by council after the Local Finance Board the Brandywine will get the committed rate from its lender. Let's say it's 4.6. Then the structure that we have in there -- the payment schedule in there is perfectly accurate. If for some reason it goes up a few bases points Brandywine has to commit to those first five years.

Fill that payment schedule based on 4.6. The difference gets made up on the last 20 years. And those payments are based upon 4.6 plus a few bases points. It's spread out over 20 years.

MR. KAKOLESKI: That's why, you know, we're comfortable if the Board would like to defer it to next month. We will address the concerned citizens. Some of them we already have, but, you know, we will continue that dialogue moving forward so there's a comfort level on all avenues here.

MR. NEFF: The rent payments if it's 4.6 percents is that what totals the $45,119,400?

MR. WALRATH: Yes, it does.

MR. NEFF: Annual rent payments we have a sheet?

MR. WALRATH: Yes.

MR. NEFF: Okay. So that the annual rent payments go from a million 284,000 in the first five years. And then it hikes up a little bit to 1.5 million. And then continues to increase steadily over time to 2.4 million?

MR. WALRATH: That's right. Yes.

MR. NEFF: And do we have a comparison as to how that would compare to a conforming maturity schedule?

MR. WALRATH: I do. I probably have a copy here. And I can send it over to you. But the difference if we use the same interest rate in a conforming maturity schedule I think, Dennis, if you recall that was roughly the same.

MR. ENRIGHT: It's not that big a difference, you know.

MR. NEFF: So it's very similar. The nonconforming nature of this is very minimal.

MR. ENRIGHT: And in a lease setting, you know, if they didn't do this project they'd looking at lease bumps every few years as they renewed leases. So it kind of parallels what you would do in a commercial market. The big advantage here is they're paying dollars but at the end they own it instead of just paying for rent that you never own the space.

MR. NEFF: I mean, the main issue the nonconforming suggests it says in the sheet that you provided that the principal payment goes from 131,000 in year one to 2.3 million in year 25. So as compared to conforming maturity which you couldn't go more than twice principal in any one year this goes from 131 to 2.3 million. Goes up roughly 20 times. I'm not making a value judgment on it for a lease deal but that -- I just want to make sure I have the right understanding.

MR. ENRIGHT: Let us run a fresh schedule for you, Tom, and we'll give that to you.

MR. NEFF: Okay. My gut is that this is -- I don't know really have an issue with this. It seems like it's thoughtful. It seems like it may be defensible, but I would -- I think we will sit on it until January. And what I would ask for is some sort of discussion or feedback as to why it wouldn't make sense if the interest rate goes up to at least spread it out over more even bases. And maybe it doesn't make sense to do that. I'm not suggesting it doesn't. But I do think, also, might if we just got the installment purchase contract albeit we understand the maturity schedules the first time we've seen it. And again, Jersey City is one those most municipalities that in the past has been in transitional aid. Isn't now. Might guess it isn't going to be anytime soon, but you never he know. And we want to take a little bit more careful look at what the installment purchase contract is and what it says. And we want to make sure that those people who are opponents to it have a chance to look at those things as well. And if they want to provide us with comments they can. I think that's -- does that sound reasonable? When the Board -- my recommendation when the Board meets in January that testimony be limited to new things that aren't previously discussed. So it's not an opportunity for people to come in and talk about things that are unrelated to what it is that's under the Board's. There shouldn't be comment from people this isn't the appropriate place for a building. It's not our call or decision. Those sorts of things. And with that I don't have any other comments or questions. Does anybody else?

MR. LIGHT: No. I was happy, satisfied with the answers that they gave right now, but if you want to take -- hold it over that's fine.

MR. NEFF: Could we just break for two minutes.

(Whereupon there is a recess.)

MR. NEFF: We're going to defer it until January. And if there's new material, people want to submit anything, you guys want to clarify we'll take a look at it and make sure it got a thoughtful review before there's a vote. And that's that. Anything else?

MR. CORRADO: No. Thank you so much.

MR. WALRATH: Thank you. Appreciate it.

MR. NEFF: Thank you. Last item is extension of the budget calendar for 2015. The statutory date for the mayor to transmit a budget to a governing body is January 15th. And it would be extended to February 12th. The municipal introduction and approval of the budget which is February 10th would be extended to March 13th. And the county introduction approval of the budget which is ordinarily January 26th would be extended to March 13th. The municipal adoption of a budget which is usually March 20th would be extended to April 24th. And the county adoption which is February 28th statutorily would be extended to April 24th or the first ordinarily scheduled meeting of the governing bodies thereafter for those dates.

MR. LIGHT: When this is adopted, then, of course, you send copies out to all the CFO's in the township?

MR. NEFF: Yes, we have a draft notice that will go out once this is approved by the Board but we didn't want to do it until the Board approved it. And that's similar to the extensions that have been done every year for the last several years.

MR. LIGHT: Were these types of things discussed at the (inaudible)?

MR. NEFF: Yeah, we do. We usually tell them that the extensions are likely to be similar to what they were the prior year. I'll make a motion.

MR. BLEE: Second.

MS McNAMARA: Mr. Neff?

MR. NEFF: Yes.

MS McNAMARA: Mr. Avery?

MS AVERY: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light.

MR. LIGHT: Yes.

MR. NEFF: I'll make a motion to adjourn.

MR. AVERY: Second.

MS McNAMARA: Thank you. All ayes.

(The matter is adjourned at 12:22 p.m.)

CERTIFICATE

I, CARMEN WOLFE, a Certified Court Reporter and Registered Professional Reporter and Notary Public of the State of New Jersey hereby certify the foregoing to be a true and accurate transcript of the proceedings as taken stenographically by me on the date and place hereinbefore set forth.

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CARMEN WOLFE, C.C.R., R.P.R.

Dated: December 12, 2014
License No. 30XI00192200
Notary Commission Expiration Date:
July 29, 2016