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
May 13, 2015

B E F O R E: TIM CUNNINGHAM, Chairman
MELANIE WALTER, Deputy Attorney General
PATRICIA McNAMARA, Executive Secretary
EMMA SALAY, Deputy Executive Secretary
FRANCIS BLEE, Member
ALAN AVERY, Member
TED LIGHT, Member
IDADA RODRIGUEZ, Member

STATE SHORTHAND REPORTING SERVICE, INC.
P.O. BOX 227
ALLENHURST, NEW JERSEY 07711
732-531-9500 FAX 732-531-7968
ssrs@stateshorthand.com

MR. CUNNINGHAM: This meeting previously being opened upstairs, no formal action required to open the meeting by the Board. Rather, we'll move right into the financing portion of the agenda. And in front of the Board the first matter is -- the first two matters are under Consent Agenda starting with the first it relates to the City of East Orange. And the City of East Orange is coming before the Board in furtherance of their participation in the environmental infracture trust loan program seeking issuance nonconforming maturity schedule waiver of down payment. And this is also a proposed qualified bond ordinance and self-liquidating status. So again, this is in furtherance of the NJEIT program so we didn't require an appearance today. I would seek a motion to second if my colleagues on the Board support this application.

MR. BLEE: Motion.

MR. AVERY: Second.

MR. CUNNINGHAM: Thank you. Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: The next matter is similar. It's from the Atlantic County Utilities Authority. Again, participation in the environmental infracture trust program seeking proposed financing of $24 million. If the Board members support this I would ask for a motion and a second.

MS. RODRIGUEZ: So moved.

MR. LIGHT: Second.

MR. CUNNINGHAM: Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: The Board will next

hear the township of Old Bridge Fire District Number Two.

(All parties sworn.)

MR. CUNNINGHAM: Good morning. Did you just want to quickly present your application to the Board?

MR. BRASLOW: Absolutely. Richard Braslow representing Old Bridge Fire District Number Two. This is a lease purchase, proposed lease purchase financing of a fire truck. The fire district under state contract will be purchasing a hundred foot ladder truck. They have an existing truck from 1989 that they will be selling in accordance with statute. The fire district did receive financing bids. We mailed out seven bids. Received two back. We proposed to go with the low bidder which is Leasing Two. This is a ten-year lease purchase financing. And those are the particulars of the application.

MR. CUNNINGHAM: Thank you, Richard. I guess first the comment. I was glad to see that the district had secured capital funds to put toward this as opposed to financing the entirety amount. I did have a math question I just wanted to make sure the record is clear on. Because I know that it's a ten-year finance but I think there's nine --

MR. BRASLOW: I'm sorry, Director. Yeah, we can clarify that. The first payment is going to be December of this year. And so the schedule then reflects the additional nine payments but it is ten years.

MR. CUNNINGHAM: Okay. Thank you. Lastly, and what I would have to ask of the district is this was done through a special meeting as opposed to, you know, a regular election cycle. And it concerns me because, you know, the referendum passed by only a vote ten in favor, none opposed. That's concerning to me, you know, just from a public participation standpoint. So I would just ask the Board to address why it was done as a special meeting.

MR. BRASLOW: If I can talk in general first because I've had the opportunity in the past to address the Finance Board. I realize Director Neff was here at the time. I can't recall which application but we had a bit of a dialogue about this. That statute has been the source of discussion with DCA and with the legislature for years. And admittedly, it's a strange statute to allow you to have a special capital meeting and have that be your voter approval. I can tell you that most districts that utilize that get caught in a time constraint. You start talking about the purchase of a truck or some other capital item typically it reaches serious discussion during budget time. You realize that under the law you want to get your voters approval this year possibly to reflect monies in the budget for a down payment or so forth. And I know you could look at the process and say, maybe it's being done because you want to avoid a more full fledged election where maybe there's greater voter participation. Admittedly that could be the case sometimes. I can tell you the majority of the times it's not.

What happened in this particular instance is at the time the district got serious about the truck they got caught in the time constraint. It was budget time. They started to talk about the process. They wanted to do a down payment. They wanted to buy the truck at a particular timeframe. All of a sudden we're into November, December. By the time you scheduled that full fledged special election we wouldn't have been able to do budgetarily and time wise what they wanted to do with the truck. So I will indicate for the record that in this case there were no ill motives. And I will say in general the reason the districts typically do this is because of the time issues. Also to be blunt, it's a less expensive process to engaged in. And the question you have to ask yourself is whether right or wrong in most of the districts if you have that full fledged election you're not getting much greater voter participation. Maybe in this case you get ten. Maybe in the election you get 20 or 30. Admittedly that's not a great picture but the reality is to spend that additional money, to delay the process. And in delaying that process another issue is the price of the truck because what happens a lot with the vendors they go, look, I can lock in your price for this amount of time. If you delay it the price goes up. And that's certainly not productive for us. So that's what tends to happen.

I will tell you if I may to digress for a moment, over the years there have been proposed amendments to that statute, but instead of getting rid of that statute which our position is if it isn't there then great. We have another method we have to go through and so be it. But amendments have been proposed instead of posting in the five public places we'll do it in ten. Instead doing a ten-day notice we do a 21. Those amendments have never gone anywhere. And I will tell you that one of the pieces of legislation we're working on now which has to do with the election date there has been discussion of leaving that section in tact but not even having a vote. Having the process be engaged in, having the public participate but not having to do a formal vote. I don't know where that's going but that has been some of the discussion we've had with the legislature. So didn't mean to be long winded.

MR. CUNNINGHAM: No, I appreciate that. And let me just be clear that in no way am I suggesting ill motive, but from my perspective it's a question of maximizing public participation. Your point, though, about fire elections getting poor participation is certainly a valid point. And I think it speaks to a problem more globally with the way these work. I don't think we as a Board are going to be in a position to solve those issues today.

Nevertheless, though, I think that the proposed financing in the manner it's being done is prudent for the township of Old Bridge but I just want to see if any of my colleagues on the Board had any additional questions for the applicant or their counsel. I'll make the motion to approve this application.

MR. BLEE: Second.

MR. CUNNINGHAM: Take a roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. BRASLOW: Okay. Thank you very much.

MR. CUNNINGHAM: Thank you. Next before the Board is the Hamilton Township Fire District Number Four.

MR. GRAZIANO: Daniel Graziano, attorney for Fire Districts 3 and 4. These are applications for a joint purchasing agreement.

MR. CUNNINGHAM: One second, counsel. I just want your colleague from the Board to be identified and sworn in.

(All parties sworn.)

MR. GRIBBIN: I'm Thomas Gribbin. I'm the fire chief for Fire Districts 3 and 4.

MR. CUNNINGHAM: Okay. So on the agenda

the matters are listed separately, but I think for the Board's benefit, counsel, if you would, can you just kind of explain. This is bit of a different arrangement and I think it's important that you put it on the record.

MR. GRAZIANO: It is. I've been representing fire districts since 1978. And frankly, Hamilton Township has a total of eight fire districts within its district. Within its boundaries. Confessedly, I really didn't think we'd still be in this position in this century, but we still are, but we're moving toward consolidation. And we're moving somewhat glacially but this is another example I think of movement in the right direction toward consolidation. What the districts here have done, Districts 3 and 4, and I might point out that Chief Gribbin is the chief of four fire districts now. So he has administrative authority over four fire districts within the township, two of which are Districts 3 and 4. And because of the need to replace some apparatus they went to the marketplace to see how best they could do that in terms of making financing arrangements and good pricing. So we're here today on a joint purchase program from Pierce Arrow. We're purchasing two Pierce Arrow XT pumpers, Pierce Arrow tractor drawn aerial and a Pierce Arrow mid mount platform. So four pieces of apparatus. District 3 will have one pumper and the tractor drawn aerial ladder. District 4 will have a pumper and the mid mount platform.

The total cost is slightly north of $3 million, but what's important to note here is that by doing this through a joint purchasing agreement plus by prepaying a substantial amount by prepaying for the units completely between capital reserves and financing that we're here to get approved today the savings will be over -- around $150,000 for the purchase of these vehicles. Interest rates are just under three percent. So very attractive. And District 4 has no long-term debt. District 3 has about 135,000 in long-term debt. About 88,000 of that is going to be paid off this year. So we're asking for additional $679,000 worth of debt on top of what will be about $45,000 existing. That's really why we're looking at this on a joint purchasing. And as I said, what I think is very laudable about this process is it is a step toward where we should be going in terms of consolidating municipal services. And these districts I think have shown by their employment of one common chief and by doing this kind of thing that they are thinking in 21st century terms about how best to manage there their finances within their district.

MR. CUNNINGHAM: Thank you, counsel. Let's to be clear. We have two separate entities doing two separate financings but from an operational standpoint are these vehicles shared among the districts? I mean, if something happens in 3 and a truck that is in 4 do you respond across district boundaries?

MR. GRIBBIN: Yes, we do. We have a mutual agreement in place with all the districts in Hamilton. So we do respond to all calls together. And if I could just briefly, those numbers they were last year's numbers on our debt. Our debt is actually paid off completely in July. So we will have -- the district -- this will be new debt for the district. And that is it.

MR. CUNNINGHAM: And Chief, I will also make a point on the record that I notice that in both contexts the majority of the cost of the acquisition is being done out of your reserve funds. And I'm often heard on this dais, you know, saying that I think some amount of the purchase should come out of district funds, you know, with the balance being financed. Here you've actually done even better by paying the majority out of your reserve funds. And as your counsel pointed out, interest rates are favorable. And just for the Board's benefit, you know, you sought financing from nine perspective lenders and received good rates and went with the lowest of them. So think that it's just a bit of a unique circumstance. And we will have to vote on them separately, but before we go to that step I didn't know if any other members of the Board wanted to have any further questions or discussion. Then I would seek a motion on the files matter which is the 1,607,000 proposed project financing for Hamilton Township Fire District Number 4.

MR. BLEE: Motion.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: I would then ask for a

motion to approve the $1.5 million proposed project financing on behalf of Hamilton Township Fire District Number 3.

MR. LIGHT: Motion.

MR. BLEE: Second.

MR. CUNNINGHAM: Take roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Thank you very much, gentleman. Next matter before the Board is Wallington Borough.

(All parties sworn.)

MR. CUNNINGHAM: So gentlemen, I have to confide to you that I nearly came loaded to bear and I confused you with another party that was considering coming before the Board. And Tina Zapicchi caught me at the last minute and fortunately corrected my mistake before I went both barrels. So with that, I'll allow you to present the application to the Board. But I think the one thing that you should be made aware is that you're seeking cap waiver for operating deficit and it relates to a particular instance in a particular rateable. So I would ask you to share that information with the Board.

MR. HIGGINS: Okay. Yes, if I could just, I guess, give you a little background. We're looking for a surplus cap waiver in the current fund of $127,000 approximately. Why this is being requested is the water utility which we operate had a deficit of approximately $202,000 in '14. The cause of that our largest rateable in Farmland Dairies closed up in March. So not only do we have a rateable problem going forward, but we had a large water user obviously stop using water. Three quarters of the way they didn't use it at all. So hence, the budget that we had built last year was not balanced as a result of them leaving. We put the water utility budget together for 2015. We used all the cash surplus available. And any other revenues we could find we did cost reductions, but the budget was still out of balance. We did a five percent increase effective January 1st in the water rates. And with that we're still short the roughly $127,000. If we were to balance the budget, and now that we're already in May, we would have to increase rates another 13 percent July 1st on top of the five percent.

So what we're requesting that we balance really our water utility budget for '15 on back so the current fund for this year. One thing that's transpired and we sent it down to the Division, the council amended the budget just recently. I believe last week. And originally the budget as introduced was up six and a half cents per $100 of assessed valuation. We brought that down to three and a half cents through the amendment. So the average home on $311,000 is up $109 after the amendment. And $40 of the 109 would be the surplus cap waiver, but it wasn't surplus if you looked at it that way. So basically that's the whole story. The borough is already looking into next year's budget knowing we don't have that water user.

MR. CUNNINGHAM: That was going to be my next question. Can you talk about that, please?

MR. HIGGINS: One of the things that (inaudible) because we had the operating deficit our surplus was really $400,000 plus. So although we used all the cash surplus, once we fund the deficit we're really beginning the year again with $200,000 of surplus. Hopefully we're going to be able to build on that. So when you look at it next year if the deficit goes away that's really offset by the same amount of surplus. We'll be able to bring in $200,000 in surplus again. And that will replace the anticipated current fund money of $127,000 in this year if everything goes well. Plus, we anticipate doing at least another five percent hopefully increase again in '16. So we have looked forward. And we hopefully have a remediation plan that will take care of not having to pay a visit here next year.

MR. CUNNINGHAM: Just to be clear, that you're seeking a motion on a waiver for the appropriations cap. The borough as far as the levy cap is certainly within the cap. So it's just an approp waiver. Do any of the members of the Board have any questions? Hearing none, then, we'll consider --

MR. BLEE: Motion.

MR. CUNNINGHAM: Motion from Mr. Blee.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. HIGGINS: Thank you.

MR. CUNNINGHAM: Thank you very much. The next matter that's listed on the agenda is Plainfield City but they have deferred their application until the next meeting. So we'll move to the City of Trenton.

(Discussion off the record.)

MR. CUNNINGHAM: So we'll take Bayonne.

(All parties sworn.)

MR. CUNNINGHAM: Good morning.

MR. CANTALUPO: Good morning.

MR. CUNNINGHAM: So I know that right now the City of Bayonne is in front of the Board for $3,780,000 in proposed financing under QBA, but Mr. Cantalupo, I know that it's currently envisioned as a competitive sale which you're potentially thinking about going through HCIA. So do you want to just maybe explain the application as it us and give us or maybe have your clients give us some thoughts on how this is likely to proceed?

MR. CANTALUPO: Sure. Absolutely. This is City of Bayonne is asking for approval to issue bonds under the Municipal Qualified Bond Act in the amount $3,780,000 for their normal annual 2015 capital program. They include roadway improvements, technology type acquisitions, telephone system, ice ring, park and playground improvements, DPW work trucks and equipment. And what we're doing we obviously have to appear before you if we want to proceed before the Municipal Qualified Bond Act. And the currently the city anticipates participating in the HCIA pooled note program until such time as they see fit to issue bonds. I believe we just issued bonds in December of last year. And, Terence, would you like to talk about your plans in terms of going forward whether you plan on issuing bonds and getting out of the pool program.

MR. MALEY: Yeah, if the current interest rate primarily stays the same, essentially kind of stable on the low side, we would anticipate staying in the Hudson County Improvement Authority pool loan program until such time that we're now getting to year seven, year eight. And then obviously then we're go long-term financing. If the rate environment changed that it appeared as though rates would start to be increasing we would then try -- not try. We would then go into long-term debt in order to lock in, you know, a good rate before any upwards motion.

MR. CUNNINGHAM: City of Bayonne has had its share of challenges. We've met previously and discussed those issues. That said, I mean, there is a need for the improvements being done. I just would be remiss, though, if I didn't state from the dais that we need to make sure that these are, you know, kind of taking them in the construct of the entirety of the municipal budget. And the Division's going to continue to work closely with the city to that regard. I don't have any other questions about the application before us but I'm not sure if any of my colleagues on the Board feel differently.

MR. LIGHT: I just had one brief question. Most of the financing that you're looking for here is for improvements to an ice skating rink. And I just wondered if you could give us some of the wisdom why of we're doing this now particularly in light of the financing difficulties Bayonne has had.

MR. MALEY: The very brief answer is that we don't make these improvements now we won't have an ice skating rink this Winter. The rink is now approximately 20, 25 years old. Has not had any major capital expenditures in those years. The refrigeration system is essentially shot. So after looking at it originally looked as though it was going to be about $4 million improvements, but with cutting some corners on it we believe we can bring it in at this roughly $2 million you number, but it's just reached a point that it is no longer operable without these improvements.

MR. LIGHT: The operating rink when it does come in in the Winter period is it a positive funding situation or is it a negative funding situation?

MR. MALEY: It has been in the past if you separate the debt service cost from it it's a positive operating funding. And we are looking at whatever that excess is above the operating cost which historically has been about 200,000 to essentially apply that toward this debt. I should also maybe just point out that this is our first bond issue that we've done I believe in eight years now. We have been holding back our capital improvements.

MR. LIGHT: Right. Thank you.

MR. CUNNINGHAM: Any other questions from the Board? Then I'll seek a motion and a second.

MR. BLEE: Motion.

MR. CUNNINGHAM: Have a motion.

MR. LIGHT: Second.

MR. CUNNINGHAM: Second Mr. Light. Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: So I'd ask that you just keep the Board inform as you go in terms of what direction this ultimately takes. I'm sure we'll be having follow-up conversations from time to time. And I just tender to remind you that if these are ultimately those QBA debt statute requires that you notify both us and treasury. And that's something I've been asked by treasury to remind bond counsels that are issuing under QBA. So if that does go that route just please make sure that we get these notices.

MR. CANTALUPO: We'll do. Absolutely.

(All parties sworn.)

MR. CUNNINGHAM: Good morning. How are you?

MR. WINITSKY: Very well.

MR. CUNNINGHAM: You want to introduce the application to the Board?

MR. WINITSKY: Sure. We're here on behalf of the Cumberland County Improvement Authority. To my right is Jerry Valazquez, executive director of the Improvement Authority and Anthony Inverso, financial advisor of the Improvement Authority. We're seeking positive findings from the Board to issue not to exceed $4,000,000 of revenue bonds to finance the cost of two capital projects. The first is the renovation and fitting out of an existing building that the Authority had financed in 2014 and the construction of a new building of the Authority down the road, both facilities in the City of Vineland on property owned by the Improvement Authority. The idea for both of these facilities is to house two groups of folks, both State of New Jersey entities. The first is DYFS. The second is the Department of Transportation. The state has already agreed to enter into a single lease for both entities for a period of ten years with two 5-year renewal options which actually corresponds exactly to our expected debt service which is 20 years. These are not -- these are specifically the bonds will be issued pursuant to a bond resolution. Will be specifically secured by these leases not by any other revenues -- excuse me. And any other available revenues of the Authority but not from revenues that are otherwise pledged for other bond issuances of the Authority including what I referenced before, the 2014 and certainly not anything related to solid waste of the Improvement Authority. So that's a critical difference in our mind. We expect as I said level debt service to match lease payments from the state for a period of 20 years. So if you have any questions with respect to the projects or the financing in general we're happy to answer those questions now.

MR. CUNNINGHAM: It was my impression that the maturity schedule on this was not level.

MR. INVERSO: It's not exactly level. It's structured to match the expected lease payments. Lease payments have escalations every five years. So the debt service is essentially structured to match that to give us a consistent coverage. Just to add to Jeff's comments, this financing will be directly placed with the financial institution and won't be issued to the public markets. And one of the things that we'll work out with the particular institutions is the exact repayment structure of those bonds, but the thought process was to make that coverage consistent each year.

MR. CUNNINGHAM: Okay. And I just misunderstood.

MR. WINITSKY: I apologize.

MR. CUNNINGHAM: No need. But I now understand. Board have any questions on this particular application?

MR. AVERY: Just one quick question. Do these state leases require state house commission approval?

MR. WINITSKY: They've been approved, yes.

MR. CUNNINGHAM: And for the Board's benefit, I should mention that we did a pre-meeting conference call on this topic where we did talk about the uses and the state leases. So we did have some, you know, preliminary conversations on that. So you're here before the Board today for a motion to issue positive findings. Unless any other members of the Board have questions or comments I would ask for a motion.

MR. BLEE: Motion.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Roll call.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. WINITSKY: Thank you.

(All parties sworn.)

MR. CUNNINGHAM: Do you want to introduce the --

MR. JESSUP: Absolutely, Director. Matt Jessup, McManimon, Scotland and Baumann, bond counsel to the city. To my right Janet Schoenhaar who's the CFO of the city. And to Janet's right Neil Grossman who's the financial advisor to the city. This is an application seeking two approvals pursuant to the Municipal Qualified Bond Act, 40A:3-1. The first approval is in connection with a general obligation bond issue. Par amount is $10,519,000. The general obligation bonds are being issued in three sub series. The first is general improvement bonds. The second is water utilities bonds. And the third is sewer utilities bonds. Not part of the approval process but also being issued as part of the overall bond sale is 1,875,000 worth of school bonds. Those bonds will be secured by the School Bond Reserve Act not by the Municipal Qualified Bond Act.

The bonds are being issued -- the general obligation bonds are all being issued to permanently finance a like amount of outstanding bond anticipation and utility anticipation notes. The maturity schedule for the bonds is conforming across all three sub series. General obligation bonds are being issued for 11 years, water utility for 30 and sewer utility for 30. Again, all conforming payments. The current eligible annual Qualified Bond Act revenues for the city are approximately $45.4 million. The existing Qualified Bond Act debt service before we issue these bonds is about $22,000,000. That obviously leaves about $23.4 million a year in annual coverage available. Average debt service on the general obligation bonds is about $900,000 with a max of just over a million. So the coverage on all debt, Qualified Bond Act coverage on all debt once these bonds are issued ranges from 2.10 times coverage. In the out year it's 149 times coverage. So hopefully that is a

-- ratios that are acceptable.

The tax impact is zero on the general improvement bonds, on the school bonds as well. They are part of the application. And that's because existing debt service that is coming off the books including note interest is greater than debt service coming on the books with respect to the bond issue that we're doing.

The second approval, again, under the Qualified Bond Act is in connection with a $360,000 fully funded capital improvement fund ordinance. Does not authorize the issuance of bonds or notes. That ordinance is authorizing various sewer utility improvements given prior LFB approval under the Qualified Bond Act. All capital ordinances whether or not they authorize issuance of debt have to come before the Local Finance Board for approval. So that ordinance is also being placed before you. Obviously because bonds and notes are not being authorized Qualified Bond Act revenues and coverage are not applicable. But as I mentioned earlier, our coverage is, you know, two times to 149 times coverage on the existing. So we would have plenty of room. But again, no bonds or notes are being authorized under this ordinance.

MR. CUNNINGHAM: So one of the issues with this particular application, and I've seen it with other similarly situated towns, is that it's very difficult when staff undertakes the analysis to try to figure out what projects are actually getting funded. And that's something that the city was very late in getting the information to the Board. Puts us in a bit of a disadvantage to fully understand what is this money being used for. And I know that you ultimately arrived at a place where you provided staff, but it was difficult again. And in a transitional aid town such as Trenton that's particularly problematic for me in my other hat as a Director of Government Services because in a transitional aid town more than any other town I really kind of need to know what the monies are being used for. And all of that preamble leads to this point. Ordinances sit open. And if you're not going to use them, you're not going to finance them really they should start to be cleared out because you're also, you know, kind of affecting your available debt percentage, right, because you have a good number of outstanding ordinances that is very likely you're never going to issue debt under. So I think that it's not just Trenton, it's some of the other larger urban centers that come before the Board and especially those that are on transitional aid it's a bit of kind of a necessary housekeeping item that I think would make our lives easier, it make your lives easier. And I counsel the city to try and take a look at that. That said, you know, based on what was presented to staff, you know, when we finally got it I think have enough information to vote on this application today. And we, therefore, did not ask you to defer it. But I think Pat mentioned that there's still -- you addressed the tax impact in your remarks. So I think we can cross that off the list. Anything that the Board wanted to speak to regarding this application? Then I will seek a motion, but I do ask for you to keep that under consideration and hopefully the next time the city comes before the Board it will be a little easier to recognize it.

MR. LIGHT: Make a motion to approve.

MR. BLEE: Second.

MR. CUNNINGHAM: Take a roll call.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Okay. Thank you.

(All parties sworn.)

MR. CUNNINGHAM: Good morning. So this is a particularly interesting application that's before the Board today. And Jim, I don't know whether you or Jeff want to -- or Doug, I don't know who wants to kind to set the table. Maybe it would be good if you guys started with a preliminary statement and then if the members have any questions.

MR. WINITSKY: Sure. We met with the Board in closed sessions earlier so you have a little bit of the flavor, but for the members of the Board understanding what we're doing here. This application is with respect to the acquisition of a baseball stadium in the City of Camden known as Campbell's Field. Some of you may be familiar with it. It's been in the news a little bit lately. Camden is going through an incredible, you know, renaissance at the moment. The reason that the Improvement Authority is now involved and the county certainly is involved is we are an active participant in that renaissance.

Campbell's Field has had some issues almost since its inception. It was built in 2002. The owner of the team the River Sharks actually passed away almost immediately after the construction of the stadium. He was sort of the force behind the success of that organization, the success of the stadium. It's had some troubles every since. It is debt laden through a variety of funding sources including but not limited to the DRPA, the EDA and some private finance.

Over the course of the past year or so the Improvement Authority and the county have entered into some discussion about how best to serve the City of Camden vis-a-vis the stadium. Those conversations have lead us to work with the holder of the commercial debt which is Santander Bank and the other lenders in the capital stack who I mentioned before here, the EDA, all of which have agreed to restructure in its entirety the debt associated with the stadium so that it's viable. And including but not limited to that restructure is the acquisition of the stadium by the Improvement Authority on behalf the county from Rutgers University who actually owns the stadium now. It's a non-performing asset for Rutgers. So they certainly don't really want it on their balance sheet. Don't really have any interest in owning a stadium of that size for a Division 3 baseball team, although they do use it regularly for their season. And they will opportunity to do so.

So through a very lengthy process we're now in a position to actually come in and acquire the stadium for $3.5 million. And to thereafter do about a million and a half worth of much needed improvements and enhancements. I don't know if any of you have been to Campbell's Field. The field looks a little old. Needs a little bit of a spit shine. The lighting is a little bit substandard. So we're going to come in and do those necessary improvements. We do presently have a viable and ongoing tenant in the form of the Camden River Sharks. And we fully intend to keep them playing baseball. The idea here is that baseball continues in the City of Camden. And the growth that's happening in the city this going to become an integral part of that success. And it's nice to have a shiny nice stadium and people can come out of the new apartment, homes and the like to go watch some baseball for a reasonable price. And we fully expect when we restructure all debt which is substantial to go away in most respects. And $5,000,000 worth of indebtedness is a absolutely manageable number. The county is extremely supportive. In fact, it's part of the reason we're here today to ask for approval for the final adoption of the guarantees resolution for that debt.

The debt service you saw in your numbers is level. It's about 300,000 or so a year. Little bit north of that. The way we intend for that to be paid, rather than having to go to the taxpayers is the tenant of the stadium will have a triple net lease. There is one in place now. We'll restructure that as well. Such that their rental payments will mirror and pay for in its entirety the debt service that we do have.

MR. CUNNINGHAM: So the Improvement Authority need not concern itself with performance.

MR. WINITSKY: No.

MR. CUNNINGHAM: With performance.

MR. WINITSKY: No.

MR. CUNNINGHAM: Ticket sales.

MR. WINITSKY: No.

MR. CUNNINGHAM: Or anything else. It would be the Authority's goal and objective whomever it is to have a credit worthy tenant on a triple net lease basis that would cover the full amount of the debt service on this project?

MR. WINITSKY: That is correct. And it will be structured that way such there will be whether they sell one ticket or a 5,000, which we hope 5,000 of course, they are obligated to pay. So that is the plan. Sort of a broad strokes but if you have any specific questions some of which we can talk about. There are certainly some confidentiality issues with respect to private tenants and the like, but if you have any general questions we're happy to answer them to the extent that we can.

MR. CUNNINGHAM: I have no questions. I defer to my colleagues on the Board. If not, I'll make a motion to approve this matter.

MR. BLEE: Second.

MR. CUNNINGHAM: Roll call, please.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Okay. Next matter before the Board Hudson County Improvement Authority.

(All parties sworn.)

MR. JESSUP: Good morning. Matt Jessup, McManimon, Scotland and Baumann, bond counsel to the Hudson County Improvement Authority. To my right Kurt Cherry who is the executive director and CFO of the Authority. And to Kurt's right Brian Morris from NW Financial, the financial advisor to the Authority. This is an application pursuant to 40A:5A-6 and 40:37A-80 in connection with not to exceed $90,000,000 of county guaranteed pooled notes series X which means you've heard this speech 23 times before I think. In fact, it's the 24th letter. But I'll take you through it again in detail nonetheless. As you know, THE HCIA under this program issues notes out into the marketplace at whatever interest rate it earns on the county guaranteed note. The HCIA uses those proceeds to buy local unit notes of municipalities and other local units within Hudson County. And the local unit gets the pass through rate on its notes that the Improvement Authority receives out in the marketplace.

The local bond law requirements apply to all of the local units, at least the municipal and county local units. Notes can't mature more than one year. You have to make your statutory required paydowns. You can't issue notes for more than ten years plus four months, et cetera.

In this particular application we have four local unit issuers. Weehawken is proposing to issue $21,419,000. That is $12.419 million in renewal of existing notes together with statutorily required paydown of $588,000 as well as $9,000,000 in new money. Union City is proposing to issue $7,000,000. All of that is new money for park and road improvements, acquisition of property and equipment and municipal building improvements. Jersey City is the third borrower proposing to issue $7,215,000 worth of notes. That's all renewal of existing notes for the acquisition of property. There is a statutorily required paydown of $95,000 that's being made by Jersey City. The last one is City of Bayonne, $53.79 million notes in total. That's 4,202,000 in a renewal of bond anticipation notes originally issued for capital improvements. $43,550,000 which is a renewal of notes originally issued to fund a Bayonne Hospital project from about six years ago now. And when the city dissolved its LRA and absorbed the short term debt of the LRA. And $6.038 million of it is new money. Total savings to these local unit issuers by going through the pool net of all cost of issuance is anticipated to be about $575,000 in total.

MR. CUNNINGHAM: Thank you. Using

Weehawken as an example, I saw Mayor Turner the other night. And he talked about how their bond rating was held constant by the rating agencies which is a positive thing, but nevertheless the municipal marketplace in the last couple months has been somewhat challenging. So, you know, I assume that going through the Improvement Authority would be a more advantageous financing rate for them given their otherwise -- the expense it would take for them to get to the market.

I think the only other kind of global comment I would make, and I don't know if I've said this to Hudson before. So if I'm repeating myself I apologize. But, you know, one of the things the Division is going to be looking at is the fees of the Improvement Authority seem to be all over the board. I worked for one of them in my previous career. And I'm going to be in probably the next couple weeks and months submitting a questionnaire to the Improvement Authorities to get a handle of how the fees are structured so we can then compare, you know, them cross each other to Bridge Commission Improvement Authority and similarly situated financing entities.

That said, you know, I worry anytime municipalities are taking on debt. And it is some significance amount of money being spent, but with the respect to the application before the Board today, I don't have any particular questions. So I would ask if my colleagues on the Board had anything that they wanted to discuss or have answered before we take a vote. Then I'll seek a motion on this matter.

MR. BLEE: Motion.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Thank you. Roll call.

MS McNAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS McNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS McNAMARA: Ms Rodriguez?

MS RODRIGUEZ: Yes.

MS McNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS McNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: I want to note for the record that it is 11 o'clock. And we are taking the matter that is on the agenda for 11 o'clock. I have been referred to by my colleagues on the Board as the Chip Kelly of the Local Finance Board. So you I thank Mr. Blee for that compliment.

The Mercer County Improvement Authority

application scheduled on the agenda for 10:55 they requested to defer until the next meeting which is why we were able to take Essex, but we will wait just a couple minutes. We'll give it five minutes or so then we'll get started.

MS EDWARDS: Thank you.

(Whereupon there is a recess.)

(All parties sworn.)

MR. CUNNINGHAM: So Bill, I guess I would ask you or whomever from the team to explain the project. I mean, when I first saw it, you know, I saw the numbers. I saw all those zeroes. You know, I almost kind of fell over. But then after the staff and I looked at it a little bit I think we understand a little bit more, but would you just please discuss?

MR. MAYER: Good morning. Bill Mayer with Decotiis here on behalf of the Essex County Improvement Authority. This is a financing for Covanta. Actually, Jen is going to give you a little overview and then I'm going to come back in. And I have to my right you all know Jen Edwards with Acacia. We have Jim Reilly who's the vice president and treasurer with Covanta. And the empty seat is Jim Paganelli, the executive director of the UCIA who's very close. Jen.

MS EDWARDS: Good morning. The Essex County Improvement Authority is requesting approval for not to exceed 100 million in tax exempt solid waste disposal revenue bonds pursuant to 40A:5A-6. This is on behalf of Covanta Holding Corporation. The proceeds will be used to install state of the art particulate missions controls system and related construction and equipment and improvement of the facility located in Newark owned by Covanta and the Port Authority of New York and New Jersey.

The bond issue will be a fixed rate 30-year bond and the obligation of Covanta holdings. There's also a company guarantee with Covanta. There's no recourse to the ECIA. And there's no county involvement in the project. This is simply a conduit financing through the ECIA such that Covanta can get tax exempt bond access through the conduit issuer. We are happen to taking any questions on the project. Mr. Reilly's able answer.

MR. CUNNINGHAM: Maybe Mr. Reilly could just explain a little bit about the facility, what it does and improvement details.

MR. REILLY: The facility was opened in 1990 in the Ironbound section of Newark. And it processes municipal solid waste for Essex County as well as some New York City waste and some of the waste of the surrounding region. The way these facilities work is collection trucks like you'd see at your curbside would bring the bags that you put in your garbage, post recycled I should say, but bring those bags to our facility. We'll combust the bags in a boiler. The heat will boil water which will create steam which then is sent to a turbine generator to create energy -- electricity that's sold to the local power grid. So the facilities are a waste management solution as well as a clean energy generator. Also, on the back end of the system, post combustion will pull out ferrous and nonferrous metals that aren't captured it the typical recycling and sell those metals into the market as well.

MR. CUNNINGHAM: Again, as the financial advisor explained, I mean, this is really no recourse to the government here it was just the amount of the financing was pretty large.

MR. MAYER: I just want to put on the record there is an agreement between Covanta, DEP and the Port Authority. There's an agreement between DEP, Covanta and the Port Authority to construct these improvements at the plant. And there's also -- we also have a volume cap letter from the treasurer for

$100,000,000. So there's other state involvement.

MR. CUNNINGHAM: So in my eyes, frankly, a pretty simple application. It's a complete conduit financing. You know, allows TD rates to be enjoyed by the applicant or through the applicant on ultimate enduser and payer. But it's a big deal. And it's a bit of a complicated deal. Any other questions the Board wanted to address?

MR. AVERY: Just wanted to know what the capacity of the waste energy plant is operating at.

MR. REILLY: It's about 900,000 tons per year. That's roughly what we process at Essex.

MR. MAYER: Is this the largest in the state?

MR. REILLY: Largest in the state. We own and operate four in the state. Own and/or operate I should say. There's one in Rahway, Camden and Warren.

MR. AVERY: How many tons per day could you except at the facility?

MR. REILLY: Have to do that math. It's quite a bit. The amounts are --

MR. AVERY: What's your tipping fee?

MR. REILLY: They vary from -- it's very -- it's market and contract specific. If I had to guess, and I don't -- I don't -- I actually don't know that answer off the top of my head. So I don't want to answer improperly. An agreement is struck with the various clients with the county or the port.

MR. AVERY: Just my old department of solid waste directorship.

MS. RODRIGUEZ: It's a novel concept. I mean not a concept. I mean, you know, given it's the highest and best use. I don't know if that's the proper. Very interesting.

MR. LIGHT: There are other areas that talked about it up and turned it down because of the uproar, environmentalists, et cetera, screaming, pollute the air and everything. How do you control air emissions on it?

MR. REILLY: This project is to improve the existing air pollution control system.

MR. LIGHT: Close to the skyway, isn't?

MR. REILLY: You go right by it. We operate right now with, I'm not an engineer on this, but it's an electrostatic precipitator which will take out the pollutants. And we run right now at significantly below the EPA's limits. These are very -- they're not the incinerators of old which is how we get tagged sometimes in that, you know, in the 50, 60 years ago people would combust waste with no APC. And that is not a good idea. But this has a significant amount of capital invested already in the air pollution control system. The bag house refit, retrofit that we're doing now will make it even that much more compliant and better, frankly, on a variety of different pollutants. Will bring it down another 90 percent reduction with this technology. And all of these facilities that we operate, we operate 56 -- 46 in North America and all have this level of APC, some form of APC high level. These are facilities that cost 2 to 300 million to build. So it's a significant capital outlay initially whether that's on the part of our municipal clients or ourselves, but can last for a very long time. It's one of the benefits we see in addition to TD rates which are obviously an advantage for us. It allows these are long lived assets. The taxable markets don't go beyond kind of a ten year tenure. The tax exempt markets will match the asset and the liability will. So it's attractive to us from a couple standpoints. We're typically financing them this way around the country.

MR. CUNNINGHAM: Any other questions, comments? I'll make a notion.

MR. BLEE: Second.

MR. CUNNINGHAM: Roll call, please.
MS McNAMARA: Mr. Cunningham?
MR. CUNNINGHAM: Yes.
MS McNAMARA: Mr. Avery?
MR. AVERY: Yes.
MS McNAMARA: Ms Rodriguez?
MS RODRIGUEZ: Yes.
MS McNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS McNAMARA: Mr. Light?
MR. LIGHT: Yes.
MR. CUNNINGHAM: With that, I guess the only matter before the Board is a motion to adjourn.
MR. AVERY: So moved.
MR. LIGHT: Second.

(Matter adjourned at 11:20 a.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: May 22, 2015
License No. 30XI00192200
Notary Commission Expiration Date:
July 29, 2016