STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
LOCAL FINANCE BOARD

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MONTHLY MEETING AGENDA *
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Conference Room No. 129
101 South Broad Street
Trenton, New Jersey
Wednesday, March 9, 2016

B E F O R E: TIMOTHY J. CUNNINGHAM-CHAIRMAN
IDIDA RODRIGUEZ-MEMBER
ALAN AVERY-MEMBER
FRANCIS BLEE-MEMBER
TED LIGHT-MEMBER

ALSO PRESENT:
PATRICIA MC NAMARA-EXECUTIVE SECRETARY
EMMA SALAY-DEPUTY EXECUTIVE SECRETARY

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

ROBERT LOUGY, ACTING ATTORNEY GENERAL
BY: MELANIE WALTER, ESQ.
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(Transcript of Proceedings, March 9, 2016, commencing at 10:40 a.m.)

MR. CUNNINGHAM: We are going to continue with the Agenda this morning. Unfortunately, the Ethics portion of the agenda was equally long and grueling, so we're off to bit of a late start. But the meeting was previously open to the public upstairs for the Ethics portion, so we don't need to formally open the record today.

We'll try to make some time up. The first way we will do that is, the first seven applications that are listed on the agenda are being handled through the consent agenda. We had an unusually large volume of authority refundings, but the market is apparently very good for these refundings. So each of these applications, all supporting documents were received from the applicants. All are expected to achieve the requisite three percent savings or they will not be pursued.

They are significant savings in many cases, as much as fifteen percent in some of the applications, twelve percent, fifteen percent. So some of these refundings are, obviously, very,

very prudent and should be supported by the Board.

So we put this on a consent agenda. I will make a motion to approve items one through seven of the Local Finance Board agenda. I would ask for a second from one of my colleagues.

MR. BLEE: Second.

MR. CUNNINGHAM: Second by Mr. Blee. We'll take a roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA:  Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM:  The Board will here from Manalapan Township Fire District Number 1.

I'm sorry, we moved them lower on the agenda.  How about Manalapan Township Fire District Number 2?

MR. YOUSSOUF: Ready, Mr. Chairman. My name is Joseph D. Youssouf. I'm the attorney for the Board.  Meghan is our bond counsel and I have two commissioners, Commissioner Spevak and

Commissioner Flannery.

MR. CUNNINGHAM: Good morning. We've got everyone's name. Those that are not counsel will need to be sworn in.

(Patrick M. Flannery, Joseph Spevak, being first duly sworn according to law by the Notary.)

MR. YOUSSOUF: Joseph D. Youssouf, Y-o-u-s-s-o-u-f.

MS. CLARK: Meghan, M-e-g-h-a-n, Clark, C-l-a-r-k.

MR. YOUSSOUF: Thank you, Mr. Chairman. We are making an application today for financing approval for a project that has been approved by the voters. It is to acquire a new heavy rescue pumper vehicle. It is a rather hybrid kind of vehicle. We wanted to have as much coverage as we could. It will have a 500 gallon tank. It will have a phone system on it.

It's going to be a supplement to the existing fleet. We are not formally retiring any apparatus at this point in time. But when we have to in a couple of years, the older truck will be retired.

The benefit of this truck to the

District, is that it enhances our ability to deal with something that is very common in our Fire District, because of major highways, Route 33 included, where we have motor vehicle accidents which require extrication and rescue.

This truck is specifically designed to afford us maximum portability of equipment and maximum firefighting capability in a fast attack kind of mode with a truck.

We're happy to report that our analysis indicates that this District can issue the bonds or notes for the purchase of this apparatus without placing any undue financial burden on the taxpayers. We have a very low debt ratio at this point in time. We don't anticipate any negative tax impacts at all. We respectfully request an affirmative finding.

MR. CUNNINGHAM: Thank you, counselor. Maybe if I can direct to bond counsel, potentially going through the Monmouth County Improvement Authority?

MS. CLARK: Yes. We would issue notes. The intent will be to go through the Improvement Authority in December, which we then would come back here for Local Finance Board approval.

MR. CUNNINGHAM: Would that change the cost of issuance as listed on the--

MS. CLARK: No.

MR. CUNNINGHAM: I'LL make a motion to approve.

MR. BLEE: Second roll.

MR. CUNNINGHAM: Roll call please, Pat.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. YOUSSOUF: Thank you Mr. Chairman, members of the Board.

MR. CUNNINGHAM: Borough of Seaside Heights.

MS. CLARK: Good morning, again.

MR. CUNNINGHAM: Would you kind of introduce your team to the reporter and then those that aren't counsel will be sworn in.

MR. VAZ: Christopher Vaz, V-a-z. Eric Zanetti, Z-a-n-e-t-t-i, sitting next to me, who is the tax assessor, Rober Oliwa, our Borough Auditor.

MR. OLIWUA: Robert Oliwa, O-l-i-w-u-a.

MS. CLARK: Meghan Clark, bond counsel.

MS. RISLEY: Barbara Risley, Chief Financial Officer, R-i-s-le-y.

(Christopher Vaz, Eric Zanetti, Robert Oliwa, Barbara Risley, being first sworn according to law by the Notary)

MS. CLARK: Mr. Chairman, the Borough of Seaside Heights has an application before you to authorize the issuance of up to $522,000 in notes to be issued for the purpose of funding payments owed by the Borough in connection with tax judgments for the years of 2011, '12, '13, '14 and '15.

MR. CUNNINGHAM: A couple of questions. So these relate to Boardwalk properties. Is that correct?

MR. ZANETTI: Yes.

MR. CUNNINGHAM: As I recall, just

from my time laboring in the Sandy construct, I remember the ownership of the Boardwalk was somewhat interesting, is that the right word for i? Could you just explain a little bis about what properties we're talking about and how that works?

MR. ZANETTI: The major property in particular here that amounts for the majority of that refund is what they call Belle Freeman. It was a pier that stuck out into the ocean that was destroyed by Sandy first and then a fire subsequent to that in the 2013 year. So Sandy in 2012 and then the fire in 2013.

It currently now has been vacated. There is just a little pier that sits out there now. It is a vacant piece of land, for all intents and purposes.

I guess the thing that was concerning in the application is that it appeared to us and maybe, Chris, I'll address this to you. When we looked at some of the responses in the application. It looked like that BA, the tax collector or the CFO, were unaware of the tax appeal settlements until 2015. That just kind of surprised us, given the fact that the property had been somewhat notorious in terms of the damage sustained there.

MR. VAZ: I think our surprise wasn't just that. Our surprise was the learning process that these appeals actually went back to 2010. So it wasn't just appeals that were affected by the fire. These were appeals five year tax periods.

We immediately had our municipal attorney who handles the tax appeal litigation, prepare a report for us showing us all outstanding tax appeal. Eric worked with that attorney on getting us an idea of what the statuses were, what the potential outcome is in the settlement or judgment. So that moving forward at least we can address these things more proactively rather than reactively.

MR. CUNNINGHAM: Thank you. But nevertheless we have these appeals. We have to do something with them. And the application seeks a four year period?

MS. CLARK: That's correct. We provided both a four year and in the alternative three years. But clearly four years would be what we would be requesting.

MR. CUNNINGHAM: I think the four

year, just for the Board's benefit and that of the public, the four year period would make it such that the impact on the average assessed home is $50.26?

MS. CLARK: About $49.60, we're close.

MR. CUNNINGHAM: I was close. But I think the Board has consistently endeavored to try to keep the average impact to approximately $50.00 a household. So the four year schedule would comport with that general policy goal.

Do any of the members have questions on this application or any additional concerns?

MR. LIGHT: Just one question, if I may. The sixty-two appeals, are most of them commercial, residential or mixed?

MR. ZANETTI: 99.9 percent of those are commercial.

MR. LIGHT: All associated with the Boardwalk?

MR. ZANETTI: We have a large hotel population there as well, which is also under review.

MR. CUNNINGHAM: A bit concerning

I guess for the Heights' ongoing ratable base. I guess-- I mean, we've met before with the Mayor in terms of the Borough's financial position, but appeals, I guess, are compounding and are in an already precarious situation.

MR. VAZ: Yeah. At least with respect Belle Freeman properties, they just came before the Planning Board for a workshop. They are going to construct a boardwalk piece of what will eventually be a bigger plan. But for now they are only coming in ti actually just pt the pilings for the boardwalk. They have to do that before the dune project happens.

I would say for at least three or four more years we don't envision there being anything of substance on that piece of boardwalk. This is all compounding--each individual item is compounding the bigger problem with the boardwalk.

MR. CUNNINGHAM: Okay. We won't solve them today, but the Division, obviously, will continue to meet with the Borough on larger issues. For today the application in front of us to me seems necessary and prudent. And I would ask for a motion and second on the application.

MR. LIGHT: Motion.

MR. AVERY: Second.

MR. CUNNINGHAM: Motion by Mr. Light. Mr. Avery seconded it. Roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Abstained

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Thank you very much. The 10:30 agenda item regarding the City of Egg Harbor City was withdrawn at their request, which brings us to Chesterfield Township. Please provide you names and those that aren't counsel be sworn in.

MR. LIEDTKA: Mayor of Chesterfield Township, Jeremy Liedtka, L-i-e-d-t-k-a.

MS. WULSTEIN: I am the CFO, Wendy Wulstein, W-u-l-s-t-e-i-n.

MS. TRACEY: Financial advisor to the Township, Sherry Tracey.

MR. BAILEY: Auditor, John Maley.

MR. WINITSKY: Bond counsel, Jeff Winitsky.

(Jeremy Liedtka, Wendy Wulstein, Sherry Tracey, John Maley, being first duly sworn by the Notary)

MR. CUNNINGHAM: Good morning. So a waiver of the debt limit is sought by Chesterfield?

MR. WINITSKY: That is correct. Just to give you a little background here.

MR. CUNNINGHAM: Yeah, please.

MR. WINITSKY: Specifically, we're here seeking approval to exceed the debt limit by virtue of the adoption of a supplemental bond ordinance to provide additional funding for the construction of Chesterfield's new municipal building.

Just as a side note, their existing municipal building was built in 1914. It is long overdue.

MR. CUNNINGHAM: It's got another fifty years left on it.

MR. WINITISKY: Just to give you a little flavor, the Township is currently over its debt limit not by virtue of its own debt, but virtue of the School District having issued $35 million in bonds in 2008. $25 million of that slid over to the Township, because they were over their own debt limitation. So it counts against, obviously, their own debt cap.

The Township, on its own, only is utilizing about 1.09 percent of their own debt capacity. This would add--where we are today, we're at 3.63 percent. This would take it up to 3.83 percent. We would be back under to the cap by 2018.

So it's a minimal impact. Most of the impact related to the Township is not by its own doing, but by virtue of the School District. So it's an odd situation, which otherwise we would not be fore you today.

MR. CUNNINGHAM: Otherwise we wouldn't even consider this application.

MR. WINITSKY: That's right.

MS. TRACEY: One item I could add to that, if I will?

MR. WINITSKY: Sure.

MS. TRACEY: The Township was actually, even with the introduction or adoption of this ordinance, would have only been over their loan capacity by about $100,000. Except that this year the School District was able to refund that outstanding bond issue that was issued back in '08, saving over $2.8 million for residents. However, as you know, a lot of times when you issue a refunding bond, you increase the principal amount even though your interest is dropping.

So the principal increased by 2.2, which sort of helps to push the borrowing capacity up a little higher. But, again, a savings of almost $3 million for the residents, so a positive for the Township.

MR. CUNNINGHAM: Mayor, was there anything that you wanted to talk about in terms of --

MR. LIEDTKA: Just our town, since 2007 has almost doubled in rooftops. So we're-- we've expanded so much that we're splitting at the seams in the old building. So, I mean, we're having diligent in how we spend money.

MR. CUNNINGHAM: Admittedly I get very nervous when these types of applications come before us, and they don't come before us very, very often.

I think that your bond counsel very clearly articulated why this application is even being considered. That is because we did read and we do understand, the fact that because of the school project and the school financing, that a lot of this was not necessarily the doing of the municipality. But it is still something that I was concerned about and staff was concerned about.

I think the reason why we allowed the application to remain on the agenda was because the fact is, it should be a relatively short term ascension over the cap.

As the application put in and as the bonds counsel testified, February of '18 Chesterfield would be back under that?

MR. WINITSKY: Correct.

MR. CUNNINGHAM: Anything?

MR. LIGHT: One question. That February of '18 target is based on the fact that you don't expect the School Board to be doing any major financing between this time and February '18. Do you have any further out projections as far as what the School Board is planning? Obviously, it's the School Board who got the stranglehold on you.

MR. LIEDTKA: They just built a $39 million school to handle up to a thousand students. I would hope that is --

MR. LIGHT: When was that?

MR. LIEDTKA: That was 2008 they went out for bonding. They started to use it in 2010.

MR. LIGHT: There are no projections as far as you know, say in the next ten years?

MS. WULSTEIN: We are under a Planned Village District. All the planning has been--we are not yet built out. That is the process that is going on. But it has all been planned, it's all in the process. Therefore, the school was built to what they consider a future build out. It is not yet, as the Mayor said, at full capacity.

MR. LIEDTKA: I think there are 300 homes left to build in our town and that's it. It is done-- everything-- we are the first TDR program in the State. So the developers had to, by the TDR, preserve farmland and put it into the village. That's it, we're built out at that point.

MR. CUNNINGHAM: Is the High School regional?

MR. LIEDTKA: The High School is regional, yes.

MS. WULSTEIN: And the Middle School.

MR. CUNNINGHAM: And the Middle School?

MR. LIEDTKA: The Middle School is too. We're Kindergarten to Sixth grade.

MR. CUNNINGHAM: That was a very good question, Mr. Light, thank you. Any other questions?

(No response)

Do I hear a motion to approve?

MR. BLEE: Motion.

MR. CUNNINGHAM: Motion by Mr. Blee.

MS. RODRIQUEZ: I'll second it.

MR. CUNNINGHAM: Ms. Rodriguez seconds. Roll call please, Pat.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA: Mr. Avery?

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. WINITSKY: Thank you.

MR. CUNNINGHAM: Thank you very much. So the next matter in front of the Board, once again, involves the Bridgeton Municipal Port Authority.

The Board was presented with a motion to settle the record brought by Henry Grove Diversified Investments. That related to the Local Finance Board's June 10th, '15 decision approving the proposed sale of the Authority's miscellaneous properties.

So Mr. Bonchi, I was going a read a statement, I mean, if you want to make a quick--

MR. BONCHI: Yes. Things have happened since then. Keith Bonchi, B-o-n-c-h-i. I'm an attorney, along with Mr. Mc Manimon.

Apparently Monday night the Bridgeton Municipal Port Authority rescinded that. And if you were to rescind that resolution which they apparently no longer want, it would render the appeal moot. Obviously, the appeal would go forward, I want the record to indicate, for the reasons I put before, but apparently they are no longer pursuing that.

MR. CUNNINGHAM: Are you withdrawing that?

MR. BONCHI: I can't withdraw until you rescind the resolution. Because if they change their mind--

MR. CUNNINGHAM: I see what you're saying.

MR. MC MANIMON: Let me, just for the record, in the context of the approval of the sale of the various properties from the Port to the City, it was part of a planned exercise in connection with the direction of this Board to try to dissolve that Authority, which they determined not to do.

At this point it was determined that it isn't necessary for the City to own those properties at this point. So I didn't submit something, because it wasn't until this week, Monday, that the Port met to adopt a resolution to authorize us to apply to this Board to seek to have you rescind your prior resolution approving the sale of those properties from the Port to the

City, which is the--

MR. BONCHI: I agree with everything that he said. I'm not sure whether--

MR. CUNNINGHAM: That's the first time.

MR. BONCHI: I haven't seen the resolution from last month's meeting. I wasn't convinced or a hundred percent sure that you had rescinded the verbal order from several months ago that they had to dissolve. I just knew you denied the way they were going to dissolve. So I don't know whether that's true or not. I'm assuming there is no written resolution yet.

MR. CUNNINGHAM: Correct.

MR. BONCHI: We haven't been able to look at the transcript on that. But as far as this particular resolution, they rescinded it at the Bridgeton Municipal Port Authority. If you were to rescind it, I have no reason to file an appeal.

MR. MC MANIMON: I have a certified copy of the resolution. I felt it was inappropriate to have you act today, unless you wanted to. But I would submit it for next month with a request. Because the request is to ask the

Board to rescind the resolution that they adopted at the request of the Port, to permit the sale of the properties.

MR. BONCHI: I would have no objection to you acting on it today if you wanted to.

MR. CUNNINGHAM: All right. Why don't we table it and then--

MR. MC MANIMON: I'll submit with a letter the resolution, along with your prior resolution. Then you can consider it.

MR. CUNNINGHAM: To be honest with you, if we're going to have any issues with it, I'll let you know ahead of time. That way we can just probably waive the appearance on it. That way it gets done in a formal way that allows Mr. Bonchi to proceed in whatever way he needs to. But it necessarily mean we need to have additional discussion about it.

So submit it to us. We'll consult with the Attorney General's office. Then, like I said, unless we have any concerns at all, we'll reach out to both of you.

MS. WALTER: Mr. Bonchi, would you just give the Appellate Division a call and let them know what's happening?

MR. BONCHI: Okay. They've been on our case a little bit.

MR. CUNNINGHAM: Thank you very much.

Hudson County Improvement Authority, on the pooled note portion.

MR. CUNNINGHAM: Mr. Mc Manimon, you know the routine and then have those that aren't counsel to be sworn in.

MR. MC MANIMON: We have Kurt Cherry, the Executive Director, CFO of the Hudson County Improvement Authority, Richard Turner, who is the Mayor of Weehawken, one of the parties as recipients of the loans, and Mike Hanley who is the financial advisor for the Authority.

(Mike Hanley, Richard Turner and Kurt Cherry, being first duly sworn according to law by the Notary.)

The Hudson County Improvement Authority has appeared before this Board on a number of occasions in connection with their ongoing Local Government Loan Pooled Program, which produces the credit of the County to the lower credits of the participants in this program.

It is not all the municipalities in the County, those who have more difficult access to the market. There has been significant savings.

This particular financing is for $43 million for a number of projects, including two for Weehawken, including their Special Improvement District, and other projects that have been before this. There is also Union City. Then there is a separate $7 million program that's taxable, also for Weehawken.

We're happy to answer any questions. I know there has been some suggestion that the staff of the Board would like to meet with this Authority to discuss whether part of it should be become a bond pool, rather than just a note pool. We're prepared to have that meeting. I know we didn't want to have that lengthy discussion today.

MR. CUNNINGHAM: We also didn't want to hold this application up, given the timing of the market.

MR. MC MANIMON: This loan-- the fact that this loan program for notes exist, doesn't mean that these towns don't go to bonds. Like other municipalities have notes and bonds, when they go to bond issues they don't necessarily finance all their notes. But this is a note program that has produced some substantial savings. You know, rather than be redundant and repeat what's been said many times before, if you have questions we'll be happy to answer them.

MR. CUNNINGHAM: I had a couple of questions that I didn't understand. We just didn't have time to articulate, so I apologize. I guess the on thing, on the SIDs, the SID is not --Hartz Mountain is the operating entity of the SID?

MR. TURNER: The SID was created by the town for both waterfront developers. Roseland Properties started in 2001 or 2004, and also for Hartz Mountain. Roseland paid off theirs. Hartz Mountain is still paying their's off. It was for infrastructure improvements for the waterfront.

The waterfront, as I think we said before, was 300 vacant acres with no infrastructure. So they borrowed the money to do the infrastructure and to have the development follow. We send them a bill annually and they pay directly.

MR. CUNNINGHAM: There was just

something that we had read, Mayor, about the SID being owned by the developer. That confused us. I just wanted to make sure that was --

MR. MAYER: No, we don't do that. There is no staff, there is nothing. We borrowed the money from the HIA and loaned it to the developers. We bill them. They pay it off directly to the trustee. But there is no staff, there is no nothing.

It is just a way to get--you know, the problem that we had was that with the infrastructure that the State required upfront, before the development could take place, the State required public walkways, public parks. We required it also, and a dual drainage system.

Right now we have a combined sewer system for rain and sewage. The waterfront had to have a separate system, one for rain and one for sewage, to meet the modern standards.

So the way accomplish and to get the improvements upfront, was to setup the SIDs.

Like I said Roseland had one that they paid off.

MR. HANLEY: This $10 million is supported by something in the range of $2 billion to $3 billion.

MR. TURNER: We made sure if they defaulted, we would own the waterfront. Which was actually a very good deal. There were times that we had hoped they would default.

MR. CUNNINGHAM: I suspected, but we had a very complex agenda.

I guess the other thing--and I guess, Mayor, maybe either or Mike could speak to this, but given the note rollover limitations, you are going to have to issue bonds in '17. And Mike, I guess my question is going to be, given the favorable bond market, why-- has thought been given to going permanent?

MR. HANLEY: I mean, there are different issues inside of all this. The SID is probably not going to permanently finance, because the front end of the curve has been so advantageous.

Just to explain the way we had this paid off, we did a schedule in the initial year that said a permanent financing would require an annual payment of about $950,000.

So we issue notes each year and the developer pays $950,000, despite the fact that note debt service is about $100,000. As a result, instead of having $9 million in bonds outstanding, we're going to have $7 million in bonds outstanding. So taking advantage of the front end of the curve to accelerate the repayment of that debt.

MR. TURNER: If I may, the general question--if I may, the general question about when we go out for bonds--

MR. CUNNINGHAM: Not just limited to the SID.

MR. TURNER: Right, I understand.

MR. HANLEY: On the other side of it, we did just do bonds last year and we will do them again in 2017.

MR. TURNER: Again, back to the original, a lot of the expenses we had, we had to undertake to build an infrastructure to get the development. Which is now, as I said at last month's meeting, is moving along. But we have to judge those payments when we get the revenue in. We have to do the infrastructure first and then the revenue comes in. The revenue is starting to come in now.

We just added $52 million worth of

ratables this year alone. Next year we will probably do $100 million. So, you know, you kind of juggle it. We have a plan to go with bonds over time. If we could do more now we would

MR. HANLEY: With known development, the Township's revenue is going to go up between $8 and $10 million within four years, that's stuff that's in the ground.

MR. TURNER: That's right.

MR. HANLEY: So overburdening today's taxpayer is just not the goal.

MR. TURNER: You know, we inherited a 300, 350 acre waterfront that was desolate, nothing, not even a road, from the old industrial days dirt with a road or whatever. So you have to build, unfortunately, the infrastructure. It's been done without any State or-- some federal dollars, but no particular state aid, nothing extraordinary, no state grants.

MR. CUNNINGHAM: Do you happen to know what the current municipal-- where you are in terms of the debt cap, the debt limit?

MR. TURNER: I know there are two. The one is 2.6 percent of the 3.5 we're allowed. The other is, they worry about the twenty-five percent for debt service. We're a little bit below that.

MR. CUNNINGHAM: That was the former-- I didn't ask the question very well, but thank you for answering that.

MR. TURNER: They slipped that one in on us. We forgot about that. We always felt it was the 3.5. Then Tina kind of brings up, don't forget the twenty-five. So we're now not doing any more debt. We'll pay off some debt. Most the construction is done. We don't expect any large debt because of that.

MR. CUNNINGHAM: The ratables are all in?

MR. TURNER: Don't even ask ask who came up with twenty-five percent, many, many years ago. They should have made it thirty. If we only knew. It was arbitrary, too, oh, twenty-five percent sounds, let's throw that in there.

MR. CUNNINGHAM: Any of my colleagues on the Board have any questions for the applicant?

(No response)

MR. TURNER: That's a true story, too.

MR. LIGHT: I move the application be approved.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Mr. Light moved, Ms. Rodriguez seconded. We'll take a roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. TURNER: Thank you, guys.

MR. CUNNINGHAM: Thank you, Mayor. So the majority of the team is staying in place and some other folks will join, regarding the Hudson County Improvement Authority and the financing regarding the Vo Tech School.

MR. MC MANIMON: For the record, I have added Nick Fargo to my far left, who is Business Administrator for the County Vocational

Technical School, and Ted Domuracki, who is the project manager, construction manager for this project, Leslie London, who is my partner who has handled all of the procurement issues that are related to why we are using the Improvement Authority as opposed to the County.

(Mike Hanley, Nick Fargo, Ted Domuracki, being first duly sworn according to law by the Notary.

This is a project that's $160 million new secured lease revenue bonds to finance a brand new vocational technical school in the County, to take over for a facility that's over eighty years old, occupied over thirty years by the Vocational School.

There were two questions that were raised by the staff that there was some concern about, which is why we have these people here. One was why are we using the Improvement Authority instead of the County doing this directly? The other is why do we have a level debt service maturity schedule rather than if there were done under the Bond Law, which it's not, by the County, it would have to seek a nonconforming maturity schedule approval.

So before addressing both of those issues specifically, I wanted Nick Fargo to give you a couple of minute background about the school and why we have this new facility, rather than an addition to the existing facility, and how many students they serve, what their budget is. So that you a prospective as we get into the rest of this.

MR. CUNNINGHAM: Mr. Fargo, I'm sorry, when we did the introductions I didn't hear your position?

MR. FARGO: Business Administrator.

MR. MC MANIMON: Of the Vocational School.

MR. CUNNINGHAM: Thank you.

MR. FARGO: I went to school ten years ago. When I got there ten years ago we were planning the new facility for five years prior to that. So the school has been under-- a new concept has been undertaken for about fifteen years.

The other option was to put a substantial investment in our eighty-five year old lithograph company that we own. It is not a perfect building for a school, although we utilize it to its maximum capacity.

We have been increasing enrollment over the last five years substantially. We get 1,500 to 1,700 applications every year for 200 students. There is a high demand for our facility.

The other option to a new facility, was a $90 million renovation to the existing campus.

Two and a half years ago the State Department of Education approved our plans and approved our funding at a level which was almost sixty percent of the State debt service. So we took advantage of that and we've moved ahead to this point in the project.

We have currently 930 students. The proposal when we get to the new facility, is to have 1,200 students. Right now we're bursting at the seams. We are making it work. And we believe that this process was-- is the most financially advantageous to the County taxpayers, instead of putting more money into a bad building. Which is also on Tonelle Avenue and 85th Street in North Bergen. Anyone who knows the area, it's the home of Home Depot, Lowe's, major retail. You know, we get our kids to school every day in one piece and it's a miracle sometimes. But it's not a great spot for a school.

The new location is in a County owned park. It is going to be a twenty acre parcel of a 160 acres park. It's pristine land located right off the Turnpike. We bus all of our children, so the location is advantageous to all communities in the County. We just believe it is the right thing to do.

MR. CUNNINGHAM: So when you get 200 applications a year, that's for freshman coming in?

MR. FARGO: We have 1,500 applications.

MR. CUNNINGHAM: 1,500 applications for 200--

MR. FARGO: For freshmen only, yes.

MR. CUNNINGHAM: So Mr. Fargo spoke to the worthiness of the project.

MR. MC MANIMON: I was going to ask both Leslie and Ted to explain the procurement process. There was new legislation that was enacted. There was an effort made to permit counties and municipalities to do the design/build procurement process that is used by the Schools

Construction Corporation, now the School Development Authority, which has significant benefits across the board.

That legislation did not pass. But other legislation permits improvement authorities to undertake that type of procurement method for the construction of facilities like this. It also provided, which the law didn't have before, that if it was done by an improvement authority, that the state aid for school projects would apply to projects that were undertaken by an improvement authority.

In this instance it's net fifty-four percent of the debt service that will be paid by the State, through the state process that's used to do other schools. Because the Board staff had some concerns about why an improvement authority-- I wanted Leslie and Ted to explain, one, the procurement process, the timetable, what they undertook to do it. And why this is much more beneficial to use the Improvement Authority as a vehicle, than to use the County itself. Among other reasons, but the procurement process is significant under the new legislation.

MS. LONDON: Just very briefly, the new law is Chapter 68 of Public Law 2015. It authorizes a vocational school, such as the Hudson County Vocational School, to request of the Improvement Authority to build a school on its behalf.

As Ed mentioned, design/build projects for schools before this legislation, could only be done by the New Jersey Schools Development Authority. So the new legislation allows county improvement authorities, in addition to the NJSDA, to do these projects. These are specifically design/build projects.

The legislation requires that any improvement authority utilizing this method has to follow very strictly the NJSDA guidelines in the design/build process

And that process is a two-fold process. It is involves--a two phase, I should say. The issuance of a request for qualifications. You qualify the applicants and then you have a short list. And then a Request For Proposals are submitted by those people who have been selected on the short list.

The entire process has to be

reviewed by the Office of the State Comptroller when the cost of the project exceeds $10 million.

So prior to the HCIA even issuing the request for qualifications, we had to submit the proposed form of request for qualifications to the comptroller's office for review. We had comments back and forth and they gave us the approval.

Once the approval was given, we issued the request for qualifications. We received qualification packages in and a short list of applicants was presented to us.

Then we had to submit to the comptroller the form of Requests for Proposals. That also had to go through their review process to make sure it was consistent with the SDA guidelines and any other procurement laws.

We received the sign-off and approval from the comptroller's office for the RFP and that was issued. We are on a very tight schedule for the procurement process. As a matter of fact we are receiving proposals on Friday, March 11th.

From there there will be interviews. According to our schedule, we hope to award a contract to the successful Respondent on April 6th. We're looking at opening the school September of 2018, so the project being completed by June of 2018.

It is a workable project. The design project documents were done in concept prior. So the applicants have that document to work from. And design/build for all the various reasons of benefit, is what the school and the Improvement Authority desired to pursue for this project.

MR. CUNNINGHAM: Thank you.

MR. MC MANIMON: I think before-- I want Ted here to answer any questions that you have about that. But I wanted Mike to perhaps address the other issue, which has to do with the proposed financing maturity schedule that is here. In the context of what was presented to this Board is a level debt service, which is about nine and half million dollars a year for the thirty-two years that this is out to be financed, with some capitalized interest during the period of construction. So that it doesn't eat into the budget of either the County and the State. Half of this debt service is paid by the State. The other half is paid by the County. The idea was to set it up so that it had a level debt.

I know there is some reverence here for conforming maturity schedules. Although this is not done under the Local Bond Law, you are comparing it to a financing as if it is done by the County.

MR. CUNNINGHAM: Just to be clear, the question was, if it was done through any other entity it would have to be a conforming maturity schedule?

MR. MC MANIMON: Or approval of a nonconforming schedule from you.

MR. CUNNINGHAM: Correct.

MR. MC MANIMON: We can explain why we would seek that if we were. But there is not technically a requirement to get a nonconforming maturity schedule under the Improvement Authorities Law.

Mike has a number of things that he's corresponded to you directly on. I think one of the things I just want to point out, is that this is really a singular project. When you have school districts, municipalities and counties coming before you for nonconforming maturity schedules, which you generally reject, or at least require them to be modified, it's because they're going to have a bond sale three years from now, another one five years now. Once you take them off-line from what is conforming, you wind up being out of whack anyway. You might as well just live with the length of it. Here this is a project that's going to be done the Vo Tech School and they are not coming back for another thirty years.

So the idea just to blend it in was part of the reason they didn't do it. Mike can explain the County's reasons for it. Then we'll accept your view of it and consider it in terms of what this provided for. If you don't want us to do that, we'll take it back to the State, the County and the school and see what they say.

MR. HANLEY: So as we described, we don't want to be paying for the school before the students are in the school. It doesn't open until 2018. We won't start getting debt service aid until 2018. So the 2018 is where we put the first principal payment and begin amortizing the bonds. As you know, I mean, the math of conforming debt service, when you get out to thirty years, it produces a schedule that is very front loaded, because of the limites of the hundred percent limits.

We think for budgeting, long term budgeting purposes for the County, in the context of all the capital needs that we have to addresses, we have significant capital needs, including a courthouse that we will be building in 2022. We are trying to steadily increase the debt service line items until that time on an annual basis, such that there are no shocks in the tax rate going up basically incrementally each year until '22, when it lands in place. So that we can balance $500 million of capital needs that we have over that time period.

MR. MC MANIMON: So if you have the questions, we have the people here to address them, if you have concerns about any of those points?

MR. CUNNINGHAM: Mike, when you say that, do you mean that as an indictment against conforming maturity schedules in general?

MR. HANLEY: It's an indictment against conforming maturity schedules for very long term assets. If it was an asset that lasted fifteen years, it wouldn't produce that math problem. Even twenty years wouldn't produce that math problem.

It is like most people-- a lot of people have mortgages; right. At the beginning because of the term of the loan, you are paying very little in principal when you have a level debt service type of approach. Not everything should be level, a lot of things that are financed don't last as long and don't create this math problem. But buildings, you know, that have a very high cost and have a very long, useful life, create this mathematical problem.

MR. CUNNINGHAM: So this morning you sent us an analysis of what a conforming maturity schedule would look like?

MR. HANLEY: Yes.

MR. CUNNINGHAM: Could you talk the Board through that a little bit and explain the difference?

MR. HANLEY: Sure. The difference between the conforming and the nonconforming maturity schedule is, the schedule we presented is $9.5 million annually. The conforming schedule would create nearly 10.8 million in the first year, and then, you know, remain over $10 million for about six years, then it would be--it would go from $10 million to $9 million over the next ten years. Then it would drop to $8 million for about twenty years and $7 million in the last three.

So you have this, you know, significant burden in the beginning that is replaced by a slight benefit in the middle, large benefit in the last three years, because your principal payments are so high in the early years.

MR. CUNNINGHAM: Okay. So whether conforming or nonconforming, let's talk about the overall project costs. One thing that the application didn't make clear to us was kind of how the costs were determined for the project and what the breakout is.

So I know very little about education law. But I know that education law holds that certain things can be financed or state money contributed to and certain things can't. This application is for a school and all the furnishings. But we don't know what's included in that. Are we talking sports fields? Are we talking--because I've got to be honest, for 1,800 students, if that's what it is, it's a $160 million project.

MS. RODRIGUEZ: Yeah, whatever is beyond brick a mortar.

MR. MC MANIMON: From what I understand--and Nick can address this, everything was included as eligible except for 4,000 square feet of this building. If you can explain that? It's not a--

MR. CUNNINGHAM: It's eligible, but what is in it?

MR. MC MANIMON: I understand.

MR. FARGO: Well, the building is designed in-- it has what we call fingers. Each finger is an academy. The school is run-- it is sort of an academy curriculum. Where one building is a performing arts academy. Then next building is a science academy. We have an engineering academy. We have a technology academy.

In addition to that we have the common space, the gym, the languages, with a very small piece for administration. The small piece for the administration was the part that was ineligible under the date service.

We have programs-- our programs run from 7:00 in the morning until 9:30 at night. So we have 1,200 students-- we will have 1,200 students in the building during a regular school day between 8:30 and 3:00. We will also have 1,200 students in the building from 3:00 to 9:30 in post secondary, adult high school and other post-- after school programs.

So the school, while albeit 1,200 students, it's 1,200 students for the better part of fifteen hours. So the space is utilized most of the day. There are no fields. It is all brick and mortar.

MR. CUNNINGHAM: I should just mention that--lest anyone thinks that the Division doesn't do its diligence, a lot of times applications come in front of us and it seems we say yes to everything, but the heavy lifting is done in the days leading up to the agenda when various applicants withdraw. But we did contact the Department of Education, and we obtained on our own behalf a copy of a letter talking about the amount of aid that's being contributed to it.

Thenwe talked a little bit about why the HCIA would do the project as opposed to District financing it themselves or going through SDA or some other option. As you talked about a little bit, Mr. Mc Manimon, and we talk in more detail on the phone, it was the desire to take advantage of the procurement benefits, as well as the construction management experience of the Improvement Authority; correct?

MR. MC MANIMON: Yes.

MR. CUNNINGHAM: Can I ask why the Improvement Authority is charging both financing fees and administrative fees.

MR. MC MANIMON: Well, I'll say virtually all authorities have annual administrative fees. The question is why is this improvement authority seeking to finance the year's administrative fee in this project financing rather than just putting in the County budget, whoever would budget they would do it. I think it was a decision made by the financing to seek to be able to do that. It is not a small amount of money. It's a small amount of money in the overall dynamics of this project financing.

But the alternative is for the County to have to put that in the budget as an administrative fee that's charged to the applicant or for the--when I say the County, the County funds, along with the State, the budget of the Vo Tech school, and the Vo Tech is the applicant. So they would pay Improvement Authority's annual administrative fee. All this one did was approve-- take the first year's fee and put it into financing as a project cost rather than an operating cost. From a tax prospective it's small and irrelevant in the context of a tax issue, but that's why they put that in there.

MR. CUNNINGHAM: Thank you. The other question, Mike, I think you may have answered, but just the rush of the morning, useful life compared to the maturity schedule?

MR. HANLEY: It's a thirty year useful life under the bond law and exists for thirty-five years under the under the US program.

MR. CUNNINGHAM: So is the-- the maturity schedule is going to extend five years past the useful life of the school?

MR. MC MANIMON: Let me just-- again we're talking legally and practically. Obviously, the building they're in has existed for eighty years. This building will actually last much longer than the statutory life if you were using the bond law, which we're not. Nevertheless, it is an issue that the Board staff has raised. In the context of it, we're trying to finance this over the time frame where we're paying principal over the actual--over the useful life of the project, but there is capitalized interest while we're waiting.

So the actual bond life is longer than thirty years, but the principal is being back over the thirty years once it's completed. In other words, they are going to be paying the principal back over the life that the statute would provide if this was under the bond law, because the building won't exist until it's finished. That will then be thirty years from that date.

Now, one of the suggestions made in the call was should we consider notes for that period? We can issue notes for three years or four years, then have a bond issue. But the view was, this market was a phenomenal market. The idea of doing a note now for a lesser interest rate for two or three years, then risking what $160 million would be costing us three years from now in the bond market, when we've got a very strong market, didn't make any sense in this project, because it is a larger amount. So that's what that's about.

MR. CUNNINGHAM: I don't disagree, any other questions?

MS. RODRIGUEZ: My question is, the building that you are going to be replacing now; right, which is eighty years old, are there plans-- what are the plans for that building? I don't know that it comes into them to say-- I'm just curious.

MR. FARGO: We had an appraiser actually value the building and the surrounding property that's owned also by the school. The appraised value is about $16 million. So we will look to sell it through a public auction or-- you know, we have no use for the building any more. We are surrounded by heavy retail. So we assume that there is a market for a retailer.

MS. RODRIGUEZ: I mean, I hope so. Because regardless where the funding comes from, it is the taxpayers that are going to ultimately pay for this. I always have a concern around that.

MR. FARGO: Whatever proceeds come from the building, will go to offset the costs of the bond.

MS. RODRIGUEZ: That was my next

question, thanks.

MS. CUNNINGHAM: Mr. Light.

MR. LIGHT: I had a question. First of all, I'm not sure-- I heard 1,200 students and then I heard 1,800 students.

MR. FARGO: 1,200 day, 1,200 night.

We have the school--

MR. LIGHT: At any one day you are going to have 2,400 students through the school?

MR. FARGO: Through the school, yes. But the capacity we are looking at is 1,200. We have a daytime program, which is a typical high school of 1,200. Then we have a nighttime program which is called post secondary, and the adult school that we run, which also houses 1,200.

MR. LIGHT: That's more than what you have now in the existing facility?

MR. FARGO: Right now we have 930 daytime students.

MR. LIGHT: You are filled and you think you have the number of students coming in?

MR. FARGO: We have a very large demand on our daytime program.

MR. LIGHT: The objective is that you've got more coming?

MR. FARGO: We're accepting more now than we have in the past.

MR. LIGHT: Is it a one year or a two year program? If I went to go into your school right now--

MR. FARGO: Daytime, it's a four year high school.

MR. LIGHT: Oh, it's four years.

MR. FARGO: Typical high school. The nighttime program is very different.

MR. LIGHT: I thought it was, like, a vo tech school that--

MR. FARGO: No. It is a four year, college prep. Which nowadays the technical programs includes medical science and performing arts. So it's a four year college prep school.

MR. LIGHT: The last thing that staggers me and still giving my heart a few pumps here, is the $1,600,000 cost of issuance.

I know these are just estimates, but this was probably the largest I've ever seen. It seems like an awful lot of money. I know there is some duplication here. Especially most of it goes to, I guess, financing fees and attorneys fees. That's a lot of money, $1,600,000.

MR. FARGO: That one is off my plate.

MR. LIGHT: It's not your problem.

MR. FARGO: It's our problem, but--

MS. RODRIGUEZ: It's your problem because you're paying it.

MR. FARGO: Of course it is. Maybe Mr. Mc Manimon can answer that one.

MR. MC MANIMON: Or not.

MR. CUNNINGHAM: Any Board members want to make a motion?

MR. AVERY: I've got a question.

MR. CUNNINGHAM: I'm sorry.

MR. AVERY: You flushed out today, I think, today a little more than we knew before about what the actual project ism it entails..

I think the business administrator said that it was on a twenty acre site. What is the cost of that site, is that factored in it?

MR. FARGO: It's County owned, it's free.

MR. MC MANIMON: The land is free

MR. AVERY: Nothing is free.

MR. MC MANIMON: It's owned by the County, so there is no cost charged to it.

MR. AVERY: It's a County park?

MR. FARGO: It's an existing County park.

MR. AVERY: Is it on the County's open space inventory?

MR. FARGO: Part of it is. That piece is not.

MR. AVERY: That piece is not?

MR. FARGO: It may be on the open space inventory. That part has never been used as part of the park.

MR. AVERY: I think that's something that you need to check.

MR. FARGO: We've gone through DEP. We've gone through Open Space, all those.

MR. AVERY: The State House Commission?

MR. FARGO: Yes, all of those. All the approvals are there, they have been had.

MR. CUNNINGHAM: No Green Acres funding that went into it that would prevent --

MR. FARGO: No. All of those approvals have been done. They've been flushed out over the last two years.

MR. AVERY: I'd like to find out how

Bergen--Bergen County--

MR. FARGO: Hudson.

MR. AVERY: --Hudson County, avoided including that on the open space inventory. I'd like to do that too in Ocean County, when I was there. It seems like every piece of property we buy goes on the open space inventory, whether we buy it for open space purposes or not.

MR. MC MANION: You may be using Green Acres funds.

MR. AVERY: We were not using Green Acres funds.

MR. FARGO: Not on this one.

MR. AVERRY: It's just interesting. I would agree with colleague Mr. Light, I think that's a record of cost of issuance that I've seen. I'm the newest Board members. I wasn't here for some of the previous ones, but that's a lot of money.

MR. LIGHT: I'm here for a long time. That's the biggest one I've seen

MR. AVERY: I'm sure that the staff has looked at those. Some day I'm going to learn how to figure these out. That's my questions, Mr. Chairman.

MR. CUNNINGHAM: Any other questions? Does anyone want to make a motion?

MS. RODRIGUEZ: I'll make a motion.

MR. BLEE: I second it.

MR. CUNNINGHAM: Ms. Rodriguez makes the motion and Mr. Blee seconds it. Take the roll.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: No.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: No.

It passes three to two.

MR. MC MANIMON: Thank you.

MR. CUNNINGHAM: New Brunswick Parking Authority.

(Mitch Caron, Anthony Inverso and Greg Jackman, being first duly sworn according to law by the Notary)

So maybe you gentlemen can just explain the concept of what's predicated here. I know you said the refunding was going to stand on its merits, but I think the discussion that we had on Friday, it would be interesting for us if you would just encapsulate your application.

MR. PANELLA: Sort of like an exeutive summary?

MR. CUNNINGHAM: Exactly.

MR. PANELLA: My name is Tony Panella, Wilentz, Goldman & Spitzer. I am bond counsel for the New Brunswick Parking Authority. I have with me here today Mitch Caron, the long time executive director of the Parking Authority, Anthony Inverso from Pheonix Financial, the financial advisor, and Greg Jackman, the CFO of the Parking Authority.

So this--for economic person, this financing for economic purposes is a refinancing for debt service. It has a few twisted facts in it that make it different than the customary bond financings that you've seen over the years.

This is a refinancing of what I would call alleged tax advantaged bonds that were issued under the American Reinvestment & Recovery Act that was enacted by Congress in 2009, during the Great Recession.

Under that law, local governments local governments were permitted, if they received an allocation to do so, to issue bonds called Build America  Bonds and Recovery Zone Economic Development Bonds. Those bonds were actually issued as federally taxable bonds.  But under the federal law the Build Ameria Bonds received a thirty-five percent federal subsidy. The Recovery Zone Bonds received a forty-five percent federal subsidy manually on the debt service.

When you did all of that math, they became either marginally or moderately, depending upon the market, better than a plain old fashion tax exempt bond that would have been issued at that time.

But they were in vogue and most believe they did save some money, versus conventional tax exempt bond financing. So they were used up to their allocation limits extensively in 2009 and 2010.  In 2010 the Parking Authority undertook two significant redevelopment projects; the ongoing revitalization of the City of New Brunswick and the Build America Bonds and Recovery Zone Bonds that were utilized to the tune of approximately $140 million.  Those are the bonds that are on the table to be refinanced. Tax exempt-- plain old fashioned tax exempt interest rates that exist in 2016, are significantly lower, obviously, than federally taxable interest rates were in 2010. So notwithstanding what I'm about to tell you, this refinancing would make sense on its own anyway. But something else intervened in the last four years with these Build America Bonds and Recovery Zone Bonds. You may recall that in 2011 congress was in a big snit with the president over the debt limit of the federal government and reducing the annual federal government budgetary deficit.

In 2011, the congress passed and the president signed a tax bill that in essence said the following: The congress was going to produce a super committee. That super committee by November of 2011 was going to fashion $1.2 trillion deficit reduction over a ten year period. To everyone's shock that never happened. Actually, it was to no one's shock.

That never happened. Certain provisions of that tax law that was signed in 2011 became effective. Those are the now infamous federal sequester provisions.

So what the government did to itself and did to local governments that were not involved in this, was institute mandatory across the board federal budget cuts, until the congress and the president got around to reaching an agreement on reducing the federal budget deficits. That was in 2011.

Today is March 9, 2016. The federal sequester has existed for the last five years. The law has never been rescinded or amended. The sequesters have averaged somewhere between six and a half percent and eight percent annually. And the subsidy payments that the federal government pays under the Build America Bond and Recovery Zone Bond program are captured by the sequester.

So the Parking Authority has received somewhere in the range of six and a half percent to eight percent less annual subsidy on these bonds starting January 1, 2013. We have no way of knowing if this will ever change. If someone had said in 2013 that this sequester would still exist in 2016, I'm sure most of them would say that's impossibility, they'll at least rescind the law and stop punishing local governments. Well, they haven't.

When you add in the sequester impact on the Recovery Zone and Build America Bonds, it further enhances the efficacy of these refinancings. We have no way of knowing if they are going to rescind the sequester tomorrow or ten years from now. But we know this, if we refinance these bonds, all these local governments that have issued these Build America Bonds and Recovery Zone Bonds, won't care any more because they are out from under the risk of them. They will have plain old fashioned fax rate tax exempt interest bearing bonds that replaced those at risk Build America Bonds and Recovery Zone Bonds.

So that's what's going on here. That's quirk number one. Quirk number two I'll explain shorter, I promise. Quirk number two is that when you refinance a Build America Bond the old fashioned way where you legally defease not only the principal of the debt that's being refunded, but the interest of the refunded debt.

The IRS has, of course, announced that if you do that, what is it that you are doing? You are refunding the bonds the way that bonds have been refunded for seventy-five years. If you do that--God forbid you do that, the IRS has determined that the federal subsidy no longer applies because the bonds are legally defeased.

Well, that's a real big problem. Because during the four year escrow period from the date of closing of the refunding to the date of legal defeasance of these Build America Bonds, you would no longer be receiving the federal subsidy. Which would, in essence, eliminate the benefit of having the refunding in the first place.

The insanity of that is that refinancing gets the federal government out from under the subsidy but yet it places impediments in refinancing the government out of the subsidy. I won't say any more about that. So when you do a Build America Bond and a Recovery Zone Bond refunding what you have to do is legally defease the principal, but not the interest.

You continue to pay the interest on the refunding bonds during the escrow period and you economically defease the interest on the refunded debt.

So that, that's why in this financing the savings don't start until 2021, because the escrow ends in 2020.

So this is a financing that can save as much as seven to seven and a half million dollars. But all of those savings are going to be from 2021 to 2040. The debt service remains the same to the penny during the escrow period.

So those are the two quirks here. Other than that, it's just a plain old straight forward refunding.

MR. INVERSO: I just need to clarify one thing that you said.

MR. PANELLA: Oh, no.

MR. INVERSO: Just real quick. The escrow secures the interest on the refunding bonds, the new bonds, not the refunded bonds. I think you just misspoke there.

MR. PANELLA: There are INGs and EDs.

MR. INVERSO: Exactly. So the new bonds will be secured by the escrow during the next four years. And then the interest payments on the old bonds, the refunded bonds, will stay the same. They will still get the subsidy from the federal government. So the net result to the Authority over the next four years, is no change in debt service.

MR. CUNNINGHAM: Anthony, thank you. Bond counsel talked about the dollar amounts. Can you just tell us the percentage of the savings to be expected to be realized by the refunding?

MR. INVERSO: Absolutely. It's about $7.4 million over the life of the issue. Which, as Tony said would start in 2021, the first of year savings, to 2040. On a present value it's about $4.6 million or 3.2 percent of the amount refunded

MR. CUNNINGHAM: Complicated. Any questions?

MR. LIGHT: Staggering to me.

MR CUNNINGHAM: I have to say, I do appreciate Anthony and Tony talking to us on Friday. Because I think here-- I'm sorry, on Monday. I think clearly, there are multiple reasons to do this refunding. Number one, because achieve the savings. Number two, because eliminate the risk of not taking the savings should the subsidies continue to be decreased or whatever.

So I think with the explanation that's been provided, I'm very comfortable with the application. I think it's very prudent, and I make the motion to approve.

MR. BLEE: Second.

MR. CUNNINGHAM: Mr. Blee seconds. Roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MR. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Thank you, gentlemen. In a similar vein, Middlesex County Improvement Authority.

(Leonard Roseman, Anthony Inverso, being first duly sworn according to law by the Notary.)

MR. ROSEMAN: Leonard Roseman, Chairman, Middlesex County Improvement Authority.

MR. CUNNINGHAM: Thank you for your appearance. Counsel, this is a similar refunding?

MR. PANELLA: Exactly the same in

all ways.

MR. CUNNINGHAM: Anthony, you just want to talk to the Board about the expected savings on this transaction?

MR. INVERSO: Absolutely. We're expecting about $750,000 of debt service savings that would occur between 2020 and 2029, similar to the last application. No savings will be realized between now and 2020, because of the structure that's being implemented.

On a present value basis, those savings are about $616,000 or 3.1 percent of the bonds refunded. Any questions on this application?

MR. BLEE: Motion to approve.

MR. CUNNINGHAM: Motion by Mr. Blee.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Second by Ms. Rodriguez, roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS. MC NAMARA: Mr. Avery?

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Thank you very much.

MR. PANELLA: Okay, thank you.

MR. CUNNINGHAM: Burlington County Bridge Commission.

MR. KRASSON: I'm Mark Krasson, CFO for the Burlington County Bridge Commission.

MS. EDWARDS: I'm Jennifer Edwards, Acacia Financial, Financial Advisor to the Burlington County Bridge Commission.

MR. HASTIE: Tom Hastie from Capehart & Scatchard, bond counsel.

(Jennifer Edwards and Marc Krasson, being first duly sworn according to law by the Notary)

MR. CUNNINGHAM: Hello, Mr. Hastie.

MR. HASTIE: How are you, sir?

MR. CUNNINGHAM: Good.

MR. HASTIE: This is an application from the Burlington County Bridge Commission to essentially renew and permanently finance a portion of notes that it has outstanding.

We first came to the Board in 2013 with a plan to issue up to $60 million in notes to fund County capital projects, kinds of on a pay as you go, on an as you roll out basis. We sold $30 million in notes in 2013. In 2014 we renewed the $30 million and added an additional $30 million. In 2015 we renewed 55 or 54.9 premium of it and paid down $5 million.

Under the note provisions of the Fiscal Affairs Law, we're back to you because the approval expired. We're back to you with a plan to permanently finance $30 million of the $54 million. And with the remainder to stay in notes for at least one more year.

So I don't know if you have any questions?

MR. CUNNINGHAM: On that last point, why finance half and half?

MR. HASTIE: I think Jen and Mark can speak to this a lot more knowledgeably. It has to do with the County's kind of debt capacity, debt management practices. To amortize $60 million in one year would create a spike in debt service that the County wants to avoid.

MR. KRASSON: We worked very, very hard to try to keep as best as possible a level debt service going forward. So our approach with this particular financing is two-fold. One, to try to do this in two different traunches. The $30 million now because it kind of fits into our debt service schedule going forward, when we have somewhat of a decrease due to the amortization of existing debt. And we also just have a practice that we look to finance portions when the project is fully complete. We still have a couple of outstanding items to finish up on the remaining $25 plus million. So we'd be looking to do that in the next probably year or so year or two years, to go along on that.

MR. CUNNINGHAM: The only other question I had is, the application didn't provide a ton of detail. It talked certain capital improvements and capital equipment. Can you talk just a little bit about the types of--

MS. EDWARDS: We did send a list up.

MR. CUNNINGHAM: It did, okay.

MR. KRASSSON: I can give you a

synopsis.

MR. CUNNINGHAM: That would be perfect.

MR. KRASSON: Of the $30 million that we're going along on, approximately forty-seven percent or $14 million, has to do with roads and bridge projects, mainly overlaying. We have hundreds of bridges and culverts that we maintain in Burlington County. So that encompasses that part.

The next largest component is for Buildings and Grounds. The lion's share of that is for our Health & Human Services building that needed some major brickwork and new equipment on the outside. As well as for security enhancements to our existing building that houses the County officers. That was about $10 million or thirty-five percent.

The remaining piece is for heavy equipment that helps us to maintain our roads and bridges, which was about $6 million and about twenty percent of that.

MR. CUNNINGHAM: Thank you very much.

MR. KRASSON: You're welcome.

MR. CUNNINGHAM: I was just provided the list, so thank you very much. Any other questions?

(No response)

If there is none--

MR. BLEE: Motion to approve.

MR. LIGHT: Second.

MR. CUNNINGHAM: Mr. Blee motion, Mr. Light seconded it. Roll call, please?

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. HASTIE: Thank you.

MR. CUNNINGHAM: Thank you very much. The next application before the Board is the Salem County Improvement authority. We waived the appearance on this matter. It involves the Environmental Infrastructure Trust financing and proposed County guarantee. Under the new law we're not completely sure whether this had to come in front of the Board and if it did certainly it was in support of the EIT, which we typically don't have any issues with.

So I'll make a motion to approve the Salem County Improvement Authority's application. I would ask for a second from one of my colleagues.

MR. BLEE: Second.

MR. CUNNINGHAM: Second by Mr. Blee. Roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ:: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Atlantic County Improvement Authority, the general obligation Revenue Bonds relative to Stockton University

Island

MR. BLEE: Mr. Chairman I'll be recusing on this item.

MR. CUNNINGHAM: Thank you, Mr. Blee. Before we hear from this applicant, I just want to note for the record that the matter of the Bergen County Improvement Authority listed for 11:10, was deferred at that applicant's request.

Good morning, gentlemen. Could you kindly be introduced and those that aren't counsel be sworn in.

MR. PALADINO: Christopher Paladino, Atlantic City Development Corporation.

MR. BACHER: Doug Bacher, NW Financial, financial advisor to the Atlantic County Improvement Authority.

MR. KYLE: I'm Howard Kyle. I'm Chief of Staff of the County Executive.

MR. LAMEY: John Lamey. I'm Executive Director of the Atlantic County Improvement Authority.

MR. CANTALUPO: I'm John Cantalupo, bond counsel to the Atlantic County Improvement Authority and Atlantic County.

(Howard Kyle, Christopher Paladino,

Doug bacher and John Lamey, being first duly sworn according to law by the Notary.)

MR. CUNNINGHAM: Welcome.

MR. CANTALUPO: Thank you, Director.

MR. CUNNINGHAM: I know that--I just want to note for the record that this project was presented to myself and other members of my team in great detail a couple of weeks ago, a couple of days ago, whatever it may have been, certainly prior to the applications being submitted.

We were able to go over the projects, I say plural. I don't know how you want to proceed. If you want to give an introduction, John?

MR. CANTALUPO: Yes, sure. John Cantalupo, from Archer & Greiner, bond counsel to the Atlantic County Improvement Authority.

What we'll do is, we'll introduce the project. Chris Paladino from AC Devco will go into much more depth and Howard Kyle will talk about the reasons for the County's support of the projects. We'll summarize it from there and ask for questions from the Board.

So the Atlantic County Improvement

Authority is here seeking positive findings under the Local Authorities Fiscal Control Law, in connection with one series of bonds not to exceed $85 million.

They currently anticipate to issue $72 million on that Series A bonds. Which will be secured by a general obligation master lease with Stockton University. Which is similar to a prior Devco financing with Rutgers University.

There is also a second series of bonds that we are seeking positive findings under the Local Authorities Fiscal Control Law and also a County guarantee of those bonds, for an amount not to exceed $60 million.

Those are the Series E bonds. They are secured by monetized tax credits from the State of New Jersey, whereby the State issues tax credits to Island Campus, LLC, which  is a subsidiary or a wholly owned redevelopment entity that is formed by AC Devco and Devco.

They entered into a purchase agreement with a purchaser of these tax credits. And they assign the payments under those tax credits over a ten year period and they secure those bonds.

The bonds are being issued for a project that Chris will explain. It is a new Atlantic City campus for Stockton University. There are three components of the project; an academic building, a dormitory building and also a parking garage building.

Right now what we'll do is let Chris go on to a little bit more detail on the project, Chris Paladino from AC Devco. Then we'll turn it over to Howard Kyle from the County.

MR. PALADINO: Giving just a pretty broad overview of the project, the project is 675,000 square feet. It represents a $206 million investment in the City of Atlantic City. Property tax revenues on the three blocks in which we are building this project, will go from $236,000 a year to over $1.5 million in 2018 to start.

It will create over a thousand construction jobs over the construction period and bring 1,500 people to the Chelsea Section of Atlantic City on a daily basis, a twelve month basis.

Maybe if I can show you some pictures. This is one of the largest-- it certainly is the largest public/private partnership that I've ever been involved in and we've been doing this for a couple of years.

The partnership actually starts with the County of Atlantic, the New Jersey Economic Development Authority, the Improvement Authority, CRDA, the City of Atlantic City, Stockton University, the New Brunswick Development Corporation and South Jersey Gas, which all play a significant role in putting this $206 million project together.

Last year the Atlantic City Development Corporation purchased approximately ten acres in the Chelsea Section, which one time was supposed to be designated--was designated for redevelopment--a redevelopment agreement to be the Hard Rock Hotel and Casino. That never moved forward.

When we're finished, as I said, we're going to deliver 675,000 square feet, focusing on some great amenities, the O'Donnell Memorial Park which we hope will become the Washington Square Park to Stockton, as they build out this project, the boardwalk and, obviously, the Atlantic Ocean.

We'll have over 500 Stockton

undergraduates living in the fall of 2018 on the boardwalk. As far as we know it's the only student housing-- purpose built student housing on the Atlantic Ocean. Pepperdine and San Diego have stuff on the west coast.

This building will also be the center of school life, social life, study, in the first phase of the development, because they will be putting things in this building that all students can use at all times, even if they don't live there; so the gym, bike storage, surf board storage, locker rooms, study areas, different kinda of social spaces. So this building is not just for the students who will live there.

The first academic building will be built on what was the Atlantic City High School site. It will be able to accommodate, under the current scheduling system of the University, close to 1,800 students. Although we believe in September of 2018 we'll have a thousand students using this building. So there is some growth potential immediately.

Not part of the request under your consideration, but to understand the entire project, South Jersey Gas is building its headquarters, 72,000 square feet, on one of the ocean blocks. It stands on a podium of the-- of parking which will serve the entire project.

The lease we have with Stockton, which will be capitalized as a thirty year lease, is anticipated to raise almost $70 million or thirty-four percent of the project cost. The tax credit debt, which is going to be ten year paper, will raise $50.4 million or twenty-four percent.

South Jersey Gas is putting up $50 million or twenty-four percent of the project-- total project cost. Stockton and CRDA, CRDA grant funds, are paying almost all of the cost of the academic building, or $35 million. And there is $2 million of developer's equity that gets left in the project.

So that's-- anything else I should cover?

MR. LIGHT: A question for me. I'm sorry, I'm not familiar with the utilities South Jersey Gas. I'm familiar with the other ones that are up in my way. How large is South Jersey Gas? What area does it serve?

MR. CUNNINGHAM: That's a good question.

MR. KYLE: It serves some of the southern counties in the state. It covers Atlantic, Cape May, parts of Cumberland, which I know for sure. I think they may touch into Camden County.

MR. BACHER: I don't think that they do--

MR. KYLE: It's Salem County. It's the southern part of New Jersey.

MR. LIGHT: They are going to be moving their headquarters into Atlantic City. Where are their headquarters now?

MR. KYLE: Their headquarters are in a shared building in Folsom, New Jersey, with South Jersey Industries, which is the parent company. South Jersey Gas is currently renting office space in several locations. Their goal is to consolidate that office spaces into one location. They are going to maintain the parent corporation in Folsom, New Jersey and relocate the South Jersey Gas functions into Atlantic City.

MR. PALADINO: Actually, they are returning where they had started.

MR. KYLE: Actually, that's where it was.

MR. PALADINO: South Jersey Gas had been in Atlantic City and they moved out to the suburbs several decades ago.

South Jersey Industries is going to maintain its facilities in Folsom. They will pay the same amount of property taxes.

MR. LIGHT: Thank you.

MR. CUNNINGHAM: Thank you very much for that portion. Then Mr. Kyle was going to talk about the County guarantee.

MR. KYLE: I'm going to talk about--the County's support for the project is very strong. Largely because, as you know, there is no secret, Atlantic City is a economically challenged are. We have one of the highest employment rates, highest home foreclosures. I think 110,000 people out of a population 250,000 receive some form of public assistance.

We sat down collectively over a year ago and realized that we had to get more aggressive in economic development. Economic development had been done largely by the CRDA, which is now just limited just to a few blocks of the Atlantic City Tourist District. And also by the South Jersey Transportation Authority, which, quite frankly, is now struggling to maintain their same levels of operation

We retained a firm, Angelo Economics of Austin, Texas. We did a nine month economic development strategy. We completed it las September. We identified four areas that we wanted to target; tourism and hospitality remains one of them, aviation, which we'll talk about later, light manufacturing, specialty manufacturing and life sciences.

Those are areas where the natural economy of the area is conducive to those types of businesses. We established very recently an Economic Development Corporation that has $500,000 a year in funding for the next five years. We have $100,000 in several commitments and we expect to have a budget eventually of a million dollars to go out, target and market Atlantic County as a place to do business and live.

Now, in terms of this project it fits in with our plan. It ties into the tourism aspect. It takes a section of Atlantic City which has been dormant for a number of years, especially in light of the what used to be called at one time the Hilton Hotel, I think the last name was the

Atlantic Club, that closed down. Nothing is happening. It takes blocks that are vacant land. It puts a project there and starts generating revenue in terms of a pilot, that will actually go back to the County and bring life and vitality to that section of Atlantic City.

So it is a component, one component. It is not the solution for Atlantic City's problems. It's one component to what's necessary in Atlantic City.

One important thing, what our consultant found is that Atlantic County, unlike any place he's seen in the country--and he's done over 600 of these types of studies, is more dependant on one industry than any other place he's ever seen.

So the need to diversify our economy is critical and that's what we're trying to do. We looked at our assets and one of the County's assets is that during good times, you know yourself, the County has been extremely frugal in issuing any debt. As a result, we have one of the lowest rations of any county in New Jersey.

So a collective, very judicious

decision was made, to use some of our debt capacity, to advance some projects, which would advance the economy of the area, simply because, if we don't take that type of action, we don't do these type of projects and get behind them, then nothing is happening in Atlantic County, nothing economically is happening.

So we believe there is benefit not only for the residents of Atlantic County, but also for the State of New Jersey as a whole.

MR. CUNNINGHAM: Thank you very much. I do want to mentioned that I actually happened to be in Atlantic City and I went by the property, which I didn't have familiarity with before. I never go down to what I call the south side, even though they somehow confuse east and west down there. But I went south and I found the property.

The other thing that I want to say, for the record, in terms of the Division's diligence, we did have conversations with EDA, talked about the project, talked about the commitments of the grants, about the impact or lack thereof, of the County guarantee on the project. But I think that it was very helpful having the team come in and talk to the Division ahead of time. We, therefore, knew what to expect with the application and we were, therefore, able to review it in a very thorough manner.

Do any of my colleagues have questions about this particular application?

MS. RODRIGUEZ: No, but I have a comment.

MR. CUNNINGHAM: Please.

MS. RODRIGUEZ: Projects like this on a personal level excite me. So I have to commend you that it is always good when you have private and public partnerships like the gas company, with what's soon to become a college town or college city. I know the work you've done in New Brunswick, so I commend you and the team entirely.

I'm excited. I like the name Chelsea. I never knew it existed, the Chelsea Section. You know, like I said, this kind of thing excites me.

I'm glad you said it, you know, that Atlantic County has depended on one industry for decades now. This looks like it will turn the tide. You know, I think it's a great project.

MR. CANTALUPO: Thank you.

MR. CUNNINGHAM: Before the Board votes, I'd just ask for a show of hands, if there is anyone in the audience that wanted to speak publicly on this project?

(No response)

So seeing none, the only reason I'll note for the record that I asked, is because the Board has received telephone calls and emails from parties in the western portion of Atlantic County that are not supportive of this project. And their criticisms hinge upon the fact that South Jersey Industries will be relocating or I should say would be developing a new headquarters building. Although their operation in Folsom, as I understand it, will continue.

I don't think that--we were asked-- I should be specific. We were asked to defer today's application. I don't think it would be prudent to do so. I think Atlantic City, first of all, needs this project to start quickly, especially in terms of how it relates to academic years. Secondly, although the South Jersey Industries is a partner in the project and their building is a significant, as Mr. Paladino pointed out and Mr. Cantalupo, it's not part of this particular financing. So I purposelly and very willingly kept this matter on the agenda.

Considering there are no other questions from the Board members, I'll make a motion to approve the Atlantic County Improvement Authority's application and I would ask for a second.

MS. RODRIGUEZ: I'll second it.

MR. CUNNINGHAM: Ms. Rodriguez seconds. We'll take a roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes. And I just note that, you know, a development like this in the City of Atlantic City, obviously, from the newspapers everyone knows this is particularly pressing on my mind. Anything that we can all work on together to try to bring significant ratables and partnerships with the County Improvement Authority, I'm all for. So I enthusiastically vote yes on this.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes. And lots of

luck, I'm excited.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: We're going to continue with the Atlantic County Improvement authority. This time for another County guaranteed project, which is the Stockton Aviation Research & Technology Park.

Good morning Mr. Mc Manimon.

MR. KEVIN MC MANIMON: Good morning, Director, how are you?

MR. CUNNINGHAM: Would you just introduce yourself?

MR. KEVIN MC MANIMON: Kevin Mc Manimon, Mc Manimon, Scotland & Baumann, bond counsel for the Atlantic County Improvement Authority in connection with this matter.

MR. CUNNINGHAM: Once again, the County is in partnership with the Improvement Authority and undertaking an effort to bring development and ratables, jobs and other things, to Atlantic County. So you gentlemen just want to introduce the concep?

Again, I just want to note for the record, this project was discussed with myself and members of the DLGS team. We had an opportunity to understand project and the financing. Therefore, when the application came in we were able to thoroughly and comprehensively review this. So Kevin, I'll turn it over to you.

MR. KEVIN MC MANIMON: Thank you for the introduction, Director. Given that and the prior discussion with the Board's staff and Mr. Kyle's discussion and the description a moment ago about the importance of diversification of the regional economy in and around Atlantic County, I'm going to target what I'm saying now.

The specific requests that we are making this application under, this is a joint application by the Improvement Authority and the County. The Improvement Authority seeks positive findings in connection with the issuance of bonds or notes that would be guaranteed by the County.

The County for its part, seeks approval under the Local Bond Law, in order to waive the down payment on general obligation bonds or notes that the County will issue in connection with this project.

The ACIA's debt to be issued in an amount not to exceed $15.5 million, and the

County's debt will be authorized in an amount not to exceed $7.5 million.

The purpose of both sets of obligations are to fund a portion of costs associated with the Stockton Aviation Research & Technology Park. One of the focuses of the economic study Mr. Kyle described a couple of minutes ago is the Aviation Research & Technology Park in Egg Harbor Township.

A number of years ago the Federal Aviation Administration launched a next generation initiative with a view toward advancing research and technology in the aviation field. One of the sites that they particularly targeted was the William J. Hughes Technical Center in Egg Harbor Township.

They struggled to get that off the ground. Then Stockton University created the Stockton Aviation Research & Technology Park, Inc., a corporation designed to help facilitate the construction of the Aviation Research & Technology Park.

Based on the importance of that site and the need to really diversify the economy like Mr. Kyle describe, the County and the

Improvement Authority together decided to help facilitate this project.

The ACIA will do so by taking charge and building the first building in the park. It will finance the design and construction of the building. It will lease the space to tenants. It will use the revenues from those leases to finance the operational costs and the debt service.

The County will guarantee that debt issued by ACIA. The County will also fund a portion of the costs associated with the construction and design through a general obligation issued by the County.

So, obviously, this project like the project before, is crucial to the diversification of the economy in Atlantic County. Between the County's piece that I just described, the ACIA's piece that I just described and some funds that we hope and expect to get from the Casino Reinvestment & Development Authority, we believe that will help, all together, to finance, design and the construction of the first building in the park. Which will, in turn, spurn the development of the remainder of the park. Which will be the responsibility of the corporation that Stockton created and I described a moment ago.

We think that the County's guarantee of the ACIA bonds will help us achieve the highest credit rating for the bond that we can, and, thereby, the lowest interest rates that we can, to keep the financing costs to a minimum.

I think the application was pretty thorough in the levels of security that we hope to implement in connection with the project.

We've had the discussion mentioned before and Mr. Kyle described the importance to the County. So with that, I'm going to open it up to questions. I don't have any more to say, unless you have any questions.

MR. CUNNINGHAM: Thank you. Any questions?

MR. LIGHT: No.

MR. CUNNINGHAM: The only concern--and I use that in not a pejorative sense, was that basically what's happening here is a building is built on spec. But there is a guarantee placed. That's a local decision, the Freeholders voted for it.

When we met with Mr. Kyle and the

rest of the team there were already likely letters of intent or likely tenants. So I don't think it is necessarily our job to argue with that. I'm not saying that I would, but that was one of the things that after you left that we wrestled with a little bit.

But other than that, we understand, similar to the Atlantic City project, we understand the need to diversify the County's economy. We understand the County has so many people out of work, especially as the tourism industry contracted so badly in the City.

Through your consultant and through your internal analysis, that the aviation industry is something that Atlantic County can take advantage of. The project seems rather prudent.

So if none of my colleagues have additional questions--Mr. Blee?

MR. BLEE: Mr. Chairman, just for the record, I'd like to commend the entire team. I know you're never supposed to single anybody out, but I would be remiss if I did not single out Mr. Kyle, who has been passionate about this issue for a long, long time. And for a variety of reasons we didn't get into all of them today. It's kind of stalled, stalled and stalled. So special congratulations to Mr. Kly for his passion.

MR. KYLE: Thank you.

MR. CUNNINGHAM: Would you care to make a motion?

MR. BLEE: I would, sir, motion to approve.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM: Ms. Rodriguez seconds. Roll call.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: We wish you good luck with this project and hope it really is a catalyst for the benefit of the County.

MR. KYLE: I want to state that I postponed my retirement to see this thing through.

MR. CUNNINGHAM: Thank you. Evesham Township Municipal Utilities Authority.

Good morning gentlemen. Even those that have appeared, would you be introduced and those that aren't counsel be sworn in?

MR. HASTIE: Tom Hastie from Capehart, Scatchard. Tom Czerniecki--Tom C, who is the Manager for the Township of Evesham, Tom Shanahan, who is the Deputy Manager and Director of Finance for the Township, Josh Nyikita from Acacia Financial and Jeff Winitsky from Parker, Mc Cay, who is Solicitor to the Township. So it is three Toms and two not Toms.

(Tom Czerniecki, Tom Shanahan and Josh Nyikita, being first duly sworn according to law by the Notary)

MR. CUNNINGHAM: Before you guys explain the application, I just want to note for the record, like the prior applicants, your team came in along with the Mayor and met with myself and the Division staff, told us that you were contemplating the dissolution of the MUA. You heard from us our concerns-- or the things that we look for actually might be a better way of saying it, for when such an application would come before us. Then the application eventually did come

I don't know, Tom, whether you want to take the lead and kind of introduce the application to the rest of the Board.

MR. HASTIE: Absolutely. We're here to discuss the Township's plan to dissolve the Township MUA and create a utility to operate and maintain the Township's and water and sanitary sewer systems.

We're here to present the dissolution application and ask for the Board's approval as required under the Local Authorities Fiscal Control Law. The law requires us to demonstrate and the Board to find to their satisfaction that the dissolution if approved would provide for the payment of all creditors and obligees of the Authority, and also for the assumption of those services that are necessary to protect the health, safety and welfare of the Township's residents.

I think the application clearly meets both prongs. Creditors and obligees will be provided for. All existing bonds in the Authority will be defeased and the Township will authorize General Obligation Bonds to retire the Authority bonds. Funds within the Authority's general bond resolution for debt service, will be used to pay debt service on July 1. And funds in the debt service reserve fund will be used to reduce issues existing debt at the time of the defeasance.

The Township's refunding plan for the bonds will be done in two parts. There will be a traditional refunding of the Authority's public debt and a planned assumption of the Authority's NJEIT debt.

The traditional refunding is structured to produce annual debt service savings and to kind of maintain the existing debt curve of the Authority. And the NJEIT assumption will allow us to keep the attractive rates, payment dates, everything will remain unchanged.

So, again, I think overall if you take a half a step back, if the Township is authorized to approve this, what will actually happen is, debt service will come down every year for one series of bonds. Maturities will actually shrink by a couple of years. And, you know, we will not be incurring any additional costs, because we're going to keep the NJEIT debt in-place.

The other thing-- the other prong would be that the services will be continued by the Township. The plan right now is to retain all Authority employees. The existing management structure and personnel are going to be retained. From 10,000 feet I think only two things are going to change. One is, management of the utility will have to go to the elected town council instead of to the appointed MUA Board. Two, there is going to be greater efficiency kind of on the line level employees. Because the Township has right now existing Public Works employees. The MUA has existing kind of plant and, you know, assistant maintenance employees.

Now they will work-- they work and cooperate together now. But now it will be under one management team. So you will have more bodies to respond to either line breaks or to snow storms. I think the Township sees an efficiency there.

Before I turn it over to everyone else, I note for the record that the State, probably going back to the '80s, has had a policy that has kind of looked at and favored reduction of units of government.

In the '80s it was called the SLURP Commission. In 2007 it was called the Local Unit Alignment Reorganization Consolidation Commission. In 2015 I think the Board or the Division staff kind of put into best practices that you keep an eye out now if you think there is a different way to do it cheaper and better.

I think the Township has presented a plan that advances this policy, satisfying the statutory requirements.

We then ask for your approval under the statute. I'll turn it over to Tom who's our architect.

MR. CZERNIECKI: As Tom mentioned, the specific question in the Municipal Benchmark Program is, have we studied our utilities and our sub municipal agencies? That was a very specific question. In a way that proved to be a catalyst for us digging into this.

The very first area of savings we spotted is simply that we don't have to, as a municipality, wouldn't have to carry the revenue reserves on debt. We could put some of the existing ones they have to work in capital projects.

We have identified numerous areas of savings beyond simply how we handle debt. I think we can coordinate projects much better. For example, we have priority roads that need to be done, that can't be done because there are water main projects or sewer main projects that are many years away from being completed, which would represents a waste.

That's not taking into account the duplication of professional services needed to accomplish those projects. So, you know, in short it was a great question. Because it really led us to peal back those layers of the onion to see where the efficiencies can be gained.

Tom is correct, we have no qualms with the employees. We're accepting their contract. We just see that over the long run we feel conservatively between the debt savings and the operational savings, over ten years we can put $15 million back into infrastructure that wouldn't otherwise have existed.

MR. CUNNINGHAM: Can you address how operational savings occur if you are moving existing staff and their contracts to the municipality?

MR. CZERNIECKI: Sure. First of all, we're obligated to honor their contracts, because we're not changing the structure whatsoever. However, there are always opportunities through attrition to create savings --opportunities for savings.

Specifically we're talking about how emergencies are covered, how snow removal operations are conducted.  Even simple things like lawn mowing services, which I know we're paying the rates of men who are licensed water and sewer operators to mow lawns now.  All of those things go away when we can better coordinate these things.

You might say, well, why can't we do that now? You know, we're operating under different budget cycles, different professionals. It just makes it easier and cleaner.

MR. CUNNINGHAM: Okay, thank you. Often when the concept of utility authority dissolutions come before the Board or at least come before the Division, they tend to simply be a raid of the authority's assets in order to get those reserve funds and bring them into the Township's coffers, often as a one year gimmick, for lack of a better word.

It does not appear that's what's happening in this application. But I wanted to go over a couple of things that the staff and I talked about, to just make sure that our understanding of the application is accurate.

I do want to mention that, you know, the Division's Assistant Director, Tina Zipicchi, actually spent personal time reviewing this application and discussed with me and other Local Finance Board staff.

I guess a couple of things that we note in the application is, this is being spread over multiple budget years, instead of just coming in the first year. I would ask if there is anything that is inaccurate that you correct me on the record, please.

The capital reserve funds, Tom, I think you said this already, is being used to pay down debt?

MR. HASTIE: Yes. It's about four and a half million dollars. If you look at the numbers stated on the public refunding piece of it, the amount that's outstanding is somewhere around $14 million. And the amount of bonds that are going to be issued are much less than that. That reflects both July 1 debt service payments and the use of the four and a half million dollars to defease existing debt.

MR. CUNNINGHAM: You are still keeping a significant portion of money in reserve for emergencies, I think it was six and a half million dollars?

MR. SHANNON: Six and a half million, yes, sir.

MR. CUNNINGHAM: I don't remember the number, but how much is coming into the current fund in this year?

MR. SHANNON: Presently last year it was about $780,000, I believe.

MR. CUNNINGHAM: I know some of my colleagues may have questions. If they do I'd ask them to ask you now. And then I'm going to ask you gentleman to stand down while we hear from some of the members of the public that wish to be heard on the application. Then we'll ask you to come back and up and discuss more or handle the vote as necessary.

I guess the first question is, does anyone pending questions for the applicant.

MR. LIGHT: It just wasn't clear. Was this all passed through by the Township governing body?

MR. CZERNIECKI: The council authorized us-- they introduced the ordinance and authorized us to come here.

MR. LIGHT: What form of government, full council, is it a mayor and council?

MR. CZERNIECKI: Council/manager, Faulkner Act.

MR. LIGHT: Plan F?

MR. CZERNIECKI: Plan D, I believe.

MR. LIGHT: Plan D. So the mayor is not a voting member of the council?

MR. CUNNINGHAM: I'm sorry, the mayor is a member of the council.

MR. LIGHT: Okay. I understand, thank you.

MR. CUNNINGHAM: Mr. Avery?

MR. AVERY: The $6.5 million that is going to be reserve, capital reserve that you mentioned, is that restricted to water and sewer projects, not general municipal capital projects?

MR. CZERNIECKI: Yes. Actually, it is specifically included in the draft ordinance creating the department. Those numbers are specifically identified in that department as requirements to be budget for. And any deviations from those would require a super majority vote.

MR. AVERY: Is that money-- as that money is used for eligible projects, how does it get replaced?

MR. CZERNIECKI: As part of the annual budget process.

MR. AVERY: Would that compete then with with municipal capital requirements?

MR. SHANNON: They would be segregated.

MR. HASTIE: It would be a utility budget. So you would have the utility revenues before the--the budgeting gets a little funky because of the way townships budget. You know, each year everything lapses into surplus and it gets pulled back out of the surplus.

The intent would be that each year you would start each budget year with those buckets of money full. So that's the intent.

Is something got completely used
down and there wasn't enough revenue within the
utility to refill the bucket, you know, the
Township I guess would have the choice to either
let it be full, as full as it can get, or budget
other money to support it. But that's not
something--

MR. AVERY: So the Township's intent
really, is to continue to refresh the capital
reserve fund with revenue from water and sewer?

MR. CZERNIECKI: Yes, sir.

MR. AVERY: Okay.

MR. LIGHT: That would be part then
of the Township'S budget and not the Authority's
budget any more, because the Authority will be
dissolved?

MR. HASTIE: Correct.

MR. LIGHT: It will be a line item
in the budget?

MR. HASTIE: It will be a line item
in the utility--

MR. SHANNON: It would be a self
liquidating utility budget that would be
segregated from the general operating budget. We

have a golf course utility which is separate from the current fund budget. This would be--this would constitute a third budget that the Township would have to adopt.

So the monies, the financial statements and the budget, would be segregated, basically.

MR. AVERY: So it's really-- really just replacing the Authority members with the Council members, as the governing body of the utility?

MR. SHANNON: Correct.

MR. CZERNIECKI: Correct.

MS. RODRIGUEZ: I have a question. How many employees does the utility have?

MR. CZERNIECKI: Fifty-five total

MS. RODRIGUEZ: And they will be moved into--

MR. CZERNIECKI: It will really just become a--

MS. RODRIGUEZ: A department within --

MR. CZERNIECKI: A department.

MR. SHANNON: All will be retained then, if that is the question you asked.

MS. RODRIGUEZ: Okay. You mentioned that before.

MR. HASTIE: Not that it's outcome determinative or anything, but the MUA's current existing administrative offices are already within the Township building. So it's-- you literally wouldn't move. If you are a resident coming to pay your water bill, you still go to the same window and you pay the same woman.

MR. LIGHT: It's just water or sewer and sewer, or sewer?

MR. HASTIE: It's water and sewer.

MR. AVERY: I assume that whatever the employee--the Authority's employees benefit package is, it mirror what the Township employee benefit package is?

MR. CZERNIECKI: Well, in terms of the union, that's spelled out in their contract. So that's left alone. There are some adjustments when the non-union employees come over. There are some areas where they gain, maybe some areas that aren't quite as beneficial, but they are kind of minor.

MR. AVERY: In terms of the cost to the town, it's a wash you would say, for the record?

MR. CZERNIECKI: In terms of the employees?

MR. AVERY: Yeah --no. The cost of the employees benefit package by bringing fifty-five new Township employees, the benefit costs are the same or similar?

MR. CZERNIECKI: I think a slight savings

MR. AVERY: A slight savings.

MR. CZERNIECKI: What we discussed--and, again, this would be part of the final ordinances to create the department and the policies. There are a few areas, for example, in the post retirement health benefits. Their employees currently get full benefits until age sixty-five. Our employees get $5,000, for a much longer period of time, but never full benefits.

So how we approach that is going to be driven kind of to a large extent by meetings with the employees. Perhaps what we might do is have a policy where new employees are subject to the Township's policies and procedures where existing employees might have a choice. That's how we'll handle those small ones.

MR. AVERY: Okay.

MR. LIGHT: You mentioned unions. Are both the Township and the water authority under a union?

MR. CZERNIECKI: They are and they are represented by the same business agent.

MR. CUNNINGHAM: Any other questions for the applicant at this time?

MR. LIGHT: Thank you.

MR. CUNNINGHAM: Gentlemen, could I just ask you to recuse yourselves and allow the the members of the public to come up?

Those members of the public that want to appear? This isn't a court, but we do ask that you identify yourself, be sworn?

MR. BUTVILLA: If I could speak, there are one of the commissioners from the MUA here and I'm their consultant. So if we can speak first?

MR. CUNNINGHAM: It doesn't really matter to us, it's public comment.

MR. LIGHT: A question if I may? Do you want them to be sworn in?

MR. CUNNINGHAM: Well, they are going to need to introduce themselves and be sworn in.

MR. LIGHT: Then they should sign these sheets.

MR. CUNNINGHAM: Well, they are going to have to introduce themselves and be sworn in.

MR. WARREN: Philip Warren, W-a-r-r-e-n.

MR. TENCZA: George Tencza, Commissioner of the Evesham Township MUA.

MR. BUTVILLA: Robert Butvilla, B-u-t-v-i-l-l-a, with the firm of Suplee, Clooney & Company.

MS. BERNARDI: Rosemary Bernardi, B-e-r-n-a-r-d-i, resident, taxpayer.

MR. MILLER: Kenneth Mills, M-i-l-l-s.

MR. CUNNINGHAM: Because this is public comment-- before we get sworn in, this is going to be one at a time making public comments to the Board. I'll defer to the Commissioner and allow him to go first. So if you are not an attorney I'd ask that you be sworn in. If you are an attorney, we can bypass that.

(Philip Warren, George Tencza,

Robert Butvilla, Rosemary Bernardi and Kenneth Mills, being first duly sworn according to law by the Notary)

Commissioner, please.

MR. TENCZA: Good morning, folks. Thank you for hearing us today. Again, my name is George Tencza, commissioner with the Evesham MUA.

Evesham Township proposes to dissolve the MUA and turn it into a municipal water/sewer department, citing savings from efficiencies in streamlining government.

It's the responsibility of the town to assess their local Authority on at least an annual basis to determine whether the authority's continued existence is appropriate, and whether the Authority is appropriate and efficiently serving its residents.

The findings of this annual assessment as performed would be yes, Evesham Utilities Authority is certainly appropriate and does efficiently serve its residents. The Township has acknowledged in its application for dissolution that the Authority is a well run operation. At this time right now, by coincidence we are getting an award by the Association of Environmental Authorities for the best management practices this year.

So with that--a little thumbs up for us. Furthermore, I'd like to introduce Mr. Butvilla. He's with the accounting firm of Suplee, Clooney & Company. He's going to be our consultant on this.

MR. BUTVILLA: Hi, everybody. I was asked by the commissioners of the Authority to review the application to the Local Finance Board and the plan for dissolving it and the refinancing.

So I had prepared a report, copies are here, enough for everybody here. I don't know the procedure here for looking at this. I'm not going to run through the ten page report that's here. But I think the Board ought to consider looking at the comments that are in this report in regards to dissolving it.

MR. CUNNINGHAM: We have an application in front of us. So I think during the period of public comment, if you wants to summarize that for the Board.

MR. BUTVILLA: That's what I intend

to do.

MR. CUNNINGHAM: Why don't you do that now.

MR. BUTVILLA: In my report the one thing I point out is what George has pointed out. That the Authority is well run, well managed and it's a low cost provider of water and sewer. There are no issues with the Authority with its management or how it is running. There is nothing political about it. There is no axe to grind between the Authority and the Township.

So my point is, it is just a well run Authority. It is not something that the Township is looking to dissolve because they are doing a bad job.

The fact that the Township has looked back at state policy and consolidating government and best practices in reviewing an Authority periodically to see how it's doing, I guess they've done that. They have done the home work on that. I realize the policy is there to consolidate government, but is it really in the best interest of the Evesham to consolidate this and turn it over to the Township to manage as a particular department?

My background with my firm is sewage authorities. For myself, I'm the engagement partner on about seven or eight sewage authorities up in north Jersey.

It's a complex operation to run. It is really not a department of a municipality. Again, this sewage treatment--the Sewage Authority and the water side of it or whatever, it's just a complex operation. It has a lot of employees. It has an excellent staff to run it.

That's my comment, that it may not be in the best interest of its citizens to consolidate.

As I look at the report the Township did on the savings on cost, the administrative cost and the salary cost that they talk about in their application to me are minimal. A lot of the savings they are talking about is coming from not filling four positions. But who's to say when they take it is over that the positions wouldn't be filled? That's the biggest part of the savings.

The rest of the savings in audit fees, legal fees, legal advertisements, they are all minimal.

As an auditor I can tell you, yeah, you are going to get or rid of your auditor over at the Authority, but you are bringing it into the Township, you are still going to need to have that audited. There is still going to be work there. I don't see the legal bills decreasing. I don't see the administrative cost decreasing or any savings there.

As far as the savings from coordinating services, whether it is snow plowing or street openings or whatever, that can be done now. It doesn't have to dissolve the Authority to make that happen. From what I hear from the-- it's not part of my report, but from the MUA from what I hear, is that some of this is done already.

Just to go back with the surplus funds that the Authority has and these reserve funds they have. As the Board knows, they issue revenue bonds. When you issue revenue bonds you are required--bond holders aren't going to buy your bonds without a debt service reserve fund, without a renewal replacement fund, not having an operating reserve fund where maybe you've got three months of your budget in cash in the kitty. So it's just the nature of selling the bonds, revenue bonds.

The last couple years the Authority has been selling bonds through the Wastewater Trust. That's how they've been borrowing their money. They are going to continue to do that in the future. Where they won't need to set money aside, once they pay these bonds off, to set money aside in a debt service reserve fund.

What's historically done, as the revenue bonds come to an end, you use the debt service reserve fund to pay those bonds off as they come to the end of their life. There is $4,500,000 in the debt reserve fund that is there because of that. That's the Township's basis for the savings on refinancing the Authority's bonds. Their refinancing plan assumes it's going to take-over the Wastewater Trust Bonds which are about $12,000,000. That will go smoothly. They'll sign over the debt. That will go easy.

But the savings that they are talking about is really coming from using the $4.5 million, issuing their own bonds, putting the money in an escrow fund, buying slugs and over time paying off those bonds. What's not in their application when they talk about savings, if there is a savings there on the debt service, it's not reflected in anything that they are talking about with the rates to the rate payers. Are they going to reduce the rates? If the debt service is going down, in my mind the rates should be going down. That's not spelled out in their application when they are talking about savings. They are talking about straight up savings from retiring debt and not paying interest. But they are really not talking about cutting the rates.

In their application they have negative present value of $200,000. Again, this Board looks for positive savings. They actually have negative savings. Again, they are using the $4.5 million to retire the bonds. There is cost to issue the bonds.

It is probably going to cost them about $180,000 to do this bond issue that they're talking about. So, again, they've got negative savings and they have the issuance cost. One other thing that's not clear in their application, they currently now, the Authority by law is entitled to pay over a certain amount of their budget to the Township.

Now, they have been doing that for

years. The Authority has been  paying the Township about $700,000 a year, $750,000 a year.  Is that going to continue?  That's not spelled out in their application?  Once they take this over and they have all of these funds balances or surplus funds, what's that number going to be?

Are they going to raid the utility fund to bump that number up?  That's something for this Board to consider.

When they were talking about surplus funds a second ago, I see the numbers differently.  There is the $4.5 million in this debt service reserve fund.  There is $1.5 million in a renewal and replacement fund.  There is $3 million in an operating reserve fund.  And then there is $10 million in unrestricted surplus.

So that comes to about $14 million.  Now, they're talking about $6 million here.  So we've go a big difference in the numbers.  I'm looking at it that there is actually $14 million here of surplus funds.  It's not clear in their application.  Is that going to be dedicated to the utility and dedicated for capital purposes in the future?  By law can they even lock that up?

One of my questions is, is any of that money going over to the current fund this year? Again, in a municipal budget there is a utility fund and then there is the current fund. The current fund raises taxes. The utility fund gets its money from sewer users and water users. That money is self liquidating.

To me that's a little bit of a falsehood, because what typically happens in municipalities, is that they raid that utility fund. They'll take the surplus. They'll charge some of their cost over there or get the utility fund to reimburse them for some of their cost.

I'll give you an example. The Authority rents office space from the municipality. They are in the same building for the convenience of the citizens. The authority has prepaid rent to the municipality to the tune of almost a half a million dollars, out to the year 2038.

What happened there, I guess the Township needed money, the Authority had money and said hey, pay us your rent in advance out to the year 2038. So it's a little bit of an example of raiding the kitty over there.

In their report they talk about having delinquent sewer and water user accounts. The fact that by the Township taking it over they will be able to improve the collection rates. The way the Authority is set up with the water and sewer billing, everybody, you don't pay your bill you go a sewer lien. They sell they lien, everybody gets a hundred percent of their money. It's very rare that the Authority doesn't collect its sewer and water user bills. There are no write-offs. So I don't see how the rates are going to be improved, the collection rates.

There is a--as part of this, dissolving this, there was a--the Township asked the Authority to go ahead and put together a ten year capital plan of what would be needed to fix the Authority, improve the Authority. And that plan came out to $100 million. I guess my question to the Board here is, again, going back to efficiency and who's better able to manage that? An independent authority with a five member commission dedicated to the Authority and staff, or a city council that it's hard enough running a municipal government, the police department, fire department, but to also now run this sewer and water utility?

One of the things I think that opens the door here, is to privatization. As the water side of it, as it comes over to be a utility in town, it is just my opinion from I read, it opens the door easier to privatize the water system and sell it off. That may not be a good thing for the citizens of the Township.

One of the other things that maybe hasn't been considered in their application is, the Authority currently now purchases bulk water from another utility authority and from New Jersey American Water Company. The contract that they have to buy bulk water from the other utility, is not-- if the Authority was to dissolve and collapse, that utility may not honor that contract. There is not a clause in the contract to continue service.

So the Township then would be forced to buy water from American Water Company at a much higher rate.

MS. RODRIGUEZ: Is that a hypothetical, or do you know that for a fact?

MR. BUTVILLA: I know that for a fact, that they may not continue.

MR. TENCZA: Mount Laurel and also Willingboro are the two utilities that we purchase it from.

MS. RODRIGUEZ: So where does the majority of your water come from?

MR. TENCZA: Our Township, we have wells.

MR. CUNNINGHAM: Let me make sure Ms. Rodriguez' question was answered. What you know for a fact is that the contract doesn't have a transfer provision, or that you know that Evesham is going to have to buy water at a more expensive rate? It's the former.

MR. BUTVILLA: It doesn't have the provision in the contract to continue.

MS. RODRIGUEZ: It doesn't?

MR. BUTVILLA: It doesn't.

MS. RODRIGUEZ: What percentage of of the water do you have with American Water?

MR. BUTVILLA: I don't know the answer to that.

MS. RODRIGUEZ: Let me digress just a little bit, because we're going on and I just-- how many residents are there in Evesham?

MR. TENCZA: Approximately 45,000.

MS. RODRIGUEZ: How many rate payers do you have?

MR. TENCZA:  Approximately ninety-seven percent, ninety-six percent.

MS. RODRIGUEZ: So about 42,000 rate payers, okay.  And the majority of the water--the majority of the water that you supply comes from wells, to the residents?

MR. TENCZA: I don't have the percentages with me, I apologize for that.  But it's the majority of the water; correct.

MS. RODRIGUEZ: So the majority of the water. What you don't have you purchase from Willingboro, Mount Laurel?

MR. TENCZA:  Willingboro, Mount Laurel.

MS. RODRIGUEZ: And American Water?

MR. TENCZA: Correct.

MS. RODRIGUEZ:  Again, I'm going to go back to my question.  So you are saying the contract is a non-transferable?

MR. BUTVILLA: Yes.

MS. RODRIGUEZ: Are you certain--or is this hypothetical, again,  I'm going to ask, that if American Water, which is constantly looking for new clients, okay, because that is the water business, if the town would have to buy water directly from American Water, it's going to be at a higher rate?

MR. BUTVILLA: Their rate is higher now, from what I understand. We buy water from American Water and it is higher.

MS. RODRIGUEZ: You have a two or three year contract, whatever it is?

MR. BUTVILLA: Right.

MS. RODRIGUEZ: So you wouldn't know the percentage of water you purchase from them?

MR. BUTVILLA: No.

MS. RODRIGUEZ: So it could be ten percent. It could be your reserve, because you always have to have a reserve?

MR. TENCZA: No. It's utilized in a certain part of town.

MS. RODRIGUEZ: So they are the provider in a certain part of town. You wouldn't know the percentage of that?

MR. TENCZA: I'm sorry, I do not.

MR. BUTVILLA: I'm just going to sum up real quick. As far as the bond refunding, there is really no savings, for the fact that the rate payers aren't going to get any of that.

My second comment to sum up, is this $14 million in surplus that's there. What becomes of it, where does it go, where is it dedicated? Does it end up in the Township's current fund now or is it going to be strictly dedicated to the utility fund and used for that purpose?

Again, by creating a utility I just see it as-- I'm going to talk in plain English. You mentioned before, you use the word games or whatever. Setting up a utility fund just makes it easier for a township to take that surplus money, use the rate payers money over there, to fund Township operations over in the current fund, to get around the two percent tax levy cap. It's done all over the State of New Jersey.

Again, that sums up my comments. I don't know if anybody has any questions?

MR. CUNNINGHAM: Thank you very much. We'll go next to the left, I believe it's Mr. Warren?

MR. WARREN: Yes, thank you.

MR. CUNNINGHAM: I just want to note for the record that you submitted correspondence with attachments. They were received and reviewed. But please, as a member of the public, feel free to address the Board.

MR. WARREN: I appreciate the opportunity. I won't read through my eight page letter to you, so don't worry about that.

Thank you for this opportunity. Just quickly, my background why I took interest in this as a resident. I have a background in consumer protection, legislative and constituent affairs, civic education. And I've taken a role as a community advocate and organizer for various issues in town.

In terms of this issue, I have spent months, since October, researching, discussing it and seeking out, trying to figure out my opinion on this. I came to the conclusion that the dissolution would not benefit the community as well as the Township imagines it would.

While the plan looks great on paper, there are too many risks associated with dissolution. Especially when we have an MUA that as the commissioner said, is not in any financial distress and is serving our community well.

The sum of my argument really is that dissolution is not being pursued because of a need, but because it is a want. The Township wants to do this to seek out efficiencies that they claim. And I believe that's an unacceptable risk to our community, in terms of our financial state, the health and safety of residents and overall well-being.

In regards to the Township's application which I looked through, I won't repeat everything that was said before. The Township claims around $330,000 in savings by not filling open staff positions that currently exist between the MUA and the Township. That's the four positions.

Those savings should not be double counted by the Township. They are not being realized now--they are realized right now because they are not filled. So to claim that will be a savings seem accurate to me. I'm not a financial guy, but it doesn't seem right.

In terms of the debt reserve fund, I won't go over that too greatly since it was already covered, but one part of it that I'd like to notice is that the MUA currently receives around $165,000 in interest on their investments with that fund. Even if you knock that down a little bit, say $150,000 a year in interest that you could potentially receive in the future, that's $1.5 million over ten years, in interest payments that would be lost.

The Township mentioned that they wanted to set aside $6.5 million in reserves to handle--to basically replace the debt reserve fund, to handle emergencies and other improvements.

While it might need a super-majority, unlike the MUA right now, that could be changed. The MUA has to have that reserve fund. They have to maintain it every time they take out debt. The Township could change that at any time.

A great example is our current council and mayor. Besides being one party, it's unheard of to have anything other than to have a 5-0 or 4-0 vote on anything. 4-0 votes occur when somebody abstains, really.

That's about it. This vote for the MUA, is the first time that they have actually divided on anything and they had a 302 vote. But otherwise they have gone nearly unanimous on everything.  For the foreseeable future that probably wouldn't change too much.  That's a ris to that reserve and refreshing it every year.

The majority of the savings that they hope to realize, the $4.5 million, will be realized in the first three years. That's $3.7 million in the first three years.  While that's an excellent short term savings, it is not a great long term savings. It's minimal over the long term.  If we roll it all together it doesn't seem acceptable in regards to the risk.

The township wants to dissolve the MUA to find efficiencies, they said. But those are efficiencies that should be sought out and could be realized today. And the Township simply hasn't done that with the MUA.  While they do have agreements over snow removal, storm cleanup that they already do, they have buildings and facilities maintenance and vehicle fuel agreements, like I said, they haven't pursued any things that can see savings in administrative resources, accounting, debt collection and other areas.

While it was said to me that shared

service agreements could create some additional bureaucracy, additional paperwork, you have to have funds transferred between the two entities, I think that is a worthwhile risk--or worthwhile bureaucratic necessity in order to keep the finances of the MUA separate from the Township.

In terms of regulatory efficiencies, I think it could be argued that by removing the separation of the MUA--between the MUA and the Township, there could be opportunities for water and sewer issues to be overlooked, which is not unheard of. Perhaps if you've seen Morestown with their water issues. Delran Township has had a number of environmental issues.

Marlboro Township, which was hailed by two of our councilmen as a great example, saw almost a thousand percent increase in environmental issues going on with their newly taken over MUA or water and utility services.

It is easy to overlook it. Yet those regulations are there, that bureaucracy is there. When you have development and other issues going on in town, but to make sure it is safe and clean for residents all the time.

The MUA is really in a great state

as far as I can tell. The Township has admitted and said so in their application. The commissioner has said so. I don't-- unless you want me to, I don't feel like that needs to be expanded any more.

In terms of the risk--I'll try to sum this up quickly. There are unstated issues that should be brought out in terms of how townships manage utilities. There are trends that I worry about that I realize from research happen all across the state when mayors and councils are in charge of water and sewer budgets.

Thanks to a study by the Association of Environmental Authorities of over a hundred municipal budgets in New Jersey, the AEA showed that $80 million were diverted from water and sewer services over a three year period by townships, for other unrelated projects and programs.

This trend of mismanagement and the lack of prioritization by elected officials has threatened the financial health and infrastructure of our water and sewer systems and should not be overlooked. Especially since it could affect the literal health of residents and businesses in the town.

The oversight of a municipal budget utility as opposed to an MUA, is limited. As long as the budget balances and approved by the State, they don't dive into the details. This allows municipalities to transfer utility funds to get around that two percent tax levy cap. And it is a convenient way for elected officials to avoid unpopular budget cuts or unpopular tax increases.

Furthermore, there is a very deep concern about the possibility of privatization. I won't dive into rumors or anything like that. But there is the fact that the Water Infrastructure Act of 2014 made it much easier to privatize water and sewer systems. If the Township takes over that, then those barriers are pretty much eliminated all together.

This is because our Township falls within a water supply critical area. Which is a large zone around the aquifers in Burlington, Camden and other surrounding counties in south Jersey, that makes it immediately eligible to be privatized. The town doesn't even have to mismanage our water and sewer services to be able to privatize it right away, or lease it s in any way.

As well, kind of related to what we said with the bulk purchase agreements, right now the actual figures, Willingboro and Mount Holly are paid $1.76 per thousand gallons. American Water Company is $3.05 per thousand gallons. That's a pretty steep difference. And I think it's an example of what you would see with water rates if privatized.

MR. CUNNINGHAM: Mr. Warren, I'm sorry. I just want to say that we have members of the Board that are volunteers and have other jobs. If you wouldn't mind--

MR. WARREN: I will conclude, yes. On average those private rates are seventy-nine percent more for rate payers here. Rates are sixty-three percent more and there is a proven track record of townships and private water companies not managing the water as well and charging more.

In conclusion, in my opinion it's not worth the risk of eliminating the MUA, its independence and co-mingling of water and sewer finances and decisions with the rest of the municipality. I hope you carefully consider this when you make a decision. Thank you.

MR. CUNNINGHAM: Thank you for the comprehensive letter that you did send.

MR. TENCZA: Mr. Chairman--

MR. CUNNINGHAM: I have to get going. There are other members of the public that want to speak. Ma'am, please.

MS. BERNARDI: Hi, I'm Rosemary Bernardi. I live in Evesham Township. I'm a taxpayer and a rate payer. I'll be brief.

As I was thinking about this I was trying to really think about what bothers me about this application. It's really about all politics is local.

I think Mr. Light asked the question, you know, how did the municipal government vote on this application? The gentleman said it was a 3-2 vote, you know, just to move forward with the application. So the application only forward with a 3-2 vote to come to the Local Finance Board. I know you are all volunteers, so thank you for your time.

Ms. Rodriguez actually asked another question in terms of, you know, how many of the rate payers are taxpayers? We're at a ninety-seven percent rate.

Mr. Avery mentioned a question earlier, too, about what are the protections in for the local government in terms of--and I don't mean to use the word, but to raid the funds or whatever--what are the protections at the local level for when this-- if this were to happen, what are the protections? There really is just the council. It really is just the current council and the current Township manager.

I have to applaud the Township manager for actually just putting forward the application. You know, he's doing his due diligence in terms of local cost savings, et cetera. So he had to look at it and submit the application. He submitted it to you guys. You guys are going to look at it.

It's really -- if you look at the numbers, I'm sure, you know, you can box check it and say it looks great. Here's the thing. You have to also look at what's going on in town in terms of our local-- what is in town. If you look at our infrastructure, I live in Kings Grant, it's a lake community. We just recently had a water situation with one of the pipes. It was a cast iron pipe. It disintegrated from the inside-out. It was a thousand foot pipe that had to be replaced. There was a little shy of a million dollars for that little work. There are infrastructures issues in town that have to be addressed. It was an older town and was done piecemeal, especially in my Kings Grant neighborhood where different developers got together.

There is a lot of infrastructure work that has to be done. The current situation is, with the MUA separate, there are reserves that are set aside for that.

This gentleman spoke about excellent points in terms of all the financial issues, that as a local person you would want to question. But as you guys looking at the application, you might not know to look at those nuances.

So really, I'm here as a local person. Really just to say, granted, you can really look at this application and say yes, it looks great. But you know what, let's kick it back to the taxpayers. Let's kick it back to the rate payers, to have them make the decision.

There is no reason why if this is so great-- because here there are no protections in terms of the council can change, the Township manager can leave. They can say, oh, we're going to have this pool of money and it is going to be set-aside for infrastructure. But we don't know that in a day things can change.

So let's put the decision back to the taxpayers and to the rate payers, to make this decision about the dissolution of the MUA. This gives you an opportunity to conditionally reject this application and make a recommendation. Or to also make some protections that, you know, the council could say-- make a recommendation from a policy prospective that we're going to put X amount of dollars. But if you get a new council in, they could override that, too.

There are really are no protections if the dissolution were to happen. However, there are some protections right now because they are a separate utility. It is a separate utility authority from the municipal government.

There is nothing to say that the line item can't go from-- you know, even though they are together, the line item can't go from the Township to the MUA to make a budget shortfall. There are no protections.

That's why I urge you to reject the application and actually kick it back to the taxpayers, rate payers.

MR. CUNNINGHAM: Thank you very much.

MS. RODRIGUEZ: I just want to get an understanding. When I spoke about the taxpayers and residents, I want to make it very clear, I was just trying to get an understanding of how many, you know, the volume.  That's the first thing.

You know, you are talking about the council and commissioners.  How long has the utility been set up?

MR. TENCZA: '85, I believe.

MS. RODRIGUEZ: Eighty-five years?

MR. TENCZA: No, 1985.

MS. RODRIGUEZ: In 1985, okay. How are your commissioners selected to sit on this?

MR. TENCZA: They are appointed by the council.

MR. CUNNINGHAM: Thank you very much for your comments.

MS. BERNARDI: Can I respond to her question? That's a great question.

MS. RODRIGUEZ: I wanted to get a sense of the volume--

MR. TENCZA: 1955, I'm sorry.

MS. RODRIGUEZ: I just wanted to get a sense of the volume, because there is always a town before there is a utility. I just needed to say that. There is always a town before there is a utility. Without a town there isn't a utility.

And council people and mayors come and go and so do commissioners. I want to make you aware of that, too. I sat on enough utilities.

MS. BERNARDI: Yes.

MS. RODRIGUEZ: So, ultimately, ultimately, the town, city or the borough is ultimately responsible. And for the appointments that they put, these appointments aren't forever also. So the rate payers and the residents are responsible for the people that they put into these offices to represent them even at that level.

MR. BERNARDI: Yes, but it's a different--you have another hurdle, I guess, to get over to the budget, if you were to-- with it being separate right now. Even though they are appointed, it is a separate body, so you still have some separation.

MS. RODRIGUEZ: It was a separate body that was incorporated by the town.

MS. BERNARDI: Right, yes.

MR. CUNNINGHAM: Sir, I want to make sure we have time for your comments.

MR. MILLS: My name is Kenneth Mills. I've lived in Marlton for almost thirty-six years. I look at all of the people on this Board. I am sure you live in a town where you have questions about what's happening.

And I go to the council meetings, I go to the MUA meetings. I try to do what I can to keep everything-- ask good questions and find out what's going on.

I feel that-- getting back to Ms. Rodriguez question, I think that the town is required to buy at least a million gallons of water from the American Water. And the water is, like, $3.47, I believe. I think that was in a report.

MS. RODRIGUEZ: Per thousand gallons.

MR. MILLS: The city took over golf course a few years ago. They had a reserve. That reserve is now done. They have a balloon payment coming up within-- I think sometime in the future that they have to. I've been told that they cannot refinance the bonds, but I'm not sure about that. Maybe Mr. Czerniecki can answer that.

But just to summarize, I think that-- you know, to get back to the vote, the vote was three to two. It takes four people to vote to redo the bonds. So that is not a bird in hand yet, that's a bird in the bush.

The city was not really transparent in this. You probably maybe don't care about this, but I care about it. They were not transparent in this. They would not give us-- Mr. Warren tried to OPRA the Acacia study. They would not give is to us, they said it was confidential. Yet a few days ago Mr. Warren got it from the secretary, he OPRA'd that. So I don't understand why they didn't give us that.

There hasn't been a lot of transparency in this. It is kind of, like, it's a done deal. It's been sold back in the community that if this Board approves it, it is a done deal.

It will not be a done deal. We will try to get a referendum on this. So it is not--I hope that you will do your work today, that you will take the time. And I know you are all volunteers, so it is probably hard to sit hear and listen to all of this.

I hope you will do your due diligence and really look at this in a way that if there are any bad faults in this, that you will find them and dig out the warts. I'm sure there are a number of warts in this package that should be looked at.

I just want to thank you for hearing us today. One other point, the city based all of their savings on present day value. They didn't do the other thing where you put up for inflation and everything. So they kind of--that's a little not really substantiated.

I don't think some of the money that they have said that they would save is really a savings. I don't know how far or how deep you into went into this--and lady. But I hope that you will spend some and looking at this.

And I understand that the golf course was given a conditional approval a long time ago. I don't know how that worked out. But I do know now that there is no money in reserve and there is a balloon payment coming up.

The City just--they are going to spend five-hundred and some thousand dollars on reworking the golf course. So as a taxpayer I kind of get concerned about all of this money being spent. And I hope that you will take a good look at it. Thank you.

MR. CUNNINGHAM: Thank you very much. Thank you, folks.

MR. TENCZA: Mr. Chairman--

MR. CUNNINGHAM: The public comment is over.

MR. TENCZA: Just--

MR. CUNNINGHAM: The public comment is over. Please recuse yourself from the dias.

I'd ask the applicants to come back before the Board you.

So gentlemen, in front of the Local Finance Board what we really don't do is kind of--it is not a courtroom. We don't have back and forth and a constant response to the questions. But I do think that the unfortunate fact is that members of the public have raised comments and some questions that I think are valid questions.

It's just that they came in very late and it's very difficult to resolve them at this point. What I would ask the applicant is, if we were to table this application for one meeting, to allow us to resolve some of the outstanding questions, does that cause any significant timing issues is it relates to the ability to--

MR. HASTIE: I mean--

MR. CUNNINGHAM: I know it is not the preferred course of action, but this Board does have the responsibility to--

MR. HASTIE: I understand the Board's responsibility. I certainly-- I mean, I think the comprehensiveness of the application demonstrated our belief in what your obligations are and we went a long way in filling it.

I'm not sure--when you said there were a number of things brought to light, I'm not sure what they are and whether we can help you resolve them or not. If you can identify and say, hey, these two things or these three things are things we want specific answers on?

MR. CUNNINGHAM: Yeah. I think there are a couple that we would--I just don't think in the interest of time today we're in a position to do that. I think we would need to go back and read some of the--or reread some of the correspondence what was submitted to us, and then come back.

I'm inclined to ask the municipality to come back in a month. In the meantime we would submit--we would likely submit questions to you and ask you to respond to them. But just in light of the public comment today and some of the questions that were raised, my preference would be to table for a one month period.

MR. HASTIE: Can I ask two things? One thing just-- not that it-- I think at the time the Acacia analysis was OPRA'd it was not yet public.

MR. CUNNINGHAM: I assumed as much. Once it gets submitted to us it's a public document.

MR. HASTIE: Right.

MR. CUNNINGHAM: We release it accordingly.

MR. HASTIE: Yeah, okay. I just wanted to--I didn't want to leave the impression that we were trying to hide something.

Similarly, if there were letters

submitted in response to our application, if you would be in a position to share them, that would be helpful.

MR. CUNNINGHAM: Public documents, of course, we'd be happy to.

MR. HASTIE: Other than that, we'll cross our fingers and hope the markets stay good. We respect your decision.

MR. CUNNINGHAM: We're not asking you to hold off six months. We're only asking you to wait less than thirty days, probably. You'll get written correspondence--you'll likely get something in writing from us asking you to answer a couple of questions for us. Then we can relist it for next month's agenda.

MR. WITNITSKY: Mr. Chairman, I think there was a lot today that requires ultimately a response from the Township. I think we have all the answers that you might want-- I know we have all the answers that you might want. This is a process, we recognize that, and we are prepared to answer them. A lot was thrown out today. We didn't have the benefit of seeing the written--

MR. CUNNINGHAM: We only got it

last night.  If I had a little more time to review it. But it's an important decision for the municipality, and I think it's important on all of our behalf. The people that spoke from the public, you know, the Township and it's professionals, the executives and the Board, it is important that we get it right.

MR. WITNITSKY: I agree.

MR. CUNNINGHAM:  Thank you very much.  Then we will table it for today.

MR. HASTIE: Thank you.

MR. CUNNINGHAM:  We still need to hear from Manalapan Fire District Number One.

MR. PARKER:  My name is Charles Parker. I'm the attorney for the Board of Fire Commissioners.

MR. CUNNINGHAM: No need to be sworn in.  I think you already stated your name.

MR. PARKER:  This is the purchase OF a fire truck by the fire company, to replace one that's old and needs servicing and repairs on a constant basis.

It has been approved by the taxpayers as part of the 2014 election. It is basically lease purchase type of arrangement.

MR. CUNNINGHAM: We've seen several of these deals. I guess the only thing that wasn't clear in the application is, what apparatus is being replaced?

MR. PARKER: It's a 2005 similar truck that is just simply showing wear and tear and needs to be replaced.

MR. CUNNINGHAM: We see a lot of applicants come in and they have 1988 equipment that needs to be replaced. So 2005 would actually seem like a pretty new vehicle to be replaced.

Let me just state a couple of things for the record, counsel. You are doing a five year lease purchase through PNC Equipment Finance. The referendum vote was 109 in favor, 18 opposed. You sought competitive financing quotes before ultimately getting a rate from PNC Equipment Finance of 2.58 percent?

MR. PARKER: Yes.

MR. CUNNINGHAM: There will be no adverse impact to the tax rate. My only concern that I want to go on record with and it's not going to affect the approval of today's application, at least not from my prospective, is we previously had other districts that used the

Galveston Co-op. They, therefore, get preferred prepayment pricing if they use PNC Equipment Finance. The Division does have a concern that that may extend the intent of the National Co-op Law.  We're looking into that. Eventually we're likely to issue a Local Finance notice if we have finding as such.  However, we have let applicants proceed in this type of arrangement, and I would be inclined to do it again today.

Unless any Board members have questions, I would make a motion to approve this application.

MS. RODRIGUEZ: Second.

MR. CUNNINGHAM:  Roll call, please.

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM. Yes.

MS. MC NAMARA:  Mr. Avery??

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Abstained.

MR. PARKER: The issue that you

might find--

MR. CUNNINGHAM: We ultimately would issue a Local Finance notice, most likely.  So I would sign up for them. But we have to talk to our colleagues at Purchase and Property about the National Co-Op. We have some folks here that have to do some analysis. I'm not saying it's forthcoming in days.  It's just something that we are kind of looking at.  We just want to make sure that we get it right. But in the interim, your client is approved by the Board and they can proceed.

MR. PARKER:  Thank you very much.

MR. CUNNINGHAM: Thanks for your appearance.

The last matter before the Board, staff has recommended and I ask for your support of certain changes to rules and regs of the Board. It deals with refunding of bonds, basically, in support of a cleanup bill under the Local Authorities Fiscal Control Law, we propose the rules so that so there any entities that are subject to that law would be able to issue refunding bonds, where the issuance of bonds has the requisite debt savings.  And the text of the rule is included in your packages.

I would ask for your approval so that we can publish this in the New Jersey Register. I would ask for a motion and a second, unless anyone has questions?

MR. BLEE: So move.

MR. CUNNINGHAM: Motion by Mr. Blee.

MR. LIGHT: Second.

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

MS. MC NAMARA: Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MS. MC NAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MC NAMARA: Ms. Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MC NAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MC NAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. CUNNINGHAM: Motion to adjourn.

MR. LIGHT: Second it.

MR. CUNNINGHAM: All in favor?

(Upon unanimous response, the matter stands adjourned at 1:20 p.m.)

C E R T I F I C A T E

I, CHARLES R. SENDERS, a Certified Shorthand Reporter and Notary Public of the State of New Jersey, do hereby certify that prior to the commencement of the examination, the witness was duly sworn by me to testify to the truth, the whole truth and nothing but the truth.

I DO FURTHER CERTIFY that the foregoing is a true and accurate transcript of the testimony as taken stenographically by and before me at the time, place and on the date hereinbefore set forth, to the best of my ability.

I DO FURTHER CERTIFY that I am neither a relative nor employee nor attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action.

C:\TINYTRAN\Charles Senders.bmp

CHARLES R. SENDERS, CSR NO. 596

DATED: May 3, 2016