STATE OF NEW JERSEY

DEPARTMENT OF COMMUNITY AFFAIRS

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IN RE: :

Local Finance Board :

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Trenton, New Jersey 08625

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HELD BEFORE:

MELANIE WALTER, Chairwoman
TED LIGHT
WILLIAM CLOSE
ALAN AVERY
FRANCIS BLEE
ADRIAN MAPP
IDIDA RODRIGUEZ

A L S O   P R E S E N T:

PATRICIA PARKIN MCNAMARA, Executive Secretary
SUSAN SCOTT, DAG

I N D E X

E X H I B I T S

ID	DESCRIPTION	PAGE

(NO EXHIBITS WERE MARKED.)

MS. WALTER: Good morning, everyone. Thank you for being here today. We opened our initial session upstairs to address ethics matters. We're now opening it to the public for consideration of Local Finance Board applications.

First matter up is coming out of Waterford Township. This is a USDA Rural Development Program matter. No applicant is going to be appearing today because this is appearing on Consent Agenda. Can I have a motion to approve the application?

MR. BLEE: Motion.

MS. RODRIGUEZ: Second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Yes.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MCNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MCNAMARA: Mr. Light?

MR. LIGHT: Yes.

MS. WALTER: Our next application is Cinnaminson Township Fire District Number One proposed project financing findings. Please introduce yourself and non counsel please be sworn in.

MR. BRASLOW: Richard Braslow. I'm representing the fire district.

MR. KRAMER: Bill Kramer. I'm the fire district administrator and the fire chief.

(At which time those wishing to testify were sworn in.)

MR. BRASLOW: The fire district secured voter approval to purchase a fire truck. It was for an amount not exceeding $625,000. The truck is proposed to be purchased through an HGAC from Pierce Manufacturing for a price of 624,911. The fire district sent out 14 packages for financing. Six bids were received.

There was, since the application was sent to all the finance board members, a subsequent modification based on conversation with the staff. And the staff made some recommendations, which the district accepted and felt were appropriate. So notwithstanding the initial rate, the actual rate with PNC is going to be 2.836 over a nine year period.

There will be $120,000 down payment from the fire district and the remainder at a level debt service of 64,065.18 per year will be paid over a nine year period. The two pumpers that are going to be replaced with the purchase of this pumper, one of the pumpers is actually already sold and the other pumper will be sold in accordance with statute.

And in terms of getting the best price available, the district did look at the state contract, the HGAC and the concept of bidding, and the numbers are set forth in the narrative. And the district feels that by using the HGAC, it's saving 30,000 plus dollars in terms of the purchase, so those are the details of the application.

MS. WALTER: Can you clarify the date of the down payment?

MR. BRASLOW: The down payment is going to be made when the truck comes in and the truck has a chance of coming in at the end of this year. If not, that down payment will be made when the truck comes in which would be not this year, the beginning of next year.

MS. WALTER: And the $120,000 down payment, thank you again for your work on this application and for working with staff on it.

MR. KRAMER: Thank you.

MS. WALTER: I noticed that you did get a number of responses. We've been seeing a lot more bids coming in on a lot of the fire district applications. That's encouraging. Are you seeing a change in the market place?

MR. BRASLOW: There is. It's interesting because we had a number of vendors that used to bid all the time that had disappeared, and I noticed from the list that we set forth, community leasing has become very active again, US Bank has become active.

So the answer is yes, whatever is going on in the market, we are having a much more vibrant bid of activity compared to what we had previously and it seems like multiple bids we're back to. And honestly, this interest rate is very reasonable, but, yet, there is more activity which we're pleased about.

MS. WALTER: How many people voted on this?

MR. BRASLOW: We sent out 14 and got six bids back.

MS. WALTER: I was asking about the vote.

MR. BRASLOW: Oh. I'm sorry.

MR. KRAMER: It was 341 actual ballots were mailed in through the absentee ballot process, and then an additional and 117 voted, so over 400.

MS. WALTER: That's encouraging.

MR. BRASLOW: I think, if I may, because of the change in the mail-in ballot process, undoubtedly, with every district you're going to see more voters which is encouraging.

MS. WALTER: What's the impact of the truck on the tax rate?

MR. BRASLOW: There will be no impact because there is some debt that's being retired, and this new debt is essentially replacing the debt that's being retired so there will be no impact.

MS. WALTER: It's a wash, but what is it basically replacing? How much is the impact for the truck itself if you didn't have the debt falling off or separate from the calculation? About 20 cents, is that --

MR. BRASLOW: I know we had a statement that said -- I apologize. I know it's in the application. We currently, if you look at one of the pages, we have current debt of 59,767 which is going to be retired after this year and that will be replaced by a payment of 64,065.18, so it's pretty much a wash.

MS. WALTER: I'm noticing your entire fire tax is 20 cents.

MR. KRAMER: Yes.

MR. MAPP: It says the impact is $464.

MR. KRAMER: That is the fire district's total budget. 3.4 million dollars is $464 per household on the average.

MR. BRASLOW: Mr. Mapp, I know you're looking at the narrative. That is the average fire tax bill.

MR. MAPP: Okay.

MS. WALTER: So what percentage of your budget will the truck cover?

MR. KRAMER: Less than two percent,

yeah.
MS. WALTER: If no one else has any questions.
MR. CLOSE: Mr. Braslow, they've met all the requirements of LSN 2012, '10? Everything is in compliance?
MR. BRASLOW: Yes, sir.
MR. CLOSE: Okay.
MR. LIGHT: I'll move the application.
MS. RODRIGUEZ: I'll second.
MS. MCNAMARA: Miss Walter?
MS. WALTER: Yes.
MS. MCNAMARA: Mr. Mapp?
MR. MAPP: Yes.
MS. MCNAMARA: Mr. Close?
MR. CLOSE: Yes.
MS. MCNAMARA: Mr. Avery?
MR. AVERY: Yes.
MS. MCNAMARA: Miss Rodriguez?
MS. RODRIGUEZ: Yes.
MS. MCNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS. MCNAMARA: Mr. Light?
MR. LIGHT: Yes.

MR. BRASLOW: Thank you very much.

MS. WALTER: Next application up is Vineland City appearing on an Electric Utility Project. Would you please introduce yourselves and all non counsel please be sworn in.

MR. MCMANIMON: Ed McManimon, from McManimon, Scotland and Baumann. We're bond counsel to the city of Vineland. To my left is John Lillie. John is the director of the Vineland Electric Utility. Sherry Tracey, to my right, from Phoenix Advisors as the financial advisor.

I have Susan Baldasarro who is the Chief Financial Officer. Leon Costello who is the auditor and Brian Burke who is from RBC who has been significant in structuring this transaction that we're presenting here today.

(At which time those wishing to testify were sworn in.)

MR. MCMANIMON: First, I want to thank the director and the staff. We did have a conversation about this and submitted some information as a follow up to this. I asked John Lillie to come because this is one of the most significant utilities that exists in the state.

It's very complex.

It's the only electric utility that actually generates its own electricity, participates as a generator, a supplier and a consumer. They are overall eight electric utilities that are municipally owned in New Jersey, but Vineland is the only one that actually produces.

They have two large generators and they saw this as an opportunity. We did a financing in 2009, and because they had a contract with a cogeneration provider that terminates in 2019. So when they did this deal in 2009, the 13 million plus that was in their budget, was structured so that when that ended, they would use it to accelerate the debt service on the 2009 bonds by a similar amount.

The debt service was actually a little higher than what was in the budget. But I met with them in December, along with Sherry, because they felt there was a significantly better use for that money than accelerating and paying for this project over 12 to 13 years rather than for a longer period. We discussed a number of options.

Their view was they didn't need to spread this out over 20 or 30 years, but if they spread it out over six more years, it freed up money in their budget, which was about seven million dollars, could be used for significantly better benefits than just paying debt service and waiting until 2024 when all 13 million would be freed up in perpetuity to be used for that.

So we spent a lot of time on this application, I did personally, because they have 100 million dollar budget. They have a 37 million dollar capital budget. They have needs immediately. They believe by restructuring this debt, it doesn't really, I put in here, there's a present value cost because when you add six years of debt service that wasn't there before, compared to the debt service that was, that shows a present value cost of a few million dollars.

The original bonds, before I turn it over to John, were issued as taxable Build America bonds. That was the big thing back then. The federal government subsidizes that, so the 5.3 percent interest rate that existed on that nets out to about 3.7 something because the payments by the federal government net produce an actual cost of interest and debt service that's lower than the face amount on that.

The problem is, to redeem those bonds on a tax exempt basis is difficult because they have what's called a make whole call. So if you call out the bonds early, which you can do, you have to pay the bond holder, the present value of all the money you owe them to maturity when you redeem the lines.

And that amount is about seven million dollars in this transaction, so I asked Brian Burke from RBC, whose firm has a substantial amount of experience with Build America bonds and redeeming them, to run two sets of numbers; tax exempt and taxable. And the taxable deal is actually better because we don't have to pay -- we're not going to redeem the bonds.

We're just going to salvage an escrow, and the proceeds are going to be used to pay the debt service when it comes to between now and 2024. So we don't have to redeem the bond holders. We don't have to pay them the seven million dollars. We just pay them each time the interest and principal comes due.

And the net effect of that is that the taxable deal has a present value cost that's less than the tax exempt deal because we don't have to put the seven million dollars extra in. So I know we had this explanation to Melanie a couple days ago and Nick. And I wanted to ask John because this is an impressive utility.

What they do is different than every other utility in the state, water and sewer, because they interact hourly every day, every month to engage in the PJM grid for electric utility services. And if John takes a few minutes, I guess I have this feeling, I want you to embrace this transaction rather than just approve it. And I think if you listen to the way they operate that, I think you will feel different about it.

MR. LILLIE: Thank you. Good morning. And once again, we appreciate the opportunity to be on your agenda this evening. It's just important to point out that this is just one piece of several items of restructuring and change of things that were existing. I've been with the utility for a few years.

Our utility in the City of Vineland is unique, as Ed indicated. We are the only generator and fully operating electric utility in the state of New Jersey. While we are in the city of Vineland, we do have many regulations that we have to abide by and the other operational effects that the investor owning the utilities have to do, so it is a complicated industry.

I'd like to tell you that the electrical utility in the City of Vineland is over a 100 years old, more relevant to the topic of discussion today with this refinancing request. We have to remember that at 10 years ago, the City of Vineland was in a major transition from moving from coal fire steam generated electricity to the more modern, what we call, a simple cycle natural gas generator.

We were just converting at this time, and this particular debt that's being retired, as Ed has mentioned, and is also reflected in the Executive Summary, was put in place based on the information that was available at that time and I presume it was the best information.

With this debt being retired and the face of the utility operationally as well as equipment changing, I think our fiduciary responsibilities would be remiss if we didn't take this large sum of money that is being retired and really evaluate the best uses for what its purpose is. Over the transition period, since we went into the more modern generation, a lot of things have changed.

We've gotten an education. We've gotten operational changes. We've got changes in our relationships with PJM in the way we do our purchasing of our power. And more particularly it's very important to note that this refinancing, not only offers immediate positive impact to the utility, as well as its rate payers, it has a long term effect as well.

Putting an influx of money into the operational budget, which is already in our budget now, in our stable rates which incidentally we're about 20 percent lower than our surrounding investor owned utilities. And that's because we have a utility that is responsible for 69 square miles of operation and generation.

But because we've had the same 69 miles, it makes it much easier for us to have a unique response time, a unique reliability. And then of course cost is extremely important to our rate payers. So the fact that we are much lower than our surrounding utilities, one might say let's use this money to reduce our rates. Well, we're significantly lower than our surrounding electrical utilities.

And the thing that's most important is evidenced in the summary. Immediately the positive effect, the financing of a dual fuel source for one of our 60 megawatt simple cycle generators, and we have two. One of them has the dual source natural gas and oil. The second one that we installed only had the natural gas.

The information at that time indicated that the gas prices were on a significantly decline as far as pricing. There wasn't a real good reason to spend the additional money to put a secondary source. Over the years, with the abundance of natural gas that's been discovered in the United States, the natural gas prices were very popular for residential and commercial home heating.

And in the wintertime, there's a particular demand on the supplies, as well as, the infrastructure that brings the gas to our units. As illustrated in the Executive Summary, you'll see that we had a significant issue with the gas issues that were very volatile during the winter of '17 and '18 and we had a significant impact of finances that were unexpected due to this very strong demand of natural gas.

The refinancing of this bond will immediately eliminate the event of that happening again. The dual fuel source allows us to switch from either natural gas or to fuel oil. Thus, eliminating the volatile gas market because we can run on fuel oil which we know the cost of it. There isn't any fluctuation.

We have about 300,000 gallons of fuel on reserve on each of the locations. When the second one is completed it will be about the same. There's a comfort level and a fiduciary responsibility to our ratepayers to make sure we're doing the best thing. That's the immediate effect of the refinancing.

The long term effects are because of the face of the electrical industry, particularly in the City of Vineland changing, we have a lot of our infrastructure that is extremely old. As I said, we're over 100 years old. We have not had the financial ability to address some of the failing equipment that we have. We have been upgrading as far as our substations, our distribution lines.

Now that we have these available dollars, we can get into the infrastructure capital improvements that we need that are truly affecting our reliability at this point if not addressed. There are multiple other reasons. You've seen our five year capital improvement plan that was included in the summary.

So I really believe that we've taken an opportunity, a little bit by timing with another debt being retired but we've spent a lot of time with this group looking at it operationally as well as financially. And quite frankly, we feel it's the best financial decision for using the dollars with zero impact on our rates.

As a matter of fact, we're pretty comfortable with the numbers that we run. And I don't know many utilities would be able to say that we feel very comfortable that we'll have, as a result of this refinancing, have stable rates for seven to 10 years without any issue. So they're pretty much the background of the information that we'd like you to consider.

We appreciate you taking the time, and if there's any questions that anyone has, I'd be more than happy to try and answer.

MR. MCMANIMON: I think just finishing the point is that there's cash that's freed up, seven million dollars a year that is able to be used for this instead of borrowing money. And instead of using it to pay debt service they can use it for these items instead of waiting until 2024. That's the bottom line and I think it's laid out here. If you have questions we're happy to answer them.

MS. WALTER: First, can you explain briefly how the 2019 debt was retiring is being handled with the debt payment this year and moving on to your first payment next year?

MR. MCMANIMON: That was a question that got raised in the call. The financing that was set up, there's debt service payable in 2019 on the 2009 bonds. That's being paid out of the budget. It's not being borrowed here. There was a question because it looked like the interest payment at the end of this year was 800 some thousand.

It jumps up to six million something and that's because it's just interest on this bond issue. The debt service that's due in 2019 on the 2009 bonds, Sherry did a revised schedule. The escrow that Brian Burke's firm had done reflected that the interest rate due in October, about a million four, was going to be part of this bond issue and put into the escrow.

We took it out. The revised numbers that Sherry's firm prepared show that's a contribution of cash paid to the city to the escrow, not a part of the borrowed money. So none of this borrowed money is being used to pay the 2019 debt service. The April payment was about 3.5 million dollars.

The net of the amount that's being paid by the federal government is about 3.1 million. There's an interest payment of 4.4 that's due later. So that all is being paid in the budget, not in the borrowed money by the city utility. By the way, the city's debt is only

1.2 percent.

This is not part of their debt because it's utility, and the utility has been self-liquidating forever. So we expect a very good rating simply because they're not secured by the payments on the utility. They're going to be payable on the electric utility.

MS. WALTER: Can you talk a bit about the remaining life that is being financing and refinanced.

MR. LILLIE: Oh, yes. That's another interesting point with the original financing. The life span of the existing units that we have is 40 years. Now, 10 years ago, I wasn't part of the decision making process, but it seemed to be a little bit of a 40 year unit to simply amortize it over a 10 year period, which is one of the reasons that we're addressing it at this point.

I'm not sure what the circumstances were at that point. Again, it may have been the best decision or the best information they had. Without being a Monday morning quarter back, I would certainly question the idea of whether we have a 40 year life of a piece of equipment, an asset of the utility, a rather large asset, why we would have financed it for such a short period of time.

With this other debt expiring and being retired, it was a good time to look back at why the short term amortization, the capital, the very aggressive payment in the next four years. And as any good management team would do when situations come up, you should reevaluate what you've done in the past and what your future lies.

And we have a five to seven year strategic plan that, not only affects our finances, but as well as our operational. So we did that and we felt with the small amount of time, not even close to the life span of the units, I think we're adding another six years which brings us very well under what any accounting standard would be for an amortization.

And the benefit of doing it with the refinancing, just for the financing of it is great and the influx of the dollars that are already in the budget for us to do other things is just a win-win situation, so we're hoping that we made that clear in the Executive Summary.

MR. MCMANIMON: I think John should have been a lawyer because I think the answer is 40 years.

MS. WALTER: Thank you for elaborating.

MS. TRACEY: If I could just add something onto that. So essentially, summarizing, originally you've done for 14 years. Now, with the extension, we're still going to be financing it in 20 years, half of the useful life. The other point I wanted to bring up, and Ed had mentioned, originally when the taxable bonds were issued back in 2009, the rates that the city is currently paying, or the utility is paying, is about 5.3 percent.

Even though this issue is being proposed to be done as taxable, rates have come down so much that we're still looking at just over three and-a-half percent, so there's still, while we are extending the debt six more years, we're really benefiting in addition on the lower rates on the taxable bonds even without that subsidy coming in on the new issue.

MS. WALTER: Are you guys currently meeting the environmental standards? Are you planning on doing upgrades in the near future to address any particular outstanding --

MR. LILLIE: No. Currently, we have our permits with the parameters for our omissions on the three units we actually have. Ed indicated that there were two. We have two simple cycle and we have an older oil. We are constantly monitored with our permits, and I'm not sure if you're familiar with the -- there's monthly, quarterly and annual statements.

We will not need to make any different emissions, testings. They are already existing for the natural gas. There is controls, complicated controls of course within that secondary fuel source, but the same emission testings, the CM constant emission monitoring that is existing now will also be there.

We will not be needing to do any changes as far as that, other than our permit application with the state. But all the other operations are in place. It's kind of an addition to a different gas tank so to speak.

MS. WALTER: What are the particular capital means you plan to address with the savings in those first five years?

MR. LILLIE: Well, obviously, we have the secondary fuel source at our Clayville site. We have some substations that are aging and need replacement. We are in the process of doing a citywide upgrade as far as our distribution lines, pole replacement. We have transformers that need to be changed.

We have some other equipment within the new stations themselves that we have to do some upgrade because they have an operational life of a certain period of time, so there's constant maintenance and they're very complicated. In actuality, the equipment that drives our generator is a jet engine off of a 747, so this is a very complicated piece of equipment.

It's changed the way that we operate. It's changed the way that we hire people in order to be trained for it, but those things are constantly in need of replacing. And I can assure you that none of them are under 20 or $30,000, whether it be a pump or filters. We actually schedule two shutdowns a year in order to keep up with the maintenance.

Those costs of doing that are

significant. Our breakdown and our reliability for our units are extremely important. That's why we do a lot of replacements because, as you know, we have an agreement with PJM. Our particular units are peakers and we need to be available when they need us. And if we're not, we suffer substantial, what's called, capacity credit dollars which is substantial for us.

Those kind of things, as well as equipment upgrades that we haven't been able to do because we've been bound financially by this debt that's being retired and from just about every aspect of our distribution and our generation, we'll be able to do upgrades. Some of them are listed on our five year plan.

We will prioritize those, and quite frankly we haven't gone out anymore than five years because we need to see what things we can accomplish in the first five years because they're realistic. Anything after five years would be kind of a guess, so it's multiple pieces of equipment, upgrades, expansions, all the things that are directly related to the reliability of our service to our customers.

MS. WALTER: Just to clarify, I

believe you said earlier there is a substantial capital reserve. Are those funds going directly into the reserve, or the operating budget for savings over time?

MR. LILLIE: These are going into our capital improvement or capital fund -- the capital improvement or capital fund balance?

MS. BALDASARRO: They will go into the capital improvement fund.

MS. WALTER: Any questions?

MR. AVERY: Do any of the anticipated improvements from this financial transaction going to require you to apply to the Pinelands Commission for approvals?

MR. LILLIE: Yes. Actually, the secondary dual source, fuel source that we have for Clayville, any time you do a construction, you apply to the Pinelands as part of the permit. Not necessarily because you're in the Pinelands area, but I guess they're connected somehow to the emissions, so we will be sending a permit that they will review, but it's not a direct application to the Pinelands.

MR. AVERY: I'm a member of the Pinelands Commission, so I'm going to abstain on the matter.

MR. LILLIE: I do not believe there are any direct applications to Pinelands.

MS. RODRIGUEZ: I have a comment. I have to commend you. I've always been impressed with the utility down there to make improvements and a few of us sit on utility commissions on this board. And to make improvements, to be as proactive as your utility is being is really good to see.

The fact that, you know, it's not going to have an impact on the ratepayers is almost unbelievable in the state, right, Ted, would you say? Especially when you're making improvements of this nature. And I have to commend your organization.

MR. LILLIE: Thank you very much. We appreciate that.

MS. RODRIGUEZ: And what you're doing, yeah.

MR. LIGHT: I'll make a motion to approve.

MS. RODRIGUEZ: And I'll second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?
MR. MAPP: Yes.
MS. MCNAMARA: Mr. Close?
MR. CLOSE: Yes. And if I had a utility in my city, I'd hire you, Mr. Lillie.
MR. LILLIE: Thank you.
MR. CLOSE: I liked your presentation.
MS. MCNAMARA: Mr. Avery?
MR. AVERY: I'm going to abstain.
MS. MCNAMARA: Miss Rodriguez?
MS. RODRIGUEZ: Yes.
MS. MCNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS. MCNAMARA: Mr. Light?
MR. LIGHT: Yes.
MR. LILLIE: Thank you very much. Appreciate that.
MR. CLOSE: I mean that. Nice job.
MS. WALTER: Next application up is Lakewood Township appearing on a proposed CAP waiver. Please introduce yourselves and non counsel please be sworn in.
MR. INVERSO: Anthony Inverso from Phoenix Advisors, advisor to the township.

MR. FRENIA: Kevin Frenia, Holman, Frenia and Allison, township auditor.

MR. DONNELLY: Patrick Donnelly, township manager.

MR. RIEKER: William Rieker, CFO of Lakewood Township.

(At which time those wishing to testify were sworn in.)

MR. INVERSO: Good morning. Just real quick, once again, Anthony Inverso from Phoenix Advisors. We're here before you today because the township of Lakewood is seeking a surplus appropriation waiver.

I'm going to turn it over to the township manager to give you an overview of the request, and we'll be happy to answer any questions after that.

MR. DONNELLY: Thanks for having us today. To give the, I guess the clearest reason why is really public health and safety in all honesty. Lakewood Township is growing at a rate that is clearly, you know, much faster than any other community in the state.

We're at the point now, where in the two biggest departments between Public Works and the police department we have to, one, for the police department, we need to add more staff, more sworn officers just to keep the streets safe whether it's just through traffic, traffic and safety units, those different various things, just to keep things at a point where we're able to keep the town moving at a rate that's safe.

From the Public Works side, it's something that started roughly three years ago. I actually took over as the director of Public Works and then I came over as a township manager about six and-a-half months ago. About three years ago, when I had originally agreed to come in, I had known then, I told them that you guys need to change your whole entire thought process behind this to start to prepare as we continue to grow year after year.

So I created a second shift about two years ago and that just gave us the ability to do some more things, some more road work, some more recycling sanitation pick ups, those types of projects that got the staff to be able to work safer while maybe some of the vehicular traffic was a lot less and put them in those situations.

A lot of our sanitation recycling

stuff was done all throughout the day, and kind of in dribs and drabs we picked up on a Monday afternoon and evening and then it rolled into Tuesdays. And we're at the point now where we're picking up 16 hours a day we're running our equipment to pick up sanitation recycling alone.

We're not even talking about working on our roads or our parks or buildings and grounds, our transportation system. We're not even talking about any of that yet, so it kind of took away from what the idea was to come up with the ability to do this other work, when it was safer for the staff, to get more projects done in a year.

We've gotten to a point where we're needing to create a third shift and then a floating shift. A floating shift working over a weekend working 10 hour days. The third shift working overnight into the morning hours just while the traffic is down to get into our industrial parks, our schools, different places like that to kind of take away that sanitation recycling.

More importantly to bring down the use on a lot of our vehicles. Running them at this rate, as most know, when you run your police vehicles, that's why there's such a high turnover of police vehicles, they don't stop. They run 24/7. We need to find an ability to find a different way to get those trucks and equipment and staff to bring them down so that the long term maintenance isn't as sparse as it is.

That's one of the larger reasons we're looking to go for the appropriations CAP waiver is that I can't now -- we're at the point where we're spending more money in overtime through police to staff streets, whether it be more crossing guards and intersections, so the children can get from point A to point B with a lot of our road improvement, sidewalk improvements.

A lot of stuff is going on. We need to put the staff out there. We can't leave it alone which is why we're in the position we're in. And then again on the Public Works side, we're at the point now where we're adding, these trucks are not only running 16 hours a day. Now, I'm running them Saturdays and Sundays and sometimes even longer on the two shifts where they're coinciding because the staff has to stay later because I can't leave it on one shift.

So I can't leave sanitation recycling out in front of homes for more than one 24 cycle because then it just keeps continuously falling behind further and further in all of our other aspects. So in general, that's our biggest concern, but another small part of this is also adding in our transportation that we started.

The transportation that we've slowly got into was running from a two bus department, let's just say under Public Works, to now we're running up to seven buses and we're running them six days a week. Essentially, with these new shifts to make our roads safer to get some of the cars off the road, to give us the ability and the police the ability to do more in a safer manner is to add these buses, and that's also an expansion of where we're at, at this point.

MR. INVERSO: The township provided a transportation system, essentially a loop, in the township, as Patrick mentioned, to try to alleviate some of the traffic, take cars off the road to give an alternative for somebody to hop on a bus and at a discounted fare and be able to access points of the community.

MR. DONNELLY: I appreciate the time. I can answer any questions or elaborate anymore.

MS. WALTER: You were talking about using this financing to decrease costs and improve efficiency in the department. Can you talk about some specific measures that you're implementing that you think will reduce overtime and how your shift schedule, what kind of proactive measures you're taking?

MR. DONNELLY: I think just on the basis of the overtime between the two police and Public Works, by adding the staff, it's going to reduce it almost immediately. Putting the staff out right now you have some staff members that are running nine, 10 hours, 11 hours a day on a regular basis between first shift and second shift.

That's not including the overtime work we do every single weekend on a Saturday and Sunday for both departments just to keep up with what we're doing. If we add these extra positions, let's just say, that's the cost savings right there. Then we're back to working eight hours. We're not adding in that time and-a-half costs, if not double time costs, depending on the collective bargaining agreement we're dealing with.

MS. WALTER: What are your financial projections on the actual savings that you expect to achieve the first year?

MR. CLOSE: What's your current overtime for the past year total?

MR. DONNELLY: Total for Public Works?

MR. RIEKER: 350,000.

MR. CLOSE: For police?

MR. RIEKER: About a million.

MR. CLOSE: So you got a million three, so you're projecting a 50 percent savings in that -- in the first year?

MR. DONNELLY: I would say to be safe because this is their new shifts, especially on the Public Works side, I would say 30 to 35 percent to start. When I brought in the second shift we saved about 70, 75 percent immediately just by adding that in and alleviating all the extra.

MR. CLOSE: So I presume you did an analysis and this is your cost analysis so that's the projection. You're now saying 30 percent?

MR. DONNELLY: I don't want to overstate it. I don't want to overstate it and say, hey, this is where we're going to be at and that's not where I'm at.

MR. CLOSE: You talked about the safety. That's one end and you've got the practical. You talk about your third shift and your floater shift. I get all that. But in terms of the actual projected savings when you did this for your budget, what did you anticipate as the actual dollar savings in the budget that is presently either introduced and adopted, or at least introduced at this point I presume?

MR. DONNELLY: About 300,000.

MS. WALTER: And where are you currently? Are you doing recycling in-house, or is that with an outside vendor?

MR. DONNELLY: Recycling, sanitation, everything is in-house.

MS. WALTER: You were talking about having a third shift. Do you have any kind of comp pay or overtime to cover that third shift?

MR. DONNELLY: It's currently in there, but the goal isn't to have that overtime.

It's really not there. Between the first shift, seven to 3:30 and then 3:30 to 11:30, and the next shift coming in at 12, the idea is we're not working overtime anymore.

The overtime is those situations where you're dealing with the natural disaster, the hurricanes, the two foot snowstorms, things like that. Then we're bound to where we can only allow drivers to run for 12 consecutive hours. Other than that, the goals are really due to how successful it was on that first shift to second shift is for that to correlate into the third and the floating shift.

MS. WALTER: Do you have a pay differential for third shift workers under the current contracted agreement?

MR. DONNELLY: All we're going to be offering is a four percent differential. The second shift gets a four percent differential that stays with the staff members. If they were to get time and-a-half, that four percent stays on top. Third shift, they would be getting the same thing.

MS. WALTER: So four and four? Four total or eight above?

MR. DONNELLY: No. Four percent and then four percent for third as well. That's all they get. Four percent added to their base salary. Third shift would get their salary plus the four percent on top.

MS. WALTER: When you're talking about needing new trucks and equipment, how are those allocated? How many for Public Works? How many are new buses? What's the breakdown?

MR. DONNELLY: Well, right now, your life cycling in the sanitation recycling world for our trucks in the municipality is generally 10 plus years on equipment. Wherein, the private world, it's anywhere from five to seven years on a piece of equipment like that.

We're right now in the average of 13 to 16 year range on the age of some of our trucks. We're looking to, you know, we have to bring that number back down to start to maintain the vehicles much better. So the idea is where we would be replacing trucks every other year, three to four trucks each time.

MR. CLOSE: So your six year replacement schedule you're going to be replacing annually three to four years for the next six years?

MR. DONNELLY: As of now, yeah.

MR. CLOSE: Anticipated costs?

MR. DONNELLY: Trucks are running anywhere right now, three to $310,000, yeah.

MS. WALTER: Do you have a reserve to cover those, or is that going to be new debt?

MR. DONNELLY: No.

MS. WALTER: So it will be new debt for each purchase?

MR. DONNELLY: Yes.

MS. WALTER: Where are you in relation to your debt limit at this point?

MR. FRENIA: We're well below the debt limit. I believe it's about 1.3, I believe. That's really not an issue.

MS. WALTER: And then where are you in relation to your levy cap at this point?

MR. FRENIA: We used some levy cap this year. There is a tax increase, and we have about 3.5 million left in bank, so we had a big bank. There is an increase this year and we utilized five, about 600,000 in the levy bank and we have about three and-a-half million left, so there hasn't been any large tax increases for a while.

MS. WALTER: How much surplus will be remaining after there is the --

MR. RIEKER: Six million dollars.

MS. WALTER: So how much are you putting down this year? What's the total draw down on surplus this year?

MR. RIEKER: We're budgeting 19 million.

MR. INVERSO: And we expect to replenish the amount used in the budget.

MS. WALTER: The full amount?

MR. RIEKER: The full amount, yes.

MS. WALTER: Anyone else have questions?

MR. LIGHT: I have one real quick. With the almost two million dollar CAP waiver that you're looking at this year, you get that, what do you expect for next year?

MR. FRENIA: I think we probably settled it 1.3 is what they told us. And this year, for instance, we increased, I think we're going to be all right next year is the answer.

MR. LIGHT: Are you projecting you won't need the CAP waiver?

MR. FRENIA: I don't believe so. This year we had an increase of 2.5 for the three and-a-half percent and we had 1.4 for new construction. And the new construction I got to assume is going to be greater next year than this year, so I think this is probably a one year problem.

MS. WALTER: So the application originally commenced the 1.858 waiver, but the numbers now have been reduced to 1.07424?

MR. FRENIA: The 1.8 I think was the total cost of the new program we're instituting, so that's what we put in. But the 1.3 is what we actually.

MR. LIGHT: I move that we approve the application.

MR. AVERY: Second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Yes.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?
MS. RODRIGUEZ: Yes.
MS. MCNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS. MCNAMARA: Mr. Light?
MR. LIGHT: Yes.
MR. FRENIA: Thank you very much.
MS. WALTER: Thank you. Our next application is from Chesterfield Township also seeking a proposed CAP waiver surplus. Please introduce yourself and non counsel please be sworn in.
MS. WULSTEIN: Good morning. We're Chesterfield Township. I'm Wendy Wulstein, Chief Financial Officer.
MR. WILSON: Kyle Wilson, Chief of Police and the township administrator.
MAYOR ROMEU: Rita Romeu, Mayor.
(At which time those wishing to testify were sworn in.)
MS. WULSTEIN: Thank you for hearing us this morning. We're here for a waiver to the 1977 appropriation CAP. We have been here over the past several years. This is an issue that started years ago. Chesterfield was a rural

community that entered into a TDR program which brought new development into the 22 square miles into a two square miles.

It doubled the population. In doing so, before as it was all being, you know, constructed, designed and planned, there became a need, as it started being built, to increase the police force which we have successfully, since that moment, we have not increased in that 15 years of any number, so what was done at that time.

What we have in terms of staffing of our police department is minimum. We have two per shift, the police chief and two part-time officers. The CAP waiver also includes ambulance services as well. We did in 2016, '17 our volunteer rescue squad unfortunately finally dissolved because they could not get enough members.

We are contracted for those services. We have expressed to you, on previous applications, we know that at some point we're going to need to go to a vote. We are anticipating that. We manage this yearly. We are watching the levy cap. We do not need a levy

CAP waiver.

But at some future year, which thankfully, due to better actions than predicted, we are further pushing that off to whether it will be 2021. And what we ask at that point in time, and again, that waiver on the levy would assume it would be about the police department as well and we would put both out to referendum for the voters to consider. So we're asking for consideration this year for the CAP waiver exception of the 748,000, and I can answer any questions you have.

MS. WALTER: Are these funds primarily for salaries and wages or for capital expenditures?

MS. WULSTEIN: It's primarily salary and wages, yes. Our OE expense for the police is about 40,000.

MS. WALTER: Do you anticipate having an additional need for an appropriation CAP waiver as well next year?

MS. WULSTEIN: Yes.

MS. WALTER: Do you have a projection as to how much that will be?

MS. WULSTEIN: What we are working

on now and we've been holding several analyses and meetings accordingly is how we're going to chip down that number before we get to the voters. Chesterfield has been in the middle of a large litigation over the past several years, and that is anticipated to be nearing the end.

That's going to free us up $200,000 that's immediately going to be applied to that cap to move that section back into the police. We've looked at maybe shared service for ambulance services which would, again, get that again. We are looking at a number of different activities.

Unfortunately, we don't, or fortunately, depending on how you look at it, Chesterfield for years had a low tax rate. And one of the ways they did that is to not increase the expenses. So we run most departments. Most of those support departments are run with one staff member.

Most of the employees have multiple titles so the jobs can get done. Our only departments that have multiple people is the police department and Public Works and then we fill construction with some part-time inspectors, but your tax office, your finance office, your assessing office, they're run by one.

And that one person that's running it, is running other jobs as well. So unfortunately, the only place that we have, the amount of money that we need is in the police department so there is the true connection there.

MS. WALTER: Where are you in relation to your debt limit at this point?

MS. WULSTEIN: We're at 2.9. We're finally over. The school had some interesting refunding for a number of years that put us at the max debt limit which maxed our debt limit even though it wasn't in our control and they finally, through refunding, are starting to bring that down.

Chesterfield did build a new municipal building in 2017. It opened. It replaced one from 1914, so it was unfortunately necessary, but will carry us now into the future. We see no further expenses in that direction either.

MS. WALTER: And what's your total outstanding debt at this time?

MS. WULSTEIN: There's a question.

Hold on one moment. Eight million is right now what we have out in bonds. And with six million of that being just in the past two years with the building of the new building, so it's fairly new debt.

Chesterfield also operates a sewer utility that has a little debt on its end as well. It is actually in connection with the state because it's run out of the prison that's located in Chesterfield.

MS. WALTER: And what's the change in your tax rate this year?

MS. WULSTEIN: It's a little over a penny. A little under $50 for the average taxpayer. What we did this year, as opposed to, you know, when I started the budget process, I sat with the mayor and I asked a very blunt question. And I said, do you want to lower the tax rate by two cents because in some ways we could have, but that's not helping what we have as a bigger issue going on here.

So what we did is maxed the levy cap out there. We do not have a levy bank because we're trying to alleviate and get that -- not have the spike for the taxpayers, so get them a little bit -- we have usage of surplus. We ended at 3.4. We're using 1.3 which is going to leave us two million, which we expect to be regenerated but only another year or two.

We're getting to get planned build out. We're not going to be built out, but for anybody that has a plan, our planned village district will be completed with one parcel that has maybe 100 to 150 houses allowed, but they're not even thinking about it.

So when that would come, we're not sure, so what has kept Chesterfield's surplus healthy has been all the development that's happened over the past 10 years which also has increased population and led to the need for the police department.

MS. WALTER: Anyone else have questions?

MR. CLOSE: What's your tax appeals annually?

MS. WULSTEIN: We had about 14 this year.

MR. CLOSE: Total.

MS. WULSTEIN: None of them stayed. They're all minor residential. I think that we settled, quite frankly, three of them settled for more. In terms of the appeals, we don't pay out, but I believe there was some minor increases.

MR. CLOSE: You apply it as a credit.

MS. WULSTEIN: Yeah, but we're talking on houses, I want to say it was $100,000, maybe 150. We're talking houses that went from maybe 10 to $15,000 lower, maybe 20.

MR. CLOSE: Because you budget 10, and you're holding back about 80 in reserve, right?

MS. WULSTEIN: Mm-mm.

MR. CLOSE: I was surprised you talked about a tax decrease with the mayor possibly, which you said overtime, if you're looking to have gradual increases. And part of the problem over the years appears to have been the fact that you did not increase it when you had opportunities to. I'm surprised that conversation even occurred.

MS. WULSTEIN: Well, that was prior to my time, but it was about 10 years of using as much surplus as they could to keep that tax rate under five cents. And that has led us to some of the problems here. But as the CFO, I have to paint an honest picture of expenses, and that's an honest picture.

But in that education, which we're working, not only with the governing body, but educating the taxpayers so they have an understanding. We do appoint a budget advisory committee every year and get some input from the taxpayers, let them go off. We meet with them. We give them all the information and we let them look at the budget in any way they want.

So if they're seeing that, hey, you might be able to take 20 grand out of this line item, maybe we could, but we're looking at a multi year plan to get us to the point maybe two, three years, four years from now where we're at the max levy that we can be without it needing a waiver and we have solved the appropriation problem.

MR. CLOSE: So you have a presentation you give?

MS. WULSTEIN: Yes, we do.

MR. CLOSE: Local chamber, et cetera?

MS. WULSTEIN: Yes.

MR. CLOSE: Was that submitted as part of this? We saw that, too? Their long term plan that she's talking about, was that submitted to us as well?

MS. WULSTEIN: No, I don't believe I submitted that.

MR. CLOSE: I wouldn't mind seeing that.

MS. WULSTEIN: Okay.

MS. WALTER: Would you mind providing that to the board?

MS. WULSTEIN: Absolutely.

MS. RODRIGUEZ: I just want to thank the mayor for coming in.

MAYOR ROMEU: You're welcome.

MS. RODRIGUEZ: Being present here.

MAYOR ROMEU: It's important to me and I do follow it. I was an old finance person, so it's actually interesting to me and I appreciate all of the work you all have given us over the years.

MS. RODRIGUEZ: I make a motion.

MR. MAPP: Second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Yes.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MCNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MCNAMARA: Mr. Light?

MR. LIGHT: Yes.

MS. WALTER: Thank you. And thank you again, Mayor. Next applicant is the Salem County Improvement Authority regarding the Solid Waste Facility Proposed Project Financing. Just to clarify, the Newark City State Operated School District application has been deferred. Please introduce yourselves and non counsel please be sworn in.

MR. INVERSO: Anthony Inverso from Phoenix Advisors.

MR. LUDWIGSEN: Henry Ludwigsen from Bowman and Company.

MS. ACTON: Julie Acton from Salem

County Improvement Authority, Executive Director.
MR. CANTALUPO: John Cantalupo from Archer and Greiner, bond counsel to Salem County Improvement Authority.
(At which time those wishing to testify were sworn in.)
MR. CANTALUPO: Good morning, Director. How are you? This is John Cantalupo from Archer Greiner, bond counsel to the Salem County Improvement Authority. The Improvement Authority is here seeking approval to issue not to exceed 8.9 million dollars in solid waste revenue bonds for Phase II project for Cell 10 expansion.
This project will be financed through the New Jersey Infrastructure Bank. Typically, these financings are just approved by the Infrastructure Bank, but there's a little quirk in the law when it comes to county guarantees, so we're here before you because of that. This project will be used for the Cell 10 expansion of the landfill which is an eight acre, 1,250,000 square foot landfill cell.
The current landfill has a life that extends to 2020. Pursuant to the solid waste

plan in the county, with all of the expansions that they've had previously approved, this is one of those expansions in the step. The landfill will last to 2045.

We were last in 2016 for their Cell 10 expansion and this is just another step in the phase to consider the expansion to allow the landfill to extend out to 2045. The bonds are secured by payments from the tipping fees and we're here seeking approval to issue the bonds through the NJIB pursuant to the Local Authorities Fiscal Control Law and Section 80 of the Improvement Authorities Law.

And we're happy to answer any questions. We have Julie Acton, the executive director here from the Improvement Authority as well as our auditor and financial advisor.

MS. WALTER: What specifically is the project being undertaken with the financing? I know you said expansion. Is it rehab or technology? What are you actually accomplishing?

MS. ACTON: New cell. New landfill cell, so our Cell 11, which we did a couple years ago is filling, so then we have to prepare for a new expansion.

MR. LIGHT: An expansion or a raising?

MS. ACTON: No, it's going to be a new cell.

MR. LIGHT: New cell.

MS. ACTON: Yes. So this is the second one of three. So last time we did 11 and now we're going backwards. We're going to do 10, and then we'll be before you probably in another five or 10 years to do 12.

MS. WALTER: This is an application relating to a 20 year financing. And we had asked a question about the useful life of the particular cell. It was saying 8.44 years. We're trying to reconcile the two. It sounds like you're saying there is a 25 total useful life expansion.

MR. INVERSO: I'll address that. When this was presented to DEP, and at the time was the Environmental Infrastructure Trust, we looked at this as a composite project with three cells. So since the three cells together were going to extend the life to 2045, it was determined that we wouldn't have to finance each component within its own useful life because the last project that was undertaken only had a five year useful life.

So the debt service on that would have been too much to handle for the authority. So it was determined at the time that this would be looked at as a whole. And together these projects could be financed over a longer period of time so that the debt service was palpable to the authority, so that's why it's a good question.

It's on an eight year life of this particular cell, but we're looking at a 20 year financing, so it's part of the overall project, overall picture that was presented at the time.

MR. CANTALUPO: An overall landfill plan that goes out to 2045. So these are phases that they have to do as they come down the line.

MS. WALTER: How do you plan to finance the debt service? Will there be a rate increase?

MS. ACTON: Actually, we made some adjustments on our tipping fees already and I'm going to let Henry.

MR. LUDWIGSEN: Yes. The authority has gone through, in accordance with the plan that was developed back in 2015, we did a 30 year projection out to 2045. And the authority has met their target of $70 a ton which the projection meets their financial obligations for operating the debt service.

MS. WALTER: So you anticipate holding steady at that $70?

MR. LUDWIGSEN: Yeah. There will be periodic increases. It's anticipated at a two percent increase rate is what we use to the projections.

MS. WALTER: Annually?

MR. LUDWIGSEN: Annually, yes.

MR. INVERSO: But you're also expecting that the tonnage is going to stay consistent or potentially improve, right?

MS. ACTON: Correct.

MS. WALTER: Total, the 25 year expansion project, what's the total debt going to be issuing to complete it?

MR. INVERSO: The total amount of debt? I think the next phase is about eight and-a-half million dollars. We did the Cell 11, I was going to stop myself because it's out of order. That was about seven and-a-half million dollars. And then we expect the Cell 12 to be maybe 10 years, eight to 10 years from now.

MR. CANTALUPO: They had to do a bit of a catch up with 10 and 11. They're catching up from -- 10 probably should have been done a little bit -- 11 should have been done a little bit earlier, but I imagine you were just trying to get it done.

MS. ACTON: Yes.

MR. CANTALUPO: So when we come back in '16, maybe it should have been done several years earlier but they're playing catch up now. That's why these two financings are coming back to back, and the other one will be out a little bit longer because they'll have a longer life.

MS. WALTER: Anyone else have questions?

MR. LIGHT: Make a motion to approve the application.

MR. BLEE: Second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Yes.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MCNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MCNAMARA: Mr. Light?

MR. LIGHT: Yes.

MS. WALTER: Next application is the Monmouth County Improvement Authority appearing on a proposed project financing and a proposed county guarantee. Please introduce yourselves and non counsel please be sworn in.

MR. DRAIKIWICZ: John Draikiwicz, from Gibbons, bond counsel to the Monmouth County Improvement Authority.

MR. CANTALUPO: John Cantalupo from Archer and Greiner, bond counsel to Monmouth County and also special bond counsel to Brookdale Community College.

MR. STONER: Joe Stoner, the interim vice president of finance, operations, financial officer at Brookdale Community College.

MR. BACHER: Doug Bacher, NW

Financial Group, financial advisor to the Monmouth County Improvement Authority.

(At which time those wishing to testify were sworn in.)

MR. DRAIKIWICZ: I appreciate being here this morning. Monmouth County Improvement Authority proposed to issue its bonds in an amount not to exceed eight million dollars. The proceeds of which will be utilized to refund the authority's 2009 bonds that were issued for the benefit of Brookdale Community College.

The bonds being refunded are the maturities from 2020 to 2032, and the college proposes to have the refunding savings captured in the years 2020 through 2025, which is the first five years of the refunding. The reason Brookdale Community College desires to have these savings over the first five years is that they're undergoing a comprehensive financial plan in connection with the various issues of the college.

One of which includes a 20 percent decline in enrollment over the last five years. The transactions being currently structured to provide savings of $603,000 at present value savings of 8.35 percent under current market rates. The transaction will be secured by lease payments from the college and also by a Monmouth County Guarantee.

We hereby request the board's positive findings on the transaction and on the county guarantee, and we're happy to answer any questions that you may have at this time.

MS. WALTER: I had a call with this applicant this week to go over some of the structure. Particularly, the savings. We asked them to provide a copy of their long term debt plan -- with the college that shows that the debt service does adjust in such a way that it keeps it more level.

If you could please describe the choice that's being made to take that savings upfront and why that's beneficial to you in the longer term of your debt planning.

MR. STONER: Certainly Brookdale, along with other schools across the nation, are experiencing declines in enrollment. It's a tuition dependant institution. We were looking at trying to develop a strategic plan to address the issue, just generating new sources of revenue and attracting newer students, looking at our programatic offerings and adjusting those that are now longer popular and adding those that are going to serve the work force better, which we think will derive our revenue.

We needed some time to develop this strategy and make an investment in what we feel like is a strategic plan with this administration.

MS. WALTER: Talk a bit about the net present value debt service savings? What's your total?

MR. STONER: $600,000.

MS. WALTER: How do you plan to use that in the next five years?

MR. STONER: It really is cash flow relief for us over the next five years. We projected a 4.9 percent in enrollment decline for our fiscal year 2020. That left us with a budget deficit of 3.2 million which happens to be our debt service. We took half of tuition and fees and we are eliminating another million and-a-half out of our operating budget to try to share the burden.

MS. WALTER: Do you have any

anticipated capital improvements that you're doing in the near future?

MR. STONER: We don't have any capital new construction projects. We have infrastructure improvements that are supplied by the county, by the state, so we have Chapter 12 money available for us.

MR. DRAIKIWICZ: Let me elaborate just briefly on that for the board is that most county colleges have their capital infrastructure undertaken by the counties, by the respective county. And the county usually issues the county college bonds for the capital projects, as well as, Chapter 12 county college bonds that are secured by the state, as well as, county monies.

So most of the capital price in the future, or all of it really, will be funded in that capacity. The transaction that were done through the Monmouth County Improvement Authority will really not be -- no new lease debt will be added, plan to be added to the authority to the college debt structure.

So you'll see that over time, the debt will just be weaned off over time is what the plan is financially for the institution.

MS. WALTER: Seeking some specificity, understanding that there are multiple sources of funds as to what the money will be spent on. Is it new technology? Is it new vehicles? Basically when you're doing this future capital improvement Chapter 12 debt, what do you anticipate needing for the school and also the current cost savings, is that going into salaries? Is that going into, what form of your operations?

MR. STONER: You want to know the use of the Chapter 12 funds?

MS. WALTER: Well, both.

MR. STONER: The Chapter 12 funds, they're going to be used for -- most of it is for projects that have a life span that are going to be 15 years, and so a lot of it is capital improvement. It's life safety with new cameras and blue phones and that sort of technology, investing in our police department. It's providing services.

We are in a very competitive environment and it's imperative for us to have that great appearance on the front end. So a lot of aesthetic improvements are going as far as new sidewalks and just the regular infrastructure of new generators and building repairs and maintenance.

On the, again, on the debt service side, everything that we don't spend for debt service, or our operations, is spent on students there, and so it's improving the student experience. We're investing more in student assessments and outcomes, and again, trying to look for new sources of revenue with business partners to help offset the decline in enrollment.

MR. CLOSE: I think that sounds great, but do you have a listing? When you submitted your application, was that included, that description of what your intentions and the purposes of this savings was to be for? I'm looking at Doug. Doug is shaking his head no.

MR. BACHER: I don't believe that was part of the application.

MR. CLOSE: Again, I think knowing you're coming here, you have that purpose to be helpful to include that type of information for everyone's consideration when you're coming before.

MR. LIGHT: Can I ask a question? Is the difficulty that you were talking about a dropping in registrations and numbers of students that are attending the class? And is that on like a first year entry lower than what it has been in the past?

MR. STONER: Yes, sir, it has.

MR. LIGHT: How much and what percent roughly?

MR. STONER: I beg your pardon?

MR. LIGHT: By how much and what percent?

MR. STONER: We look at everything by full-time equivalency. We take every student that comes to the college, take their total credit hours and divide it by 30. 15 hours consider it full-time for each semester, so FTE, to us, is an average of 30 credit hours per student and that's how we do our budgets.

Our FTE's, again, over the least five years have dropped 20 percent. Last year we had a decline of six percent. This next year we're budgeting a 4.9 percent decline. And the high school, the high school graduate population is diminishing itself, and we're experiencing tremendous competition from the four years and those that have more offers and we're trying to combat that.

Even though we had a partnership with Rutgers, we brought Rutgers onto the Lincroft campus this year, so a student can come and spend two years at Brookdale, come to the same campus and spend two years at Rutgers and graduate from the same location.

MR. LIGHT: This is a two year county college, but has the -- what you've done with Rutgers, is that just recent?

MR. STONER: We had a business partnership with them and they've had a presence with us at another location, but having them there on the Lincroft campus was huge.

MR. LIGHT: Is that first year, second year?

MR. STONER: First year.

MR. LIGHT: So you just started it.

MR. STONER: Yes, sir. They started this past fall.

MS. RODRIGUEZ: I mean, when it comes to that, that's all attributed separate and apart. It has nothing to do with this. That's all attributed to relationships and partnerships within the local, the high school communities and also the outreach that the college is providing, so it has nothing to do with this, but I'm glad that Ted posed that question. There are so many factors involved in that.

MR. STONER: It's going to help us keep our tuition in phase and lower for the students.

MS. RODRIGUEZ: You're looking at the aesthetics to help attract.

MR. LIGHT: Can I ask you, can you tell us what your total enrollment is?

MR. STONER: We are projecting around 8,000 FTE's for next year.

MR. LIGHT: For one year?

MR. STONER: Yes, sir.

MR. LIGHT: That's lower than what it was in previous years?

MR. STONER: Yes, sir

MR. LIGHT: So right now you have about 16,000.

MR. STONER: We're projecting to be about 4.95 percent down.

MS. RODRIGUEZ: Is it overall, the

decline in your FTE's?
MR. STONER: Yes.
MS. RODRIGUEZ: Overall?
MR. STONER: Right.
MR. CANTALUPO: I think that's generally been a demographic thing because there was a spike several years back and the colleges had all built up for it and there's been a drop off in demographics across the state.
MS. RODRIGUEZ: The demographics change, that has nothing to do with this. Demographics are changing. You have to tell your programs and your outreach and all of that for that. And that's nothing to do with this, but sometimes demographics change and institutions need to change with the demographics. They have to adjust.
MR. CANTALUPO: Absolutely.
MR. DRAIKIWICZ: The savings over the last five years will help them keep the cost in a better shape which is why they're trying to do it over the next five years while they adjust to the new climate and make other revenue enhancements and partnerships more robust.
MS. WALTER: If there are no further

questions, would someone like to make a motion?
MS. RODRIGUEZ: I make a motion.
MR. BLEE: Second.
MS. MCNAMARA: Miss Walter?
MS. WALTER: Yes.
MS. MCNAMARA: Mr. Mapp?
MR. MAPP: Yes.
MS. MCNAMARA: Mr. Close?
MR. CLOSE: Yes.
MS. MCNAMARA: Mr. Avery?
MR. AVERY: Yes.
MS. MCNAMARA: Miss Rodriguez?
MS. RODRIGUEZ: Yes.
MS. MCNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS. MCNAMARA: Mr. Light?
MR. LIGHT: I'm going to abstain.
MR. DRAIKIWICZ: Thank you very much. I appreciate it.
MS. MCNAMARA: This is the Somerset County Improvement Authority. Please introduce yourselves and all non counsel please be sworn in.
MR. PERLMAN: Good afternoon. Steve Pearlman, Pearlman and Miranda, bond counsel for

the Somerset County Improvement Authority.

MS. CHILDRESS: Yvonne Childress, Somerset County and the Somerset County Improvement Authority.

MR. INVERSO: Anthony Inverso, Phoenix Advisors.

MR. FEARON: Jim Fearon from Gluck Walrath, bond counsel to the county.

(At which time those wishing to testify were sworn in.)

MR. PEARLMAN: For those commissioners who were not around in 2011, I'll go back a little bit in time because it's relevant to what we're doing today. Forgive me if you've heard this before. This is the culmination of the county solar program.

They did an original transaction in 2010 where they utilized their guarantee, collected a host of sites, local government sites, and provided the savings to the towns and school districts. So they had a 2010 project which was successful, they had a 2011 project where they funded solar at 36 sites within the county.

It started out successful. Then

there became a fight between the developer and the contractor. In order to settle that fight, there was an ominous settlement in 2015 which resulted in the county Improvement Authority issuing another 8.4 million dollars of notes. The notes were short term notes at the time, and in 2018 we rolled them for one more year and we did that to get to this point for everything I'm about to explain to you, which is, these projects were financed originally on a taxable basis.

Why is that? That is because we made the project developer, the tax owners so they could take advantage of the federal tax credits, 30 percent investment tax credit, accelerated depreciation that are not available to governments. That resulted in a lower power cost to the towns and school districts. That was the whole point.

Under federal tax rules, there's a five year recapture period after these projects are placed in service. We had to wait until that period of time has run. That period of time has run on 34 of the 36 sites. So now that we have all of the basic facts together, we can have a one time global solution to this situation.

Combination of things.

There's the original taxable bonds that were issued in 2011 for which there is a savings, if we were to refund those bonds, not extending maturities, just a traditional refunding. And Anthony can speak about that in a minute. In addition, we want to term out the note and we have to deal with it, in effect, two tranches because we have to deal with the 34 sites and treat them differently than the two sites, and let me explain.

Because the two sites are not through the five year recapture period yet. Why is that? Because that was the part of the 2015 settlement. They did not get built until after that settlement. We cannot take those, the county and Improvement Authority cannot take control of those sites because they will affect the tax recapture I spoke about earlier if they have to wait a couple more years.

So those deals, the bonds have to be done on a taxable basis. The 34 sites, however, the ones that were funded by the 2011 bonds could be funded on a tax exempt basis. They were taxable bonds originally. They can be refunded on a tax exempt basis now. As I mentioned, Anthony will speak to the savings from that. At the end of the day, we will have three series of bonds.

We will have the 2019 A bonds which will primarily take out the bonds of 2011, allocable to the 34 sites. Then we're going o have the B bonds which will deal with the two sites allocable to the settlement notes and then we will have the final C series that will take care of the balance.

Now, the county, in order to keep costs down, has agreed to purchase all series, other than the 19 A bonds, at a one percent rate. That keeps the overall cost down. And in fact, the county has asked that we include a special provision since they will be the actual bond holder that when it comes down to payment, and this is only with respect to the bonds that the county is purchasing in a private placement.

You can never do this in the market. So the 19 A bonds that are being sold to the -- will not have this -- but the county will have the right to actually pay itself or waive the payment because it literally pays itself as the holder of the bond. The county believes, and the Improvement Authority believes, there is actually savings in addition to the bonds taking over the systems in 2019, 34 of the 36 systems.

Why is that? Back in 2015, when the settlement was reached, the developer was kept on technically, not causing a default because we didn't want to trigger the tax recapture which I keep returning to. This is very much driven by the tax recapture. Once you're through that period, which we are now for 34 sites, we don't need the new developer anymore.

The developer did not do their job 100 percent. I really can't say anything more than that because of the settlement, but suffice it to say that the county and the Improvement Authority think they can save money by taking over the obligations. There's not a lot left to do once these projects are built and up and running.

They tend to run by themselves, but there are two main functions. There's an O and M cost. There's also a monitoring of the state subsidy, the Solar Renewal Energy Certificate. The county has an energy advisor that can handle that work. And in fact, every SREC transaction that the developer took, the county would turn around and ask its energy provider, do you agree. So we frankly eliminate that step and eliminate that cost.

So it makes sense since the county is on the hook for the guarantee, to take those 34 sites in-house and save that middle man cost. Final thing that's being authorized here is that we don't want to have to come back. This is a one time solution, so in the authorization documents we are authorizing today, the acquisition of those two remaining sites for a couple of years down the road when they will pass their recapture period.

No new debt will need to be issued. They will just be acquired by the county for nominal consideration. Technically, what are we here for? We're here for a three month note rule on the '15 settlement notes because we have to implement all this. The notes are due in two weeks. Secondly, we're here for the bond resolutions.

And there are two bond resolutions because of the way they split out between the 34 projects we can take and the two that we can't. For the 34 that we can take, there will be no more lease with the developer who was making lease payments to pay the bonds. The bonds developer will be gone, so we will simply have the revenues from the project, so that will be a new bond resolution.

And the two projects that are left behind, we will have a supplement bond resolution still utilizing the lease revenue structure. Finally, we're also here for a service contract authorization for a county deficiency agreement and for a county guarantee. We have both a deficiency agreement and a county guarantee because since we are, in effect, in a work out situation, we know that the revenue is generated by the program will be short.

The county has been subsidizing that since 2015. We would rather make the payments through the 79 deficiency then Section 80 guarantee, but we're wrapping with the county Section 80 guarantee because it's easier for the market to understand county guarantee unconditional full faith and credit. I'll take a breath.

MR. LIGHT: You're talking over 50 million dollars worth of debt for the county Improvement Authority, right? If you add these all together.

MR. INVERSO: It's not new debt.

MR. LIGHT: Just refinancing of the existing.

MS. RODRIGUEZ: The existing from 2011. I recollect that vividly because I remember how exciting that was, the new bill and the audits and everything that was done and the Improvement Authority came in for the, sadly to say, it went south.

MR. PEARLMAN: The township have gotten the benefit. All of this, that part has not changed.

MR. LIGHT: The removable energy are already in place at this time?

MR. PEARLMAN: Yes, sir. Just refinancing of the existing debt that's being --

MR. INVERSO: Right. And we've looked at different alternatives waiting, as Steve alluded to, to the other two sites, you know, through the recapture period. But current market rates are so attractive right now, that it makes sense to take advantage of that and we're looking at a savings of about 4.25 percent on a present value basis with about $75,000 a year in savings for refinancing the debt within the existing term, not extending it out.

So that makes it attractive to try to take advantage of this opportunity now, do the refunding, term out that note that we talked about, do it all together in one package is a really good opportunity. So there are savings of the refunding which we didn't have a year ago, so this is a good time to do that.

MR. LIGHT: Solar fields?

MR. INVERSO: This is all solar.

MR. LIGHT: Existing solar projects?

MR. PEARLMAN: These are existing projects and they're not in fields. These are not grid projects. These are on facilities generating savings for towns and school districts at their buildings.

MR. LIGHT: County facilities?

MR. PEARLMAN: Some county. County was a participant.

MS. RODRIGUEZ: When you came in, you came in with the developer when you came.

When the county came in, they came in with the developer.

MR. PEARLMAN: Which was done pursuant to an RFP process. It wasn't sold source. It was a competitive contract in process.

MR. INVERSO: This was the second phase. There was also a project done in 2010, so that one is in place as well, so this was the second one.

MR. CLOSE: So Anthony, you said 75 a year for how many years, the savings?

MR. INVERSO: 2027, so eight years.

MR. PEARLMAN: The reason for that, sir, is the power contracts under the New Jersey law only go for 15 years, so even though the panels will last and they're warranty for the longer, we could have done debt originally for 20 years if we were allowed to. We were not allowed to because the power purchase agreement, which is one of the main sources of revenue for the bonds, was limited by state law to only go 15 years.

So we're going to the end of that 15 years. And by the way, that includes renewals. The way the state wrote the law, it's very strict, even though, again, there are savings generated which leads to the question of what happens at the end of that term. And part of the advantage of the county taking this over is that the county and the authority can decide at the end of the 15 year term, there may be panels on the roofs of all these local units that are still sending them money, they may not want them to go.

Since we've now taken the project or will have, if you agree to this, away from the developer, there is at least the possibility that in that at the end of the 15 year term, those panels can stay where they are. They can be a market transaction or a subsidized transaction.

MR. CLOSE: Panels have a shelf life.

MR. PEARLMAN: That's why I'm saying the warranty --

MR. CLOSE: A very definitive shelf life.

MR. PEARLMAN: But the warranties for the panels are longer than the transaction. That's my point. At a minimum we have another five years.

MR. CLOSE: And you have damage to panels, correct? You have a certain amount of panels that are damaged?

MR. PEARLMAN: That goes in the annual O and M costs we were talking about.

MR. CLOSE: And you built that in because you're talking about a $600,000 savings based on Anthony's projection for the period of time that you realized. You're spending 175 to get to 600.

So you're going to see a little less than that. I understand what you're saying about the long term. How does this compare to the initial savings that were projected the last time you were here?

MR. PEARLMAN: From the original transaction?

MR. CLOSE: From the original transaction, sure.

MR. PEARLMAN: The savings were afforded to the local units. The county did not take any. This is a shared service program. The Improvement Authority --

MR. CLOSE: They were the

underwriter. I get it.

MR. PEARLMAN: None of that has been touched. They have not adjusted, for example, the power purchase rate. And I would say to you that the rate on this deal, compared to the market, was about two thirds off. I think rough numbers, I can go back and check.

Rough numbers were roughly 15 cents a kilowatt hour is market tariff and these deals were under five, right? So literally two thirds off savings. Considerable savings for the locals.

MR. AVERY: Where is the county going to get the funds to purchase the debt? Are they going to borrow money?

MR. PEARLMAN: Well, that's what we're authorizing, our refunding bonds. That's what this is.

MR. AVERY: This will be that. And the county is buying those.

MR. PEARLMAN: Let's look at it. There are two portions here. The largest share is going to the market like a regular refunding.

MR. AVERY: Okay.

MR. PEARLMAN: County is

guaranteeing it, regular deal. The smaller piece is, county is taking in-house and buying at a one percent rate.

MR. AVERY: So it's a small piece.

MS. RODRIGUEZ: And the county can manage, in terms of the project, putting the financing aside, you're saying that now you do have an advisor at the county level that can manage what's already there, the 34 projects that are already there.

MR. PEARLMAN: So there's two pieces primarily to running systems that are built. First is to the manage the SREC's which are the state subsidy. It is a market. Someone has to watch it. They have already hired Gable Associates as their energy advisor. They're one of the few firms in the state, they're one of the top firms in that field.

Secondly, the actual maintenance of the panels, which goes to your point about broken panels and replacement, I believe they're looking at whether the engineering department will do that itself. And if not, they will hold a contracting RFP.

MS. RODRIGUEZ: You said the magic

word. You said Gable. They're top notch and one of the best in the state.

MR. PEARLMAN: This is what they do.

MS. RODRIGUEZ: And my concern, the other two projects that are left.

MR. PEARLMAN: We're still financing them, but we have to finance them on a taxable basis. So the money will be in place to acquire them for nominal consideration once, what do we have, two years left.

MS. RODRIGUEZ: And they still haven't been built out?

MR. PEARLMAN: They have been built, but you have to wait five years for the recapture period.

MS. RODRIGUEZ: Got it. Okay.

MR. INVERSO: They're less than five percent of the overall project.

MR. PEARLMAN: Right.

MS. WALTER: If there are no further questions.

MS. RODRIGUEZ: I make a motion.

MS. WALTER: Can I have a second?

MR. BLEE: Second.

MR. MAPP: Madam Chair, although I

stepped out, I am comfortable with what I read and what I heard, so I'll be voting on this.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Abstain.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MCNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MCNAMARA: Mr. Light?

MR. LIGHT: Yes.

MR. PEARLMAN: Thank you very much.

MS. WALTER: Next application up is New Brunswick City Parking Authority, Retail Facilities Acquisition Project.

(At which time those wishing to testify were sworn in.)

MS. GORAB: Good morning. I'm Lisa Gorab from Wilentz, Goldman and Spitzer. We're bond counsel to the New Brunswick Parking

Authority. With me today is the Parking Authority's CFO, Bright Rajaratnam. Did I say that right?

MR. RAJARATNAM: Yes, almost.

MS. GORAB: Okay. So today, we are in front of you seeking the approval to roll over $810,000 in notes. Those notes were originally issued in 2016, approved by this board at that time. And in the original application, we did know that we would need to continue to roll these notes over to January 2021, which is still our plan.

Just by way of background, in 1992, the Housing Authority in New Brunswick did a large financing for a student apartment complex for Rutgers, a parking deck, retail facilities and a health club. The retail facilities that the Housing Authority financed were about six retail facilities and about three million dollars of a 55 million dollar bond issue in 1992, financed those retail facilities.

So from 1992 to 2016, those retail facilities were run by a private management company which wasn't going well. So the city and the Parking Authority and the Housing Authority got together in 2016, and said, the Parking Authority, you already run 40,000 square feet of retail facility and you do it well, will you run it for us.

The Parking Authority said, yes, we will. In 2016, the Parking Authority issued a little over $800,000 in notes to essentially capitalize that lease that the Housing Authority had with the private company. And they paid off, the Housing Authority paid off the bonds existing on those retail facilities with the Parking Authority's notes.

So now the Parking Authority runs the lease for the six retail facilities. Since 2016, it has run well and they will continue to run those retail facilities. So how are these notes going to be paid off in 2021? Parking Authority did a bond issue in 2016, and those bonds are getting paid down.

And in 2021, those bonds will be at a level where a debt service reserve for those bonds will be released, approximately, three million dollars in cash. Once the Authority receives that money, they will pay off these notes in January of 2010 and they will no longer be outstanding.

In the Executive Summary, I did lay out the history of the notes with the proposed payoff, and we are seeking your approval to continue to roll these notes to 2021. We are here today because the three year approval period of the original 2016 note approval has expired. And by law, we are required to come back and seek your approval for the additional rules.

MS. WALTER: What do you anticipate the future year interest rates to be? Do you have any input from the bank as to that rate?

MS. GORAB: We do. And they believe to be not more than two percent, so that's what the notes have been rolled over. I would also let you know that the notes have been about two percent every year. The bonds that they paid off related to the retail facilities were at 5.75 percent. So not only did the transaction make sense from a mechanics perspective, it also made sense from a financial perspective.

MS. WALTER: What are the terms of the lease?

MS. GORAB: I believe the leases are 25 year leases, so they would expire 25 years from 2016, I believe.

MS. WALTER: And do those retail leases cover the debt service?

MS. GORAB: They do, and they have been paid, yes.

MS. WALTER: Anyone else have questions?

MS. RODRIGUEZ: The facility is owned by the Housing Authority?

MS. GORAB: It is owned -- the fee is owned by the Housing Authority.

MS. RODRIGUEZ: And the Parking Authority manages it?

MS. GORAB: That's correct.

MR. AVERY: Where are they located in New Brunswick?

MS. GORAB: They are right across --

MR. RAJARATNAM: On Easton Avenue.

MS. RODRIGUEZ: That's where Rutgers is, right?

MS. GORAB: That's right.

MS. RODRIGUEZ: The main campus.

MS. GORAB: The largest portion of that Housing Authority debt was to finance the student housing for Rutgers.

MS. WALTER: If there are no further questions, would anyone like to make a motion?
MR. AVERY: I'll move it.
MR. MAPP: Second.
MS. MCNAMARA: Miss Walter?
MS. WALTER: Yes.
MS. MCNAMARA: Mr. Mapp?
MR. MAPP: Yes.
MS. MCNAMARA: Mr. Close?
MR. CLOSE: Yes.
MS. MCNAMARA: Mr. Avery?
MR. AVERY: Yes.
MS. MCNAMARA: Miss Rodriguez?
MS. RODRIGUEZ: Yes.
MS. MCNAMARA: Mr. Blee?
MR. BLEE: Yes.
MS. MCNAMARA: Mr. Light?
MR. LIGHT: Yes.
MS. GORAB: Thank you very much.
MS. WALTER: The next application on the agenda is Division of Local Government Services request for action on petitions of rulemaking regarding electronic disbursement controls for payments.
MR. MARTUCCI: Thank you, Madam

Chairwoman, members of the board. Before you today is a rulemaking petition. It was last presented at the January board meeting, at which point, it was referred to staff for further research and recommendation.

There is a staff report before you today, along with a number of exhibits including, but not limited to, the transcript from the colloquy from the January meeting as well as materials that have been provided by the petitioner. The decision before the board today is whether to either grant or deny the rulemaking petition. If you have any further questions on what was presented.

MS. WALTER: Could you please provide an overview of the comments that have been received from various governmental and public entities?

MR. MARTUCCI: Yes. As part of under Title 52 with respect to third party disbursements, any time we do a rulemaking under that statute, Local Finance Board, the Department of Education needs to be consulted on that. We had provided that to the commissioner's office, Department of Education.

We had gotten back comments which are contained within the report. They do not recommend adoption of the -- they do not recommend granting the rulemaking petition going forward with that by virtue of, in their view, the content of the rulemaking petition does not comport with existing statute and regulations pertaining to school finance, as well as, requirements for payments of claims.

There were two other, with respect to the Government Finance Officers Association, we sought comment from them as well. Two comments came back on an individual basis. One being from Jon Rheinhardt, the CFO of Wharton Borough as well as another comment from Gerry Seneski who is the CFO of Cumberland County. And their comments, they were skeptical of the petition.

They had a number of concerns. Primarily among them being adding a third party to a vendor transaction generally would cause risk and cause further delays, particularly when there is a prompt payment requirement under state statute for goods and services, as well as, construction related contracts, as well as, a fear of whenever you add a third party, in terms of electronic funds transfer, there is a cyber security risk presented as to the controls that the third party has in place, as well as there's an inherent risk of there being some sort of malfeasance.

Even if you have regulations in place with respect to guarding against that, Ameripay, an innovative payroll services are examples of areas of even under our permitted third party disbursements for payroll. And our regulations that the Local Finance Board regulations in place for that, there was some malfeasance, there was quite frankly theft of funds which were prosecuted in those instances. So those three comments, there was basically a recommendation that the board deny the present petition.

MS. WALTER: So if we could also go over the current regulation, I'm happy to speak to that. N.J.A.C 5:30-17 currently only permits third party disbursement local unit funds for payroll purposes or payment of utility bills. Those disbursement regulations were part of the packet.

The other relevant provision is 5:30-9A and then 5:31-4 which addressed local government school and county colleges use of electronic funds transferred technologies to pay claims. Right now, we only permit the use of non revolving vendor specific charge or credit accounts, such as a Home Depot or a Lowe's card, by local governments and county colleges.

And school districts are completely prohibited from using credit cards, which is why there's been some concern from the Department of Education and they understand this would provide a work around to that prohibition.

MR. MARTUCCI: Correct. For the record, there were a number of follow up questions that I had asked to Mr. Sabo, the petitioner, president of EPC Financial which he was kind enough to provide responses to, which are also included, as you're aware, in the packet.

MS. WALTER: Mr. Sabo, I believe you would like to present as well.

(At which time those wishing to testify were sworn in.)

MR. SABO: So from the follow up

questions that I was asked, and from what I'm hearing in terms of the responses, I think there's still some things that need to be clarified. Nothing about our process requires the funds to be transferred to us electronically.

The process of how the municipality, or whatever agency would be transferring funds to us, can still be consistent with how they're currently doing it. The process would still be quickened and remain more secure in terms of being able to be processed to us either by checks to us and be more secure in the sense as opposed to having to keep track of.

And let's say an example of 30 different vendor payments that are going out each month, it will be consolidated to one payment to us to be transferred and reconciliation would happen quicker since we'll be able to feedback receipts and receipts of payment more quicker than waiting for a check to be cleared coming back from the bank at a later date.

So in terms of the electronic funds aspect of it, it's not a requirement for our process in order to handle it that way, if that was some of the concern.

MS. WALTER: To clarify, you are currently using credit cards and gift cards to make payment under your process?

MR. SABO: We are using credit cards to make payments to the vendors. I'm referring to how the municipality transfers funds to us. We don't need to have any type of electronic funds transferred if that was a concern of the process. We're open to many of our clients still handle it in more of an old fashioned way of handling it by sending us checks.

But it still does consolidate and save time and effort because they are only processing one payment that allows us to now distribute to the rest of the vendors to divide up that payment for them.

Given the response I got, I also put together a flyer that maybe would help to clarify the process better. If the concerns were simply based on the funds aspect of it, that was one thing that I wanted to clarify, that they don't need to -- we're open to however the client wants to continue to handle it.

MS. WALTER: The initial concern is also on a payment to vendors aspect. I understood it, particularly, from the Department of Education, that they prevent them from using credit cards for any transaction. So having a third party using a credit card is -- the work around that.

MR. SABO: Right. So the majority of the clients that I spoke with as potential clients were in municipalities was not aware that there was a separate statute specifically restricting school districts from doing it. Is there a specific reason why they're considered separate as to why they're prohibited versus --

MR. MARTUCCI: There are statutes regulating pertaining to school finance are interpreted by the Department of Education as being more restricted than those of local governments with respect to use of credit cards.

MS. WALTER: Another note, again, current regulations for municipalities and other governmental entities, except from educational do still have restrictions as to vendor specific charge accounts, not use of general credit cards. That's still a prohibition.

MR. SABO: So is there a specific reason why they are choosing -- why they are restricting from using credit cards? In this instance, they're not actually using credit cards. If the issue was financial control issues, all that, we're eliminating all of those concerns with this process because the financial controls are still in place that the client is still authorizing and approving any transaction, same as they are doing now by issuing the check.

The auditing and payments are quicker in terms of reconciling and assure that if there was any type of concerns for misuse of funds, it would be found out within a matter of a week or two because that's our process for returning the guarantees of receipts to our clients.

MS. WALTER: So the broader 5:30-17.1 provisions are addressed specifically to deal with, in part anyway, risks associated with using a third party disbursement because of that gap and because the risk of mismanagement of funds and theft of funds. Additionally due to, and this is currently a very pressing issue in New Jersey, we've seen a fair number of these in recent months, data breaches including hacking ransomware and other software attacks.

So the security of public funds, the Government Uniform Depository Act, GUDPA, that's talking about the integrity of government financial records and government money. And these restrictions typically are under that line of thought that they protect against misuse of public funds or access to public funds.

MR. SABO: So I followed up with my provider regarding our network security and he actually services, he's a consultant for Passaic School Board, River Edge School Board and the like. And what he basically described to me is that the system is up-to-date with what would be considered acceptable standards for the cyber security aspect of it.

Also being aware, in terms of the data that we have for our clients, the information that we need to do in order to do our jobs, as part of this process, is still a matter of public record, from what I understand, at least with the entities that I originally discussed with as potential clients.

For instance, the only -- we have is what invoices you're paying, who you're paying and how much you're paying. We're not keeping track of any other information on behalf of the clients. So there is no other, so to speak, personal information of the client that we maintain.

Much of that information is made of a matter of public record for transparency, when they post their board meeting information and notes. But our system does maintain all the accounting aspect of it in a secured system that is up to standard.

MS. WALTER: At this time, the Government Financial Officers Association of New Jersey has expressed, received a level of concern with the proprietary nature of the process, the potential risk involved because of the controls that are already in place which is a larger part of what is underlying. I believe the recommendation of the division has made?

MR. MARTUCCI: Correct.

MS. WALTER: That's not something that's easy to overcome because of the pretty severe examples we've had recently of theft and misuse of public funds, so it's not necessarily directed specifically to your entity, but it is something that we take very seriously as a state.

Can you talk about what the third party relationship of the towns that you've been talking to, what is your understanding of the kind of the protective requirements and security requirements?

MR. SABO: The clients that I've spoken with asked in terms of guarantees for, to make sure to protect against the malfeasance suggestions have been made in terms of bonding as well as personal guarantee signing on behalf of the company, myself being the one being that is in control to make sure that they wanted my personal guarantees as well, which we would have no problems achieving.

Other methodologies included considering some type of an escrow agreement that comes into play. Our process isn't -- we're not against such a potential process. I didn't describe it in the last meeting because it may be a little bit of a confusing nature. Where they would deposit the money into an escrow where we wouldn't have access to it until we showed proof of payment to the vendor.

So we're not actually having any access to the funds until we actually make disbursement on your behalf. Our company's biggest concern is with our client, is not the ability to make the payment on their behalf, but to make sure and guarantee that once payment has been made, we can have access to the funds to then reimburse our expenses for it.

If that is a better scenario to help alleviate any concerns, we're more than happy to entertain it. Related to the question regarding, you said, school boards are not allowed to use credit cards. Can this process be separated and made the rule allowable for municipalities separate from school districts?

MS. WALTER: At this time, looking at a uniform standard and the application that's before us. Do you still have the underlying issue prohibition vendor specific credit cards, so I think that's a separate concern for even those localities.

The other piece of this that I think may be relevant is the GUDPA payment requirement. It sounds like you're describing an efficiency, but there's a lot of -- with this -- application which I think is part of the overarching concern. Can you talk about the GUDPA payment standards for the record?

MR. MARTUCCI: Correct. Recently, there's law enacted, I'll give you the specific statutory site in one moment under N.J.S.A. 40A:11-19.1 and 18A:18A-10.1 are the recently enacted statutory provisions regarding prompt payment for goods and services.

As a general matter, a payment for goods and services is required from 60 days of receipt of the invoice, actually assuming receipt of the goods or services, once the later of the two. With respect to construction related contracts, which are two, it's N.J.S.A. 2A:30A-1, et seq.

That's an even quicker time frame, in that, the bills must be approved in 20 days, no later than 20 days with payment being made within 30 days. So there is a prompt payment there, prompt payment under both construction related context as well as goods and services. And as part of the concern that was raised in terms of, there is a number of regulations that are currently in place with respect to payroll and with respect to utility bill disbursements.

Neither of those services are

covered under prompt payment currently, so that's an important distinction to make there. And I think the underlying concern that you've communicated, as part of the staff report before you, is the fact that even if regulations are put in place generally for payment vendors, without regard to the specific good or service, there's an underlying concern about how this is policed in terms of the auditing of the provider of the service as well as the ability of the municipality or the local government to effectively monitor the practices of the third party.

There could be a number of different, again, this isn't speaking to EPC Financial directly, but if this were to be approved by the board, there could be a number of different similar services, similar vendors coming into this market.

MS. RODRIGUEZ: They will by the way because you open up the door, yeah.

MR. MARTUCCI: Right. And as we've seen in the payroll context, even with our robust regulations in place. And even if there are further regulations with respect to this application, if the board were to grant this petition, there is that risk.

And whenever you add a third party, and again, and it's not a statement as to EPC specifically, you're adding a risk, particularly when you're opening it up to any type of good or service.

MS. WALTER: And thank you both for presenting. At this time --

MR. SABO: I would like to make a comment regarding what he just said. With regards to the timely payment, that doesn't interfere with our process in the least. We have no requirements that a client sign up any specific bill with us on an ongoing basis or any type of specific time payment for payment.

As examples mentioned, we're at the discretion of the client. If the client has a requirement to meet a certain obligation that requires payment, it simply means that that payment is not going to fall under for that specific month.

MS. WALTER: I believe the intention of that remark was possibly on that end, but also in the third party sense that if you miss a payment, it could come back and mistakes happen, municipalities liabilities under the new law. So having that third party there, you don't assume that liability. The municipality still has that liability should the payment be delayed.

MR. SABO: Couldn't our contract take over such liability?

MS. WALTER: Theoretically, I think that's where the challenge is right now. A lot of this is very theoretical. Right now, the government finance community is not familiar or comfortable with this process. The Department of Education is not supportive of this process.

The wheels of government do turn slowly. And much like the GUDPA standard you see in court would look to see adoption and support, general recognition of a process before it's something that can be adopted and risk public funds.

It may be beneficial, but there has to be documentation, there has to be proof that it's going to work and be clean; that those processes can be provided in a way that protects the public and we don't see right now that kind of a track record or the demonstration of the specifics that we would need to be able to move forward with an application like this, at least from my perspective.

It's not necessarily that you can't get there, but that right now, we can't take the leap to spread this out to all the municipalities in the state of New Jersey.

MR. SABO: Is there a way, instead of approving it to statewide acceptance, to give a sample type of a program with one or two that would allow it so we can demonstrate it directly to the municipalities while having it on a minor level and doing the test run with a municipality that might be worthwhile?

MS. WALTER: That wouldn't be a regulatory process. I'm happy to have a separate discussion about potentially paths forward, but under the rulemaking petition, we have to make a final determination as to a statewide rule or deadline, and we're pretty much at that deadline right now.

MR. SABO: Okay.

MS. WALTER: We appreciate the time and thought. It's certainly an interesting process. As I said, I think we just need to see a little bit more before we become comfortable proceeding. At this time, I couldn't find that this is something that we could really -- with a number of variables that are still up in the air and without the lack of that community support.

MR. LIGHT: Are you looking for a motion concerning this?

MS. WALTER: Yes. Does anyone else particular questions?

MR. LIGHT: I would make a motion that we vote not to accept it.

MR. LIGHT: Second.

MS. MCNAMARA: Miss Walter?

MS. WALTER: Yes.

MS. MCNAMARA: Mr. Mapp?

MR. MAPP: Yes.

MS. MCNAMARA: Mr. Close?

MR. CLOSE: Yes.

MS. MCNAMARA: Mr. Avery?

MR. AVERY: Yes.

MS. MCNAMARA: Miss Rodriguez?

MS. RODRIGUEZ: Yes.

MS. MCNAMARA: Mr. Blee?

MR. BLEE: Yes.

MS. MCNAMARA: Mr. Light?

MR. LIGHT: I'm voting yes, but I want to make sure that my yes means that we're voting against.

MS. WALTER: That was the motion on the table. Thank you again for presenting. I wish you the best of luck as you develop this process moving forward.

MS. WALTER: Motion to adjourn?

MR. AVERY: So moved.

MR. CLOSE: Second.

MS. MCNAMARA: All ayes?

BOARD MEMBERS: Aye.

(Hearing Concluded at 12:52 p.m.)

C E R T I F I C A T E

I, LAUREN ETIER, a Certified Court Reporter, License No. XI 02211, and Notary Public of the State of New Jersey, 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.

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

Lauren M. Etier
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Notary Public of the State of New Jersey
My Commission Expires June 30, 2020
Dated: April 30, 2019

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