

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

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4 REGULAR MEETING AGENDA \*

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7 Conference Room No. 129  
101 South Broad Street  
8 Trenton, New Jersey  
Wednesday, June 12, 2013

9 TIME: 10:30 a.m.

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B E F O R E: THOMAS NEFF-CHAIRMAN

11 FRANCIS BLEE-MEMBER

JAMIE FOX-MEMBER

12 IDIDA RODRIGUEZ-MEMBER

ALAN AVERY-MEMBER

13 TED LIGHT-MEMBR

14

ALSO PRESENT:

15 PATRICIA PARKIN MC NAMARA-EXECUTIVE SECRETARY

EMMA SALAY-DEPUTY EXECUTIVE SECRETARY

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

17

18 JEFFREY S. CHIESA, ATTORNEY GENERAL

BY: DONALD PALOMBI, ESQ.

19 Deputy Attorney General

For the Board

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STATE SHORTHAND REPORTING SERVICE, INC.

1 (Transcript of proceedings, Wednesday,

2 June 12, 2013, commencing at 10:30 a.m.)

3 MR. NEFF: So first up we have the

4 consent item agenda, Environmental Infrastructure

5 Trust Loan Program for Caldwell Borough, Essex

6 County, \$852,000 and Nonconforming Maturity

7 Schedule. Take a motion on that.

8 MR. BLEE: Motion.

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

10 MS. MC NAMARA: Mr. Neff?

11 MR. NEFF: Yes.

12 MS. MC NAMARA: Mr. Avery?

13 MR. AVERY: Yes.

14 MS. MC NAMARA: Ms. Rodriguez?

15 MS. RODRIGUEZ: Yes.

16 MS. MC NAMARA: Mr. Blee?

17 MR. BLEE: Yes.

18 MS. MC NAMARA: Mr. Light?

19 MR. LIGHT: Yes.

20 MR. NEFF: Okay. Next up we have two

21 consent items on the agenda, two municipalities who

22 are reverting from a fiscal year basis to a

23 calendar year basis for budgeting purposes. They

24 have met all the requirements of the Division and

25 have signed an agreement not to utilize surplus in

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1 a manner that's unreasonable for a period of three

2 years.

3 Take a motion on Millville City and

4 Lake Como Borough reverting to a calendar year.

5 MS. RODRIGUEZ: So moved.

6 MR. AVERY: Second.

7 MR. NEFF: Roll call.

8 MS. MC NAMARA: Mr. Neff?

9 MR. NEFF: Yes.

10 MS. MC NAMARA: Mr. Avery?

11 MR. AVERY: Yes.

12 MS. MC NAMARA: Ms. Rodriguez?

13 MS. RODRIGUEZ: Yes.

14 MS. MC NAMARA: Mr. Blee?

15 MR. BLEE: Yes.

16 MS. MC NAMARA: Mr. Light?

17 MR. LIGHT: Yes.

18 MR. NEFF: For the record, that leaves

19 only ten municipalities who are on a fiscal year

20 basis. We're going to be looking for help in

21 moving those ten remaining municipalities to a

22 calendar year basis.

23 Anyone here can help get the word out

24 to your clients that if they get on a fiscal year



25 that might helpful. We're going to start

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1 pressuring them to do it. If that means using this

2 context we will.

3 Next up on the agenda we have four

4 applications on consent for Fire District

5 financings. Pittsgrove Township Fire District

6 Number 2. It's a \$282,000 proposed project

7 financing. What they doing is changing an interest

8 rate and getting a lower interest rate than had

9 been previously approved for savings.

10 Florence Township Fire District Number

11 One. It's a small proposed project financing for

12 \$75,000. Where they had competitive bids. They

13 have a low rate of financing for their project and

14 there were no problems with the election or other

15 matters.

16 Buena Borough Fire District Number 2.

17 It's a \$240,000 Borough proposed project

18 financing. The same issue, they had a competitive

19 process, had a low rate of financing and no issues

20 with their election.

21 The fourth is Jackson Township Fire

22 District Number 3, a \$700,000 proposed financing,

23 no issues were raised in their review by our fire

24 professional as well. Mr. LIGHT: Mr. Chairman, I

25 see there is someone in the audience. I don't know

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1 if they are objectors?

2 MR. NEFF: Are there people here from

3 these applicants? Okay. If you would like a make

4 a comment you are more than welcome to?

5 A VOICE: I just came in case anybody

6 had any questions about the financing for the

7 project.

8 MR. NEFF: Any questions?

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

10 four fire district applications.

11 MR. LIGHT: Second.

12 MR. NEFF: Take a roll call.

13 MS. MC NAMARA: Mr. Neff?

14 MR. NEFF: Yes.

15 MS. MC NAMARA: Mr. Avery?

16 MR. AVERY: Yes.

17 MS. MC NAMARA: Ms. Rodriguez?

18 MS. RODRIGUEZ: Yes Mr.

19 MS. MC NAMARA: Mr. Blee?

20 Mr. BLEE: Yes.

21 MS. MC NAMARA: Mr. Fox?

22 Mr. FOX: Yes.

23 MS. MC NAMARA: Mr. Light?

24 MR. LIGHT: Yes.

25

MR. NEFF: We appreciate you guys

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1 coming. But just a quick question, did you realize

2 you didn't have to come. You just came in case a

3 question was raised?

4 A VOICE: In case any questions were

5 raised. We're only about twenty minutes from here.

6 MR. NEFF: We appreciate your time.

7 Which Fire District is it?

8 A VOICE: Florence Township Fire

9 District Number 1. Thank you Mr. NEFF: Next up

10 is--we skipped one. So we're going to go back to

11 Camden County Improvement Authority. It's just a



12 refunding for savings. Those were revenue

13 refunding bonds for Camden County Improvement

14 Authority and Salem County Improvement Authority.

15 Camden County is \$22 million and Salem County is

16 \$6,400,000, proposed project financing.

17 In the case of Camden County, it is

18 also for a County guarantee.

19 MR. FOX: Motion to approve.

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

21 MS. MC NAMARA: Mr. Neff?

22 MR. NEFF: Yes.

23 MS. MC NAMARA: Mr. Avery?

24 MR. AVERY: Yes.

25

MS. MC NAMARA: Ms. Rodriguez?

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1 MS. RODRIGUEZ: Yes.

2 MS. MC NAMARA: Mr. Blee?

3 MR. BLEE: Yes.

4 MS. MC NAMARA: Mr. Fox?

5 Mr. FOX: Yes.

6 MS. MC NAMARA: Mr. Light?

7 MR. LIGHT: Yes.

8 Mr. NEFF: The last consent item is the

9 town of Kearny in Hudson, \$3,499,980, proposed

10 adoption of a Bond Ordinance under the Qualified

11 Bond Act program. It is just for land purchases.

12 Any other municipal wouldn't even need Board

13 approval. The only thing we review is if they have

14 sufficient coverage under their state aid to pay

15 debt services and they do. That's why it is on

16 consent.

17 Anybody have an issue or want to make a

18 motion?

19 MS. RODRIGUEZ: So moved.

20 MR. LIGHT: I'll second it.

21 MS. MC NAMARA: Mr. Neff?

22 MR. NEFF: Yes.

23 MS. MC NAMARA: Mr. Avery?

24 Mr. AVERY: Yes.

25

MS. MC NAMARA: Ms. Rodriguez?

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1 MS. RODRIGUEZ: Yes.

2 MS. MC NAMARA: Mr. Blee?

3 MR. BLEE: Yes.

4 MS. MC NAMARA: Mr. Fox?

5 MR. FOX: I'm recusing myself.

6 MS. MC NAMARA: Mr. Light?

7 MR. LIGHT: Yes.

8 MR. NEFF: Okay. Next up is Jersey

9 City, multiple refundings.

10 (Brian Morris, Donna Mauer, being first

11 duly sworn according to law by the Notary).

12 MR. MORRIS: Brian Morris, NW Financial

13 Group, financial advisor to the City.

14 MS. MAURER: Donna Mauer, Chief

15 Financial Officer for the City, M-a-u-e-r.

16 MR. FEARON: Jim Fearon, Gluck, Walrath.

17 We are the bond counsel to the City.

18 Good morning. This City has five prior

19 bond issues that were issued in 2005 and 2006,

20 which are capable of refunding at savings at this

21 point. Three of them were at the time refunding

22 transactions. And accordingly, the refunding we

23 would do now would be on a taxable basis.

24 Nonetheless, there are savings associated with all

25 five of these series.

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1           Two of the series have significant,  
2 over three percent savings. Three of them have  
3 positive savings, but under the three percent  
4 threshold.

5           The request that we have is for  
6 authorization to proceed with the refunding of any  
7 or all of these series. With the proviso that we  
8 be able to achieve an aggregate of three percent  
9 savings. And each participating refunded series  
10 have at least some positive savings.

11           All the prior bond issues were issued

12 under the Municipal Qualified Bond Act or the  
13 School Qualified Bond Act. We are seeking  
14 authorization that the refunding bonds similarly be  
15 benefited.

16 I'm happy to answer any questions you  
17 may have or guy into any greater detail, at your  
18 pleasure.

19 MR. NEFF: One basic question, the  
20 amount not to exceed that you are asking to issue,  
21 is how much?

22 MR. FEARON: Our application is for \$90  
23 million. The par amount of the bonds in the  
24 application, the numbers run \$83,335,000. That is

25 to take out bonds that are currently outstanding at

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1 \$74,288,000.

2           The difference between that, of course,

3 is the amount necessary to put into the defeasance

4 escrow in excess of the par amount. But the

5 targeted size is \$83.335 million. The request is

6 for \$90 million. The purpose of it is to take into

7 account possibilities of original issue discount.

8           MR. NEFF: I'm at a loss. If you

9 really only need to issue about \$84 million in

10 debt, why would you ask for \$90 million on

11 approval?

12 MR. MORRIS: A large portion of this is

13 taxable bonds. In some cases it is wise to sell

14 them at a discount to achieve the best rates.

15 In that case we would actually end up

16 issuing more than \$83 million. Given the size and

17 then the percent of discount that you would issue,

18 it is possible that it could be a couple of million

19 dollars.

20 There is also the possibility of using

21 bond insurance. And on a size transaction this

22 large that could also be a large expense. But, of

23 course, it would only be used if it is beneficial

24 and produces a net savings.

25

MR. LIGHT: Mr. Chair, I have a

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1 question. I want to make sure I understand. If I

2 understand, the total comes to around \$84 million,

3 \$85 million. At least half of that, of the two, do

4 not meet the three percent threshold?

5 MR. FEARON: The ones that meet the

6 three percent threshold, yes, are par amounts of, I

7 believe \$31,030,000 and \$23,535,000. So that would

8 be roughly \$54 million, \$55 million, would be the

9 ones that are the clear three percent.

10 MR. LIGHT: It is over half. This

11 would appear that it is just a way of refunding

12 issues that we shouldn't be refunding on and

13 normally wouldn't be because they don't meet the

14 three percent threshold.

15 MR. MORRIS: Given the current interest

16 arate environment, we'd like to be able to capture

17 savings at these levels if we are able to. Because

18 chances are, in all likelihood, interest rates can

19 only really go up at this point. If we are not in

20 a position to act now, we may never be.

21 MR. LIGHT: Why not act on the three

22 that have the substantial savings and not the other

23 two?

24 MR. MORRIS: The down side to that is



25 splitting it up into different tractions. You are

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1 accruing additional costs of issuance. You are  
2 exposing yourself to the market risk. If we were  
3 to divide this into three different transactions,  
4 the incremental costs of issuance could be fairly  
5 substantial.

6 MR. LIGHT: It is fairly substantial  
7 now.

8 MR. NEFF: I look at it similarly to  
9 what was just testified to. Just that interest  
10 rates aren't going to go-- it doesn't seem like  
11 interest rate aren't going to be likely to go much

12 lower than they are now. I think they are at thirty

13 year lows or something. Is that about right?

14 MR. MORRIS: Right. We've been close to

15 historical lows for a while now.

16 MR. NEFF: As far as anyone knows. I

17 think the three percent rule as a benchmark to say

18 yes or no to refunding makes sense to me when the

19 rates are higher or where they were ten years ago.

20 But if you can get savings, you get savings in an

21 environment like this, it sounds like it might make

22 sense to do it.

23 But I have a question, when you model

24 out and say that one of these-- one of these issues

25 you suggested, had, like, a less than one percent

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1 savings; right?

2 MS. MC NAMARA: Two of them were less

3 than one percent.

4 MR. NEFF: Less than one percent

5 savings. When you model out what that one percent

6 savings is, what portion of the, I think it was

7 \$700,000 or \$750,000 in fees, what portion of these

8 fees are you assessing for determining that there

9 is actually savings there to those bonds?

10 Are you assessing, like,

11 proportionately?

12 MR. MORRIS: It is all proportional  
13 based on the par amount of the bonds. So if you  
14 were to remove one series, that proportion just  
15 switches. So you are, in theory, lowering the  
16 savings on every other series by allocating this  
17 cost factor.

18 MR. NEFF: Personally I look at it and  
19 I think if you can get savings you may as well do  
20 it in this environment. I don't think I would have  
21 said that three years ago. But in this climate I  
22 think I'd be prompt to support it.

23 MR. FOX: I'll make a motion to approve  
24 it.

25

MR. NEFF: Before we second it, does

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1 anybody else have any other questions?

2 (No response).

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

4 MS. MC NAMARA: Mr. Neff?

5 MR. NEFF: Yes.

6 MS. MC NAMARA: Mr. Avery?

7 Mr. AVERY: Yes.

8 MS. MC NAMARA: Ms. Rodriguez?

9 MS. RODRIGUEZ: Yes.

10 MS. MC NAMARA: Mr. Blee?

11 MR. BLEE: Yes.



12 MS. MC NAMARA: Mr. Fox?

13 Mr. FOX: Yes.

14 MS. MC NAMARA: Mr. Light?

15 MR. LIGHT: No.

16 MR. NEFF: I know that you are supposed

17 to be submitting actual costs of issuance when you

18 are done. I just would remind you to do that,

19 because we're going to be looking at this one.

20 I would want to see what was the actual

21 savings. I want to see the actual amount that went

22 behind the calculations for the present value

23 savings.

24 MR. FEARON: Thank you very much.

25

MR. NEFF: Trenton, City of Trenton.

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1 There are actually four things listed on the agenda

2 here.

3 MR. MC MANIMON: I'm going to split

4 them in two, take the Hotel Ordinance separate.

5 (Janet Schoenhaar, Neil Grossman, being

6 first duly sworn according to law by the Notary).

7 MR. GROSSMAN: Neil Grossman, Financial

8 Advisor.

9 MS. SCHOENHAAR: Janet Schoenhaar,

10 Comptroller, CFO, City of Trenton.

11 MR. MC MANIMON: Ed Mc Manimon, bond

12 counsel to the City of Trenton.

13 There are essentially six ordinances

14 that are included in the application. The first

15 five were submitted in one application which we

16 will discuss here. The other one, which is a \$3

17 million ordinance for improvements to the Lafayette

18 Yard Hotel, will be a different group of people and

19 we'll add some people to the presentation.

20 There are five ordinances. Three of

21 which are bond ordinances. One is \$12,993,000 for

22 various general improvements. The City hasn't

23 brought a general improvement Bond Ordinance to the

24 Board in three years. They have to make

25 infrastructure and other related improvements.

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1 There are a variety of purposes that are in these

2 ordinances, which we will address as you need.

3       There is a \$24,990,000 water utility

4 ordinance for various improvements to the water

5 utility. That is a self-liquidating utility. The

6 rate payers pay that. That does not involve any

7 tax dollars of the City. The City's water utility

8 serves the City and four outside communities,

9 Ewing, Hamilton, Hopewell and Lawrence. The

10 revenues that are produced pay all operations,

11 maintenance and debt service costs.

12           The third Ordinance is the Sewer  
13   Utility Ordinance for \$1.2 million. That is also a  
14   self-liquidating utility. The sewer charges pay the  
15   costs of operation, maintenance and debt service.

16           There are two capital ordinances where  
17   they use fund balance monies or monies in the  
18   capital improvement fund. One is a \$500,000 Sewer  
19   Utility Ordinance that involves no debt. It's just  
20   an appropriation of money for improvements that  
21   they would have otherwise put in the bond  
22   ordinance.

23           And there is a \$4 million water Utility  
24   Ordinance, which is also being funded from money in

25 the capital improvement fund rather than adding it

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1 to the Bond Ordinance itself.

2 There are a lot of improvements here.

3 I know the State, the Local Finance Board, the

4 Division, has oversight over the City, has is many

5 concerns when it provides aid and they undertake

6 capital projects.

7 We're prepared to answer whatever

8 questions you have. We also have Alana Chan here,

9 who is the budget officer for the City. If Janet

10 feels the need to call her, we will call her up as

11 well and happy to answer any question.

12 MR. NEFF: So first off, on an  
13 ordinance like this ordinarily since it's just a  
14 Qualified Bond Act Ordinance we would have put it  
15 on consent, as long as there was adequate coverage.  
16 Since it's Trenton, they are under supervision  
17 pursuant to transitional aid.

18 A condition that the Division places on  
19 a City receiving aid, is that they also receive the  
20 approval of the monitor for issuances of debt which  
21 exceed a million dollars.

22 So separately from this Board, there  
23 will be a requirement that the City receive  
24 something in writing from the monitor saying that

25 she's reviewed these projects and has approved

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1 them.

2 I've asked her to do some due diligence

3 in that regard. I know she had a meeting with the

4 Public Works Director the other day, and with the

5 Business Administrator, to go through some of

6 these.

7 I asked her this morning to also get in

8 writing from the City a little bit more detail

9 about what each of those projects are in these

10 applications.

11 So, for example, where it talks about

12 the train station linkage plan, \$300,000, something

13 that explains, you know, why is this necessary, why

14 is what's being pursued a reasonable cost for

15 what's being desired?

16 We want to make sure we're not doing

17 excessive projects that are costing more than we

18 really need to, to meet whatever need it is that's

19 being pursued.

20 I'm prepared to vote for this today

21 from the Local Finance Board prospective. We are

22 going to need a little bit more information about

23 some of these things.

24 For example, I also asked her to take a

25 look-- I know there are some vehicle purchases in

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1 the water utility, for some of this. We have  
2 instances of vehicles being provided to utility  
3 employees, who don't really even appear to be doing  
4 much work on utilities.

5 I'll leave the name out, but someone  
6 who managed to wreck a car recently, was doing  
7 nothing more than an aid for the Mayor.

8 So what we're going to know is why do  
9 we need to borrow money for all of these vehicles?

10 Perhaps there are some vehicles in the city that  
11 could be sold in lieu of issuing debt.

12 Those are the types of things that the  
13 Division will ask. I don't think that the Finance  
14 Board is probably the appropriate place to go to  
15 that level of minutia detail. If the people here  
16 wanted to, if we delayed it I wouldn't mind. But  
17 I'm comfortable with it moving forward at this  
18 time.

19 A clarification, the Ordinance is going  
20 to have to be amended to stipulate that underground  
21 storage tanks are not being installed, but are  
22 being removed. But the ordinance suggests that  
23 they are being installed. I don't think there is  
24 an attempt for them being installed. They are



25 being removed. That's just a technical verifying

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1 amendment, I think, that we need.

2 MR. LIGHT: Mr. Chair, on the comments

3 that were made in here about the waiver of down

4 payment, is it going to be required that this is

5 going to be included in the approval?

6 MR. MC MANIMON: Let me just verify

7 that. The City--

8 MR. LIGHT: You are saying they are

9 self-liquidating, first one doesn't mention, but

10 they are requesting a waiver of down payment?

11 MR. MC MANIMON: The reference to the

12 down payment, this is an extension of credit. The  
13 City is over their borrowing capacity. When you are  
14 over your borrowing capacity under the Bond Law,  
15 there is no requirement for a down payment. It's  
16 referenced. We don't need a waiver. The  
17 ordinances are adopted without a down payment as a  
18 matter of law.

19 MR. LIGHT: All three?

20 MR. MC MANIMON: Well, the  
21 Self-liquidating Improvement Ordinances don't  
22 require a down payment because they are  
23 self-liquidating. The General Improvement  
24 Ordinances do. Except when you are over your

25 borrowing capacity you have to come to the Division

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1 anyway.

2           There is no requirement for a down  
3 payment when you are in that position. You could  
4 require one but the law doesn't.

5           MR. NEFF: Presumably we could, for the  
6 non-utility issues, if we wanted to condition the  
7 approval on making a down payment, we could do  
8 that.

9           I am actually glad you raised this,  
10 because when I was going through this last night I  
11 had the same concern. I just forgot to raise it.

12 If your preference is that they make a

13 down payment--

14 MR. LIGHT: No. I just want a

15 clarification. I'm willing to go along with it.

16 MR. NEFF: Take a motion on it.

17 MR. RODRIGUEZ: So moved.

18 MS. MC NAMARA: Do you want to take

19 out-- we're doing two votes; right?

20 MR. NEFF: Right. We're not doing the

21 Lafayette Yard Hotel.

22 MR. LIGHT: The first three.

23 MR. NEFF: This is just for the record,

24 a \$12,993,170 for a Bond Ordinance under the

25 Qualified Bond Program, another \$1,700,000 for

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- 1 sewer utility improvements and \$28,190,500 for
- 2 water utility improvements Mr. MC MANIMON: If I
- 3 could just clarify, because under the Qualified
- 4 Bond Act, my understanding of, not the Act, but
- 5 your resolution that puts people into the Qualified
- 6 Bond Program, every capital ordinance, whether it
- 7 authorizes debt or not, requires approval under the
- 8 Qualified Bond Act. So the two capital ordinances
- 9 that are involved require it as well. I guess is
- 10 that your \$1,700,500 and the--when you refer to
- 11 \$1.7 million in the reference here, those are the--



12 there is a water \$4 million capital ordinance.

13 There is a sewer utility \$500,000 capital

14 ordinance.

15 You grouped them. There is a

16 \$28,190,000, which groups the two ordinances. I

17 just want to make sure, they are separate

18 ordinances and that they are included.

19 MS. MC NAMARA: Five ordinances.

20 MR. MC MANIMON: Yes, thank you.

21 MS. MC NAMARA: All but the Hotel.

22 MR. MC MANIMON: Yeah. The agenda makes

23 it appear that there are three ordinances. It want

24 to make sure, there are five ordinances. Two are

25 capital without bonds and we are here because of

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1 the Qualified Bond Program. They don't extend the

2 credit. Thank you.

3 MR. LIGHT: The motion that's on the

4 floor covers the first four?

5 MR. GROSSMAN: It covers the first five.

6 MR. LIGHT: It does not include

7 Lafayette Yard.

8 MR. NEFF: It includes everything

9 Trenton is requesting, except the Lafayette Yard

10 Hotel, which will be done separately.

11 MS. RODRIGUEZ: I made the motion.

12 MR. NEFF: Idida makes the motion.

13 MR. LIGHT: I'll second it.

14 MR. NEFF: Roll call.

15 MS. MC NAMARA: Mr. Neff?

16 MR. NEFF: Yes.

17 MS. MC NAMARA: Mr. Avery?

18 MR. AVERY: Yes.

19 MS. MC NAMARA: Ms. Rodriguez?

20 MS. RODRIGUEZ: Yes.

21 MS. MC NAMARA: Mr. Blee?

22 MR. BLEE: Yes.

23 MS. MC NAMARA: Mr. Fox?

24 Mr. FOX: Yes.

25

MS. MC NAMARA: Mr. Light?

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1 MR. LIGHT: Yes.

2 MR. NEFF: Now, we're on to the Hotel.

3 Is there anybody here from the City on the Hotel

4 issue?

5 MR. MC MANIMON: Janet is here, as is

6 Neil. But we have from the Lafayette Yard

7 Corporation, the Chair Woman Joyce Kersey. And the

8 lawyer for Lafayette Yard, who has recently been

9 retained in the last couple of months, Craig

10 Johnson, I was going to have them come up. They

11 have been involved more in the discussions than I

12 have been.

13 MR. NEFF: There is no one from Wyndham

14 here?

15 MR. MC MANIMON: There is, not from

16 Wyndham, but Marshall. Marshall is the new

17 operator, Mike Marshall. I was going to have him

18 come up as well, so that you can address any

19 questions to them, if that's what you would like.

20 (Joyce Kersey and Mike Marshall, being

21 first duly sworn according to law by the Notary).

22 MR. JOHNSON: Gregory G. Johnson,

23 attorney with the law firm of Wong, Fleming. We

24 are the corporate counsel for the Lafayette Yard

25 Community Development Corporation.

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1 MR. MARSHALL: Mike Marshall, President

2 and CEO of Marshall Hotels & Resorts.

3 MS. KERSEY: Joyce Kersey, Chair Woman

4 of the Lafayette Yard Community Development

5 Corporation.

6 MR. MC MANIMON: For the record, Ed Mc

7 Manimon. Our firm serves as bond counsel.

8 The request here involves a Bond

9 Ordinance that has been introduced by the City.

10 That provides for improvements to the Lafayette

11 Yard Hotel infrastructure of about \$3 million.

12 That is the by-product of the Marriott leaving,  
13 Marshall being brought in to replace Waterford,  
14 which was basically the operating entity. With the  
15 expectation or hope they would have Wyndham replace  
16 the Marriott as the flagship.

17 Wyndham has conditioned, although there  
18 is no contract yet, that their willingness to  
19 consider coming in to put their flagship to replace  
20 the Marriott, is tied to this capital improvement  
21 program called the PIP. It requires improvements a  
22 the level of \$3 million.

23 There is a very comprehensive list of  
24 what those improvements are, which has been

25 provided by Lafayette Yard to the City, to

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- 1 determine the \$3 million dollars, what that's for.
- 2       Approximately two and a half million
- 3 dollars is for capital and the other half is for a
- 4 variety of other things. Under redevelopment
- 5 powers of the City, they have the ability to fund
- 6 those with debt. The portion that's not capital
- 7 may have to be taxable as opposed to tax exempt.
- 8       This is a program that's designed to be
- 9 able to maintain the Hotel and hopefully enhance
- 10 the value of the Hotel from its current perceived
- 11 low value, so that it is in a better position at

12 some point in the near future to sold to a private

13 entity.

14 The Mayor and Chair Woman Kersey,

15 appeared before the staff of this Division, of this

16 Board, as well as a couple of people from the New

17 Jersey Economic Development Authority, to explain

18 that the goal here is not to presume that if this

19 works they will maintain a sense senses this can be

20 kept as a public hotel.

21 Lafayette Yard is an entity that was

22 formed under a revenue ruling of the Internal

23 Revenue Service that allowed their debt to be

24 issued as tax exempt debt. Part of the revenue rule

25 requires that when the Hotel paid off, the Hotel

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- 1 reverts to the City.
- 2 Lafayette Yard owns the Hotel, but they
- 3 don't have the ability to sell it. Only the City
- 4 has the ability to sell it. Because any buyer
- 5 doesn't receive title, because title reverts to the
- 6 City.
- 7 So there is some process issues
- 8 associated with that and maintaining tax exemption
- 9 of the bonds. But this \$3 million funding is on
- 10 that of about \$13 million of debt that's currently
- 11 outstanding, that has been incurred by Lafayette

12 Yard, that is guaranteed by the City.

13 Lafayette Yard as currently operating

14 this Hotel, does not produce enough money to pay

15 any of its debt service and has not for several

16 years. As part of the City's budget, there is a

17 debtor service payment of about \$1.4 million that

18 is budgeted in the City's payment. It is all part

19 of the analysis that's done by the staff of the

20 this group and the State.

21 Because they provides aid to the City,

22 that essentially pays the debt service on those

23 bonds. The issue before the City, and obviously

24 before this Board, is whether spending \$3 million



25 is throwing good money after bad, adding to the

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- 1 debt and not increasing the value of the hotel, or
- 2 whether it is spending money wisely in a crisis
- 3 situation-- not necessarily crisis, but a
- 4 problematic situation. And that we are able to
- 5 maintain that hotel and create a viable way for
- 6 this to operate in a way that will increase the
- 7 value so that it will be able to be sold to a
- 8 private entity for a value that has been increased
- 9 by greater than the \$3 million that the City has to
- 10 agree that Lafayette Yard can spend.

11           So the people who are here have vested

12 a lot of their time and energy over the last few  
13 months to deal with this situation and to present  
14 the Ordinance to the City. The City has had a lot  
15 of questions. The vote on the Ordinance was four to  
16 three. There has been a lot of discussion with the  
17 Council in terms of issues that they wanted to get  
18 further clarification about, to determine how their  
19 vote will occur.

20 I know this Board is aware that the  
21 four to three vote is insufficient to adopt a Bond  
22 Ordinance. It requires a vote of five of the  
23 Council people. I think that this group has had  
24 lots of discussions and believes that they will be

25 able to satisfy the concerns that have been raised,

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1 to get at least a fifth vote.

2 But we can't even present that to the

3 City for final adoption, unless this Board says

4 okay. Because this is an Ordinance under the

5 Qualified Bond Act that requires approval of this

6 Board. It is also an ordinance that extends the

7 credit of the borrowing capacity of the City. So

8 it requires, like the other ordinances, the

9 approval of this Board.

10 So it is not like we'll come back to

11 this Board after we know whether we have the added

12 vote. We can't even ask that until we have the

13 approval of this Board.

14 That's really the story. Obviously,

15 the debt that was incurred for the Hotel was much

16 greater than the \$13 million that's outstanding

17 that has come from bondholders.

18 The EDA, the State, the CCRC, which is

19 the Community Development Corporation, the City and

20 Parking Authority all provided funds to help build

21 this Hotel.

22 Three of those, the State, the EDA and

23 the CCRC, are secured by a mortgage which is

24 subordinate to the bondholders' mortgage. They all

25 were originally characterized or were going to be

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1 characterized as grants, but they were all  
2 characterized as loans, in the event that the Hotel  
3 ever achieved a value that could pay that money  
4 back.

5 Each of those entities has continued to  
6 subordinate their position, where they are a  
7 secured credit to bondholders, because there have  
8 been two refundings by the Lafayette Yard to reduce  
9 debt service on the bonds that were issued. So any  
10 sale of the Hotel is subject to those entities  
11 forgiving that debt.



12           Again, I told the City Council I  
13   couldn't speak for those entities as to whether  
14   they would. But they all are characterized what I  
15   would characterize as soft loans, because they were  
16   originally characterized as grants, but they became  
17   loans in structure.

18           I think that the goal that they all had  
19   was to create a vibrant energy around that Hotel.

20           I believe that if this goal is  
21   achieved, this Hotel increases in value and there  
22   is money paid that reduces some of the debt that  
23   the City is guaranteeing, that it will be a better  
24   result than if we simply didn't do this and the

25 Hotel had to fail, in effect, and be sold.

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1           That's the situation. These are the  
2 people that you can ask any questions of. Joyce is  
3 a new Chair Woman. Greg is the new attorney. Mike  
4 is a brand new operator. But they have been  
5 engaged in the last couple of months to get to the  
6 bottom of all of this and hopefully they can  
7 address your questions.

8           MR. NEFF: If I could ask the chair  
9 woman to bring us through-- just walk us through  
10 two processes that the Board followed. One, was  
11 the new operator selected, vis-a-vis somebody

12 else? And how the Board derive this \$3 million

13 number and why Wyndham? Because I understand that

14 the \$3 million is tied to Wyndham being the

15 preferred or desired brand that you want to put on

16 the Hotel.

17 Can you just walk us through the

18 processes?

19 MS. KERSEY: Yes. We did a request for

20 a proposal and received-- I can't-- maybe a dozen

21 or so proposals from hotel management operator

22 firms that were interested in coming here and

23 managing this hotel.

24 By a process of elimination, we had a

25 screening committee that met with all of the people

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1 who had applied, as well as the Board as whole  
2 would have them come present. Then when we  
3 narrowed it down, then the screening committee got  
4 together and we started looking at what we needed  
5 and what each of the companies that made what you  
6 might call semifinal, could meet our needs and what  
7 their offerings were.

8       But it was out of that process that we  
9 selected Marshall Hotel & Resorts as being the  
10 company that we thought understood the market  
11 here. Because they had already dealt with a lot of

12 the stressed hotels around the country. They had a  
13 good handle on some of the things that we felt were  
14 needs.

15       Of course, the sales force is very  
16 important to the operation of the business, to  
17 bring business in. That's how Marshall was  
18 selected. I thought, or at least all of us that  
19 served on that committee, that they presented a  
20 fair pay schedule for their fees and what they  
21 wanted to do. We just felt that they were a good  
22 fit. We still feel that way, that they have some  
23 ability to help us develop our asset over there,  
24 with their experience in coming into this Hotel.

25 We would save a lot of money going with them.

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1           Then we started putting the RFPs out  
2 for hotel franchise. We had some no offers. A lot  
3 of the big guys did not want to come here. And  
4 then some of the big ones that did want to come  
5 here, we went through the same process. What we  
6 found was that their PIP costs were much more than  
7 we could afford, okay.

8           Wyndham turned out to be the most  
9 reasonable. They're New Jersey based already.  
10 They are located in Parsippany, New Jersey. They  
11 feel that they would like to have a presence in the

12 capitol city. And their PIP costs and the nature

13 of their conversation, I guess was more business

14 friendly to what we're trying to do here.

15       Actually on costs and their ability

16 want to be flexible in terms of upgrading the

17 Hotel, was much better than some of the others.

18 Some of the other offers of \$8 million would not

19 come in the Hotel and do anything unless the

20 improvements took place immediately. They would

21 inspect through the Hotel before they would even

22 put a flag up.

23       Wyndham said look, we'll work with

24 you. We understand that money is an issue. We

25 will upgrade the Hotel, but we're willing to put

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1 the flag up if you can show us the money, okay, and

2 then we'll get started.

3 This Hotel has not been upgraded, no

4 capital improvements since it's been here. So when

5 you have the franchises coming in, everybody has

6 their standards. Of course, you are going to have

7 to do some upgrading so they are proud to have a

8 flag. Then you need to have a management firm that

9 is going to adhere to the standards of that Hotel.

10 That's how we came about it.

11 We made an economical choice that we

12 felt was fair, and with the company we felt had

13 some experience and could help this asset develop

14 and grow. So that eventually we'll be able to sell

15 it at a better price.

16 MR. NEFF: The application we received

17 doesn't mention how the \$3 million is going to be

18 spent. Any detail at all?

19 MR. MC MANIMON: We did, subsequent to

20 that, get the detail. I do have a detail which I

21 can provide. It's very detailed, in terms of there

22 is a whole page of guest room improvements, broken

23 down from \$31,000 up to \$138,000. There are guest

24 room baths, there are corridors, the lobby.

25            There is a specific identification of

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1 items which has been provided to the City Council.

2 I'm happy to provide it here as additional

3 information.

4 MR. NEFF: Is there anything other than

5 capital improvements being paid for with these

6 funds?

7 Mr. MC MANIMON: Yes.

8 MR. JOHNSON: Greg Johnson. I believe

9 that Mike Marshall, the President of Marshall

10 Hotels & Resorts, can give you a detailed

11 explanation and break down. I'm not sure if you

12 have it in your packet, but he can talk about the

13 nature of the expenses, so forth.

14 MR. NEFF: If you could. Who prepared

15 this list? Was it Wyndham, was it you?

16 MR. MARSHALL: My company did. The

17 list really contains-- you've got to start with the

18 transition costs of everything from changing the

19 signage. As you drive through the City you see the

20 Marriott with arrows to get to the Hotel. So

21 you've got to change the signage to begin with.

22 You've got Marriott proprietary marks

23 in the Hotel that have to be removed. We have to

24 get new product in. Anything that has the Marriott



25 name on it, from soap, to shampoo, to the signs in

STATE SHORTHAND REPORTING SERVICE, INC.

1 the hallway.

2 MR. NEFF: You're not, like, buying

3 soap and shampoo with this money; right? This money

4 is for capital improvements?

5 MR. MARSHALL: No. The actual capital

6 of what we would call FF&E, is about \$2.35

7 million. That is the PIP number. Which includes

8 everything from wall vinyl, to guest bathroom

9 upgrades, to refinishing furniture, to draperies,

10 to bedspreads, bedding, upholstered items,

11 carpeting throughout the building.

12 If you walked through the building now

13 you see they are very creative with different

14 colors of Duck Tape to keep seams together in the

15 same color of the carpeting.

16 The rest of the money is identity items

17 and changing out--it really is-- if you look at it

18 as if you were building a new hotel, these would be

19 considered capital items. In the fact that they

20 are a pre-opening item, they are a balance sheet

21 item, for all of the amenities that--face plates on

22 the telephones. They have to be changed out from

23 the Marriott to the Wyndham standard.

24 The property management system is, you

25 know, the front desk system, the reservation

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1 system, the sales system, has to be completely

2 changes out, in other words, all proprietary to

3 Marriott.

4       You can't even operate the hotel

5 without that. That has been approved, the money

6 has been spent. We're going through training right

7 now.

8       The POS system, which is a point f

9 sales system, is the computer system for the

10 restaurant. That has to be totally upgrades because

11 it doesn't support the new property management

12 system.

13 So it is like a--it's a roll ball

14 effect, where everything that's been touched by

15 Marriott over the last dozen years, has to be

16 changed out.

17 Right now what we're preparing to run

18 is an independent hotel. But the problem with an

19 independent hotel is we're not going to be able to

20 increase the value of the real estate asset.

21 What we are trying to get to here is by

22 going with Wyndham, which is considered an upper

23 scale chain hotel, we'll be able to increase the

24 value of the real estate asset.

25

MS. RODRIGUEZ: I have a question. So

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1 basically the hotel is in need of improvements,

2 period?

3 Mr. MARSHALL: Absolutely, period.

4 MS. RODRIGUEZ: You've gotten-- Wyndham

5 has demonstrated an interest in hanging their flag,

6 basically?

7 Mr. MARSHALL: Absolutely.

8 MS. RODRIGUEZ: But, you know, this is

9 not a contingency to that, because you don't have

10 anything in writing. Basically, they came in--

11 MR. MARSHALL: We have a proposal from



12 them.

13 MS. RODRIGUEZ: You do have a proposal

14 from them?

15 MR. MARSHALL: Yes.

16 MS. RODRIGUEZ: Is this a contingency

17 to that, the proposal?

18 MR. MARSHALL: The contingency is, they

19 need to see this money, at least in escrow. They

20 need to see it in a bank before they will put their

21 flag on the hotel.

22 If you look at it from their

23 standpoint, they've got a national reputation and

24 an international reputation.

25 MS. RODRIGUEZ: Understood. That was

STATE SHORTHAND REPORTING SERVICE, INC.

1 my question.

2 MR. MC MANIMON: Time wise, the

3 Ordinance has to be finally adopted, twenty days

4 has to pass for it to be effective. Then City

5 would have to borrow the money.

6 So there is a time sequence here that

7 is not short, but that's relative. So the real

8 issue is whether Wyndham, if the Ordinance itself

9 was adopted but not funded, what would their view

10 be? The question is, what conditions, if any, does

11 the City put on it? Those are all in the process

12 of being worked out.

13 MR. NEFF: So it's been suggested by

14 the staff at the Division, that Wyndham won't put

15 their name on this unless the Board acts today and

16 approves this issuance. Who has said that from

17 Wyndham? Is that in writing anywhere, can someone

18 clarify that.

19 MR. MC MANIMON: My understanding is

20 that Wyndham will not negotiate an agreement until

21 there is a commitment of this \$3 million. That

22 doesn't come today. That comes with the adoption

23 of the Ordinance, twenty days passing and the

24 Ordinance being effective, and perhaps borrowing

25 the money.

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- 1           So if it is not voted on today, it just
- 2 extends that sequence of events out a further
- 3 period of time for the Hotel to be run
- 4 independently and be able to negotiate an
- 5 agreement. I don't want to suggest that if you
- 6 don't vote on this it today that it all falls
- 7 apart. But there is a time sequence. How long will
- 8 this Hotel be able to operate without a flag,
- 9 that's a national flag that people can call up and
- 10 make reservations for.
- 11           The shorter that period is to be able

12 to get the City to make that decision and then have

13 Greg negotiate a contract with Wyndham that is

14 acceptable, that presumes the ultimate sale of the

15 Hotel at some time, all has to be done. This is an

16 event that's required, the timing of which you have

17 control over. That's an issue.

18 MR. NEFF: The date that the Hotel is

19 no longer a Marriott is what date, Friday?

20 MR. MARSHALL: This Friday.

21 MR. NEFF: Wyndham is not going to put

22 their name on this Hotel as of Saturday, no matter

23 what happens?

24 MR. MARSHALL: It will be known as

25 Lafayette Yards Hotel & Conference Center.

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1 MR. MC MANIMON: Operated by Marshall.

2 MR. NEFF: The hotel is not shutting.

3 If this Board were not to act today, it's not the

4 case that the Hotel shuts? Because I keep getting

5 that kind of feedback from lobbyist people and I

6 think it is just silly nonsense. I'd like to

7 clarify that, if I may?

8 MR. FOX: If I may. I think the Chair

9 Woman made the best argument. This hotel cannot

10 deteriorate further for the sake of this City. It

11 is the capitol City. We're between a rock and a

12 hard place. There are questions, but we can't

13 allow that to happen.

14 MR. NEFF: I agree. The Division went

15 on record in writing back to the City,

16 notwithstanding some news reports to the contrary,

17 where we said we share a desire to keep the Hotel

18 open. We don't want it to close. But what we do

19 want, which I think is consistent with what the

20 Chair Woman said, we do want, at the end of the

21 day, that there will be a realistic plan to convert

22 this Hotel into either something that profitable

23 and not draining taxpayer resources or let's figure

24 out how to turn it into something else, if that's

25 what it takes.

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1           If this is the first step that's  
2 needed, I'm not in opposition to this. But it  
3 does-- there has been this, for a long time, lack  
4 of information coming to Boards like this and to  
5 the EDA, about what's going on with the Board  
6 itself?

7           I do believe that the Board--the LYCDC  
8 Board, could do a little better job of keeping both  
9 the EDA and the Division abreast of what's going  
10 on. There are significant state dollars involved  
11 in this Hotel. There are significant EDA interest

12 from a past loan for this project. We can't find

13 out about things at the last minute.

14 With all due respect, we did get an

15 application-- this is the whole application. It is

16 about ten pages. There is not one sentence here

17 that says where the \$3 million is being spent on.

18 We appreciate that we have a one page

19 summary now. We need to see a little bit more

20 before we'll spend \$3 million on improvements to a

21 Hotel rather than deal with it on the fly in the

22 future. Thing things need to come to us sooner.

23 My personal belief is that we could

24 vote for this today, with the condition that the

25 sale of debt can't move forward without first

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1 receiving the approval of the Division, which  
2 required at any rate if the debt is being issued by  
3 the city, which it is.

4 MR. MC MANIMON: Yes.

5 MR. NEFF: That can't happen anyway  
6 without the monitor's approval. We'll be asking for  
7 a lot more information before that, about what the  
8 \$3 million is proposed to be used for. Why Wyndham  
9 and not some other brand being put on this Hotel?  
10 We want to make sure that due diligence is  
11 performed to see the real numbers behind, you know,

12 Hilton saying we could put our name on this Hotel

13 for \$1.5 million and Wyndham saying \$3 million.

14 What's the due diligence to say Wyndham is the

15 right hotel?

16 We need to be able to see those things.

17 EDA needs to be able to see those things. Just

18 make sure that the due diligence is being done

19 appropriately and the process is an open, fair and

20 competitive one that the City is moving through and

21 that the best interests of the City are in mind.

22 We have nothing to believe thus far

23 anything to the contrary to that. But we don't

24 have anything either to verify it in writing.



25 Things that would be helpful to receive would be

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1 the detailed list of what is this money being spent

2 on. Let's see the proposal that Wyndham has

3 presented with respect to this project.

4 Those are things that we have to see.

5 We need a little bit more information about what is

6 the debt that is being issued. This application, I

7 don't think, indicates what the maturity is. Is it

8 fifteen years, ten years, twenty years? We don't

9 have a debt service scheduled for the debt. Those

10 are the things that we're going to need a little

11 bit more information.

12 As a preliminary, and I wouldn't even  
13 call it a baby step, but as a preliminary matter, I  
14 don't have a problem voting. I can't speak for the  
15 other Board members. But before the Division gets a  
16 final approval under the MLU with the City for  
17 transitional aid, but I'm sure before the EDA signs  
18 away approval for something that's going to add to  
19 debt that they already issued, that nobody seems  
20 willing to be able to pay without tapping into  
21 taxpayers. So we need more information on that.

22 MS. KERSEY: I would like to respond to  
23 what you are saying. I am understanding what you  
24 are saying. We will comply with all of the

25 conditions. But we were not told what the protocol

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1 was for this meeting.

2 So, therefore, all of the information

3 you are talking about is available. If you will

4 let me know who the people are at the EDA, that I

5 can interact with, as well as your office, then as

6 of today you'll have what you need.

7 MR. NEFF: Okay.

8 MR. MC MANIMON: We will provide the

9 report-- I say "we", I assume it will be Greg

10 Johnson, with the background with regard to what

11 the Chair Woman testified to, with the Marshall and

12 the Wyndham Hotel issues.

13 There is a complete list of the items

14 that can be part of that report. That are

15 projected to be--although the item I just give you,

16 the \$2.3 million capital items, as well as these

17 others, we will provide that to you and Tina as the

18 monitor for the City.

19 By way of financing, the expectation is

20 that the city would issue this debt as a note.

21 They would come back-- if they have to issue bonds,

22 they would come back to this Board under the

23 Qualified Bond Act Program. The expectation is

24 that they would issue a \$3 million note. They

25 offered notes yesterday. They got and interest rate

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1 of .51 percent. So it's one half of one percent.

2 If it was two percent, the increase on

3 the City's budget, \$3 million, would be \$60,000.

4 At a half of one percent it's significantly lower,

5 one fourth of that amount. So it doesn't have a

6 significant impact on the budget. It doesn't mean

7 it's not real money and that \$3 million doesn't

8 have to be paid back. As a budget impact for the

9 next three years, as I explained to the City at

10 their meeting, the expectation is that this would

11 be financed with a one year note, rolled over for



12 one more year and rolled over for another year.

13 At that point, the likelihood is that

14 this Hotel will be in a position where it would be

15 sold. But the idea in terms of the impact, it is

16 not-- we're not proposing the bond maturity

17 schedule yet. But if there is a desire to have that

18 as part of the submission that the Board would

19 give, we could put a proforma together that would

20 have the debt be paid back starting in the forth

21 year, with the projected interest rate. So we'll

22 include that as well.

23 MR. NEFF: A couple of other quick

24 questions. I believe it was in the Trenton Times

25 this morning. There was some discussion about the

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1 LYCDC Board meeting that was held recently, maybe

2 last night, that there were some comments made

3 about bankruptcy being pursued for the Hotel.

4 MR. MC MANIMON: It was the Trentonian.

5 MR. NEFF: The Trentonian.

6 MR. MC MANIMON: So I think it's here.

7 I think the person is here.

8 MR. NEFF: There was somebody I think

9 from the Board that was quoted, suggesting

10 bankruptcy was an option.

11 MS. KERSEY: No. What happened was, at

12 our Board meeting on Monday, we had a consulting  
13 firm that wanted to sell their services to us. So  
14 they were looking at various ways to deal with the  
15 debt. In their presentation, they mentioned  
16 bankruptcy as being something that's possible, if  
17 we wanted to go that way. If so, we needed to have  
18 a plan in advance.

19 Now, when you have reporters sitting  
20 there, they are going to pick and choose what they  
21 want. Looking at the newspaper today, I wondered  
22 what meeting is that. But it came as part of-- as a  
23 presentation. They are guessing us information.  
24 So that's how that happened. Mr. NEFF: Just two

25 quick points. One is, if people are thinking about

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1 pursuing bankruptcy they should just stop? Because

2 everybody has got to make their payments.

3 Hopefully the LYCDC Board makes that point,

4 probably when people bring up things like

5 bankruptcy.

6 MS. KERSEY: Right.

7 MR. NEFF: There was also a comment

8 attributed to some in the Trentonian, I think it's

9 a Board member, who said, oh, at the end of the day

10 it won't matter because the state will pay. I'm

11 not quite sure whether that was accurate. Again, I

12 would caution people against making comments that

13 the state will pay something when, A, the

14 legislature gets to make that determination. The

15 legislature changes every so often. You know,

16 governors have to sign those things, and governors

17 change every so often Mr. FOX: Yes, that's very

18 true.

19 MS. KERSEY: We understand your point.

20 MR. JOHNSON: If I can just follow-up

21 that point, as the attorneys for the corporation,

22 we have never advised them that bankruptcy is an

23 option under their circumstances. Based upon our

24 review of the financial records and the law

25 pertaining to the corporation, that's not even

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1 something that we have considered and advised them

2 about.

3 So we feel pretty comfortable that

4 story was misleading to the public and we will

5 straighten it out at a future date.

6 MR. MC MANIMON: I'm sure the reporter

7 who is here will straighten that out.

8 MR. AVERY: Mr. Chairman, if I can ask

9 one question, since we don't have the list of all

10 of the improvements to their plan that reflects the

11 \$3 million cost, is it my understand then that if

12 the bonds are issued by the City of Trenton, then

13 the monitor would have some oversight in the direct

14 expenditures of those funds, even to the to the

15 hotel?

16 MR. NEFF: The project would have to be

17 approved by the monitor. We would look at it in

18 some detail. The Board was just handed a one page

19 piece of paper that summarizes the \$3 million.

20 I'll read through it very quickly. It

21 says transition costs incurred by Waterford,

22 \$36,000. Sales and marketing cost, conversion to

23 Wyndham for internet, data transfers, web

24 development, public relations, \$68,000. Property

25 signage, exterior signage for building, \$58,000.

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 Local City signage replace directional signage
- 2 throughout Trenton, \$12,000. Wyndham identity
- 3 items, \$275,000. Additional identity items. Phone
- 4 face plates, \$550. Directories, \$3,600. Guest Room,
- 5 \$8,000. Food and beverage, \$8,000. Service mark
- 6 signage \$13,000. Micros point of sale, which is the
- 7 reservation system, I think; right.

- 8 MR. MARSHALL: That's retrofitting the
- 9 existing point of sales, so that the food and
- 10 beverage system goes to that.

- 11 MR. NEFF: Okay, \$15,000. Wyndham

12 product improvement plan, \$2.358 working capital,

13 which is essentially money for operating expenses,

14 \$150,000. That's what's on this list.

15 So that's the level of detail that the

16 Board has been provided. We'll have this in our

17 record. We'll be looking for more detail than

18 that, why these costs were estimated and what these

19 things are paying for.

20 MR. MC MANIMON: For the record, Mr.

21 Marshall has all the backup indexes. Rather than

22 giving that to you today and you are asking for

23 more than that, we'll have Greg submit this along

24 with the other information to you and to Tina. We

25 will provide that to you within the next day.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: We would take a look at  
2 that. The monitor would meet with the EDA and go  
3 through these expenses, whether or not they are  
4 reasonable and whether or not they are necessary.

5 One of the things that the EDA will  
6 looking at and advising us on, is whether it really  
7 needs to be \$3 million. Whether \$1.5 million and a  
8 different hotel brand is an option or is somehow  
9 viable and reasonable under the circumstances.

10 But no one on this Board, no one in our  
11 Division, is really an expert in hotel management.

12 So we can't substitute our judgment for  
13 professionals who are more experienced in this  
14 area. But the EDA can give us a little bit better  
15 sense as to whether or not the due diligence has  
16 been done that's appropriate and whether the plan  
17 is reasonable. That's why EDA's involvement is  
18 essential from that prospective as well. It  
19 wouldn't be just someone in a position who is a  
20 hotel manager who put this stuff in with the  
21 others.

22 MS. RODRIGUEZ: I make a motion, that  
23 based on the conditions we have stipulated here and  
24 the information that's provided, to move on this.



25

MR. FOX: Second.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: Okay. Any final comment

2 before we vote-- any final comments before we

3 vote?

4 MR. MC MANIMON: No, thank you.

5 MR. NEFF: We will take a roll call.

6 MS. MC NAMARA: Mr. Neff?

7 MR. NEFF: Yes.

8 MS. MC NAMARA: Mr. Avery?

9 MR. AVERY: Yes.

10 MS. MC NAMARA: Ms. Rodriguez?

11 MS. RODRIGUEZ: Yes.

12 MS. MC NAMARA: Mr. Blee?

13 MR. BLEE: Yes.

14 MS. MC NAMARA: Mr. Fox?

15 MR. FOX: Yes.

16 MS. MC NAMARA: Mr. Light?

17 MR. LIGHT: Yes.

18 Mr. MC MANIMON: I would just ask

19 whether the people from the EDA are Lisa Cohan and

20 Maureen Hasset, is that who we should copy, who

21 attended the meeting you had on this?

22 MR. NEFF: If you send us the material

23 we will get it to the appropriate people and them

24 designate who it is they want to be your point of

25 contact.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. MC MANIMON: Thank you very much.

2 MS. KERSEY: Thank you very much.

3 (Whereupon, Ms. Rodriguez leaves the

4 room).

5 MR. NEFF: Okay. Camden County

6 Improvement Authority Authority.

7 (Jennifer Edwards, Jim Blanda, being

8 first duly sworn accordin to law by the Notary).

9 MS. EDWARDS: Jennifer Edwards, Acacia

10 Financial, financial advisor to the Camden County

11 Improvement Authority.

12 MR. BLANDA: Jim Blanda, Executive

13 Director of the Camden County Improvement

14 Authority.

15 Mr. NORCROSS: Philip Norcross, Parker,

16 Mc Cay, bond counsel. Good morning.

17 MR. NEFF: If I could just cut you off

18 for two seconds, I'll try to make your job easier.

19 MR. NORCROSS: Thank you.

20 MR. NEFF: Essentially what we have

21 here is a rolling over of a bond anticipation note,

22 which has come due you. There is no way to pay for

23 it is yet because of the project it is financing

24 hasn't come to fruition.

25

So, frankly, there is not much of a

STATE SHORTHAND REPORTING SERVICE, INC.

1 choice here but to allow for this. The only reason  
2 that it is not on consent, because there are not a  
3 whole lot of policy issues here, is to make sure  
4 that if anybody has questions on the Crossroads  
5 Redevelopment Project, itself, because I know this  
6 has been before the Board before, they can ask  
7 those questions. But there is no need to go into  
8 any lengthy explanation of the project. So with  
9 that--

10 MR. NORCROSS: Ill be happy to

11 entertain any questions, but the summary is



12 appreciated.

13 MR. NEFF: Incidentally, the renewal on

14 this would be for a one year basis?

15 MR. NORCROSS: Correct.

16 MR. NEFF: Not multi year. If it does

17 come back in a year, I would suggest that there

18 start being some payments down on this debt, which

19 hasn't happened yet.

20 MR. NORCROSS: Absolutely. We received

21 that message loud and clear.

22 MR. LIGHT: I'll move the application.

23 MR. BLEE: Second.

24 MR. NEFF: Roll call.

25

MS. MC NAMARA: Mr. Neff?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: Yes.

2 MS. MC NAMARA: Mr. Avery?

3 MR. AVERY: Yes.

4 MS. MC NAMARA: Ms. Rodriguez? She left.

5 MS. MC NAMARA: Mr. Blee?

6 MR. BLEE: Yes.

7 MS. MC NAMARA: Mr. Fox?

8 MR. FOX: Yes.

9 MS. MC NAMARA: Mr. Light?

10 MR. LIGHT: Yes.

11 MR. NORCROSS: Thank you.

12 MR. NEFF: I'm sorry to cut you off.

13 (Whereupon, Ms. Rodriguez enters the

14 room).

15 Passaic County Improvement Authority,

16 County guaranteed capital equipment lease program.

17 (Dan Mariniello, Nicole Fox, being

18 first duly sworn according to law by the Notary).

19 MR. MARINIELLO: Dan Mariniello, NW

20 Financial, financial advisor Passaic County

21 Improvement Authority.

22 MS. FOX: Nicole Fox, Executive Director

23 to the Passaic County Improvement Authority.

24 MR. JOHNSON: Everett Johnson, Wilentz,

25 Goldman & Spitzer, bond counsel to the Passaic

STATE SHORTHAND REPORTING SERVICE, INC.

1 County Improvement Authority.

2 Good morning. The Passaic County

3 Improvement Authority is here to request your

4 review and positive findings of the renewal of this

5 proposal, not to exceed \$10 million, Passaic County

6 Improvement 2013-14 County Capital Equipment

7 Leasing Program. Also to request your consent for

8 the County Guarantee on lease payments made through

9 the program.

10 For the most part, this program is a

11 renewable program that's been existence since 2009.

12 The authority would come back every couple of years

13 to request renewal.

14 In this instance we're asking for this

15 program to be extended through December 2014. It

16 is going to be the same as the prior programs. In

17 that we will be entering into a lease purchase

18 agreement with a lessor company. On a rolling basis

19 school districts, municipalities, authorities have

20 the ability to come to the authority to request

21 capital lease purchase of capital equipment, on a

22 rolling basis, as I said before.

23 If anyone is interested they will apply

24 to the Authority. Once the Authority approves the

25 application, we would then, as usual, request the

STATE SHORTHAND REPORTING SERVICE, INC.



1 consent from the Director, of the various items  
2 that are proposed to be purchased through the  
3 program. Once we receive the consent of the  
4 Director, as we have in prior programs, the parties  
5 would enter into a sublease agreements with the  
6 Authority, make payments directly to the lessor and  
7 those payments will be guaranteed by the County of  
8 Passaic.

9 In the last three years, for the most  
10 part, there has only been one real borrower, which  
11 is the Wayne Board of Education. They've come back

12 to us and has borrowed in this program for the last

13 three consecutive years.

14 Truth be told, the rate under the prior

15 programs had a floor minimum of 3.25 percent, which

16 wasn't as competitive for some other borrowers and

17 school district, to go out on their own to either

18 issue notes or to do leases directly themselves.

19 This year we've gotten much more

20 favorable rates. We feel this program is going to

21 be sought after much more so this year, based upon

22 these favorable rates that we've now gotten.

23 One different aspect of this program,

24 is that we're asking the ability to go out with

25 regards to any energy conservation equipment that

STATE SHORTHAND REPORTING SERVICE, INC.

1 will be financing this program, to allow us to go

2 out fifteen years.

3 I want to say clearly, that the

4 approval of this program will not in any way

5 circumvent this Board's jurisdiction over approving

6 any ESIPS for any of the borrowing for Passaic

7 County. They would still have to go through you

8 guys for approval.

9 The PCI would not be involved in any

10 energy audits, handling of escrows, any

11 verifications. That process will be undertaken by

12 individual school districts or municipalities.

13 It's just once they get to the point

14 where they decide they want to finance the

15 equipment that has been verified to produce

16 savings, they will have an option to utilize this

17 program to make those acquisitions.

18 Other than that, I'm willing to

19 entertain any questions that you guys may have.

20 MR. LIGHT: I have a question, Mr.

21 Chair, fifteen or ten?

22 MR. NEFF: They clarified that it's \$10

23 million.

24 MR. JOHNSON: Yes.

25

MR. NEFF: We had conflicting

STATE SHORTHAND REPORTING SERVICE, INC.

1 information, so it got listed as \$15 million.

2 MR. MARINELLO: Just to speak to that

3 for a second, unless you want--

4 MS. FOX: We have had verbal interest

5 from the County for a program that is estimated to

6 be around \$10 million. So we would hope that we

7 could come back with an amendment for the \$15

8 million. We had a little oversight regarding our

9 resolution.

10 Mr. MARINELLO: The County Guarantee is

11 for \$15 million and that's what we were originally

12 coming down for. PCIA's resolution is for \$10

13 million. That was because we originally did that

14 resolution back in January.

15 MR. LIGHT: They have guaranteed for

16 \$15 million but you are applying for \$10 million?

17 MR. MARINELLO: Correct. So we are

18 amending this resolution. The request here is to go

19 to \$10 million. We'd like to reserve the right to

20 come back to you after the PCIA goes back and

21 amends their resolution.

22 MR. LIGHT: We haven't turned anybody

23 down who wants to come back yet.

24 MS. RODRIGUEZ: How do you plan to



25 market this?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. FOX: Chairman Dennis Marco and I  
2 have put together an extensive marketing program.  
3 Because we do have such highly competitive interest  
4 rates this time around and we also have the fifteen  
5 year term.

6 We have a breakfast seminar coming up  
7 next week, the 20th. We have been making phone  
8 calls to municipalities, school districts and other  
9 government entities, to try to get them to attend.  
10 We will also do individual meetings as well.

11 MR. NEFF: I'm sorry if somebody

12 brought this up already, but why was this supposed

13 to be for fifteen years, as opposed to the other

14 loan programs that counties do, which are usually

15 five, why fifteen?

16           Mr. Well, this program, prior to this

17 year, we were able to finance up to ten years,

18 depending on the useful life of the capital

19 equipment. This year, because we had interest from

20 the County with regards to leasing equipment that

21 would have a useful life longer than ten years, is

22 where we relate to that energy part of the

23 discussion. Because the energy efficiency of the

24 equipment they are looking to do, would have a

25 longer useful life.

STATE SHORTHAND REPORTING SERVICE, INC.

1           When we went out to bid for new banks  
2           and new lenders to come into the program, we  
3           specifically asked them to look at a fifteen year  
4           program as well. Most of the time when you are--  
5           in previous years banks would be hesitant to go out  
6           fifteen years on a lease program like this.

7           When we specifically-- we weren't sure  
8           that we were even going to get interest from them  
9           at fifteen years. We did. We got two banks to do  
10          that.

11          The fifteen years allows us now to just

12 extend the opportunity to have equipment that has a

13 useful life longer than ten, to be able to come to

14 this program. Whereas, before they'd have to go out

15 for a bond issue and other types of financing.

16 MR. NEFF: Why wouldn't the County

17 just go directly for its--

18 MR. MARINELLO: Well, I mean they

19 could. There is no question. I think when the

20 County gets ready--I mean, the interest that we

21 have right now from the County, just discussions

22 with a couple of the Freeholders and the

23 Administrator, but no analysis has been done.

24 I mean, if they could go out and get

25 rates as low as we have here on their own, then I'm

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 sure they will do that. The nice thing that we have
- 2 here is that it is low rates, it is low cost. Each
- 3 time an individual borrower comes into the program
- 4 the costs are-- I think they are \$800, minimal, for
- 5 Wilentz' fees and for our fees. Because the
- 6 documents are all being done now, reviewed with the
- 7 lender. So any of the costs really are initially
- 8 here.
- 9 Then it is a quick turnaround. It is
- 10 anywhere from one to two weeks. Because especially
- 11 if it is the County, since the banks already looked



12 at the County's guarantee here as a major part of

13 why their rate are where they are, so they are

14 familiar with the County's credit.

15 We're hoping that it is the low cost,

16 it is the quick turnaround and the low fees that

17 attract both the County and the rest of the

18 borrowers.

19 MR. NEFF: I'm just trying to find a

20 section on fees. There is mention of an Appendix D

21 on the application. There is no Appendix D.

22 MR. MARINELLO: Fees were under part two

23 of the proposed insurance costs. I'm not sure

24 what's in the Appendix.

25

MR. NEFF: So why would the County

STATE SHORTHAND REPORTING SERVICE, INC.

1 bond counsel be given \$2,500 a year for a simple

2 lease matter.

3 MR. MARINIELLO: IT is not per year. It

4 will be just right now. The County has to adopt

5 the County guarantee and execute a County Guarantee

6 agreement for the purposes of this program, which

7 is being done right now. Once that's done that's

8 in effect for the duration of the program. It's

9 not an annual fee. So it is a one time fee Mr.

10 NEFF: Okay, per transaction. Okay, I got it, okay,

11 clear. But there was a section in this application

12 that referred to an Exhibit D, part two number ten.

13 It says: "Provide a certified copy of a resolution

14 adopted by the local unit, indicating the intent of

15 the local unit for the issuance of the proposed

16 obligations. See Exhibit D." There is no Exhibit D.

17 MS. MC NAMARA: It was put in the front.

18 MR. NEFF: That's what I thought. I

19 wanted to make sure I wasn't missing something in

20 this application, that's all man.

21 MS. MC NAMARA: This is his trick to see

22 if I read these things.

23 MR. NEFF: I caught that one. I don't

24 think I have any issues with this, subject that you

25 would have to come to back to the Division for the

STATE SHORTHAND REPORTING SERVICE, INC.

1 individual lease agreements.

2 Mr. Absolutely.

3 MR. NEFF: Anybody else have any

4 questions?

5 MR. FOX: Motion to approve.

6 MR. BLEE: Second.

7 MS. MC NAMARA: Mr. Neff?

8 MR. NEFF: Yes.

9 MS. MC NAMARA: Mr. Avery?

10 MR. AVERY: Yes.

11 MS. MC NAMARA: Ms. Rodriguez?

12 MS. RODRIGUEZ: Yes.

13 MS. MC NAMARA: Mr. Blee?

14 MR. BLEE: Yes.

15 MS. MC NAMARA: Mr. Fox?

16 MR. FOX: Yes.

17 MS. MC NAMARA: Mr. Light?

18 MR. LIGHT: Yes.

19 MR. JOHNSON: Thank you.

20 MR. NEFF: Hudson County Improvement

21 Authority.

22 (Mr. Fox leaves the room).

23 (Brian Morris, Kurt Cherry, being first

24 duly sworn according to law by the Notary).

25

MR. MORRIS: Brian Morris, NW Financial

STATE SHORTHAND REPORTING SERVICE, INC.



1 Group, financial advisor to the Authority.

2 MR. CHERRY: Kurt Cherry, Executive

3 Director and CFO, for the Hudson County Improvement

4 Authority.

5 MR. MC MANIMON: Thank you. Ed Mc

6 Manimon, from Mc Manimon, Scotland & Baumann, the

7 bond counsel to the Improvement Authority.

8 This is, I'll just say a continuation.

9 There are a series of County guaranteed pooled

10 short term note programs that the County and the

11 Improvement Authority has cooperated in to provide

12 low interest rate financings to a number of the  
13 entities, public bodies in the County that have low  
14 credit ratings. Therefore, although they have  
15 access to the market they are at high interest  
16 rates.

17 By having the County guarantee, this  
18 note program produces significantly low interest  
19 rates that saves them a lot of money.

20 The particular borrower-- this program  
21 is a \$139 million. We were here last month or two  
22 months ago with a program for \$139,000,000 for  
23 different amounts and for different amounts and for  
24 different entities.

25 This involves Weehawken, which has

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 \$22,742,000, the City of Bayonne for \$22,877,000,
- 2 the city of Jersey City for \$7,405,000, Hoboken for
- 3 \$41,265,000 and the Bayonne Local Redevelopment
- 4 Agency for \$43,735,000.

- 5       The credit rating for Weehawken is
- 6 BAA3, for Bayonne it's BAA1, for Jersey City it's
- 7 A2, for Hoboken it's BAA1 and the Bayonne
- 8 Redevelopment Agency is not rated.

- 9       As is reflected in this application,
- 10 the effective projected interest rate, net of the
- 11 fees and costs, are for the tax exempt

12 borrowers, .82 percent, and for the borrowings that

13 are done on a taxable basis, .02 percent. These

14 are very significant interest rates for these

15 levels of credits.

16 We will be happy to answer questions. I

17 know we've had these before this Board. But Kurt is

18 here as the Chief Financial Officer and we're

19 prepared to address whatever questions you have.

20 Brian Morris, of course, is advisor from NW for the

21 continuation of the various programs.

22 MR. NEFF: None? Going once, going

23 twice?

24 MR. BLEE: Motion to approve.

25

MR. LIGHT: Second.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. NEFF: Roll call.

2 MS. MC NAMARA: Mr. Neff?

3 MR. NEFF: Yes.

4 MS. MC NAMARA: Mr. Avery?

5 MR. AVERY: Yes.

6 MS. MC NAMARA: Ms. Rodriguez?

7 MS. RODRIGUEZ: Yes.

8 MS. MC NAMARA: Mr. Blee?

9 MR. BLEE: Yes.

10 MS. MC NAMARA: Mr. Light?

11 MR. LIGHT: Yes.

12 MR. MC MANIMON: Thank you very much.

13 (Mr. Fox enters the room).

14 MR. NEFF: Allendale Borough.

15 (Vincent Barrow, Melissa Mayer, being

16 first duly sworn according to law by the Notary).

17 MR. BARROW: Vincent Barrow, Mayor of

18 the Borough of Allendale.

19 MS. MAYER: Melissa Mayor, Chief

20 Financial Officer of Allendale.

21 MR. BARROW: We're here this morning to

22 seek approval of a public/private contract between

23 the Borough of Allendale and United Water

24 Operations, for the operations of our water



25 utilits.

STATE SHORTHAND REPORTING SERVICE, INC.

1           The Borough is not selling the water  
2 utility. We are simply asking for the operation of  
3 our utility by United Water. We've been working on  
4 this for well over a year. We believe that it will  
5 bring a more efficient and cost effective operation  
6 to our residents.

7           Allendale is a small town. We have a  
8 very small water utility. We have three  
9 employees. It has become very difficult for us to  
10 operate the water utility.

11           United Water will bring a greater

12 expertise, much more professionalism and much more

13 that they can bring to bear to the service than we

14 can provide presently.

15 We went out to bid. We went out to

16 public bid. We received three bids. One from

17 Ridgewood Water, one from Newark and one from

18 United Water. The United Water bid was

19 significantly lower than the other two. And the

20 cost savings we intend to put back both into the

21 system, as well stabilize our rates.

22 We think it is a win/win for the

23 residents of Allentown to proceed in this fashion.

24 We've complied with all of the

25 statutory requirements. I think that's basically

STATE SHORTHAND REPORTING SERVICE, INC.

1 it in a nutshell. Any questions we'd be happy to

2 answer them.

3 MR. NEFF: I notice that there is no

4 concession fee payment in this, which is good. I'd

5 like to see that. It is always sort of a given.

6 But one issue that I know Camden ran

7 into and others have ran into when they ran into

8 with these type of agreements, the agreement gets

9 signed and then United Water or whoever starts

10 running the system and everybody forgets what the

11 provisions of the contract are and they don't

12 enforce their rights under that contract that make

13 sure repairs are being made and that sort of

14 thing.

15 Do you have an intention to name one

16 person to be sort of be the contract administrator

17 to make sure that your rights are being exercised?

18 MR. BARROW: Yes. We have recently

19 brought on a Borough Engineer to be a full-time

20 employee. He will be the contract administrator.

21 We are also retaining two of our present water

22 employees in the Borough. So they worked with the

23 water utility for one, twenty-five years, I think,

24 and the other fifteen years. So the combination of

25 those three individuals will be our effective

STATE SHORTHAND REPORTING SERVICE, INC.

1 oversight with the administration of this contract.

2 MR. NEFF: This is just a suggestion,

3 but you should designate one person who annually

4 has to report back affirmatively to your governing

5 body so you be sure that all the rights and

6 responsibilities that you are entitled to under the

7 contract have been exercised, just make an

8 affirmative report. That has become a problem in

9 other places.

10 MR. BARROW: That would be our Borough

11 engineer. He's already been designated as that



12 person.

13 MR. LIGHT: Is that a full-time

14 person?

15 MR. BARROW: He is full-time. We hired

16 him this year. He used to be outside. Then we

17 brought him in as a full-time employee.

18 MR. FOX: Motion to approve.

19 MR. NEFF: Before you get there, just

20 one other real quick issue. The staff member who

21 put the report together indicated there was some

22 sort of repair fund, \$65,000 that was going in

23 every year.

24 His suggestion was, and I don't know if

25 it make makes sense or not, his suggestion was that

STATE SHORTHAND REPORTING SERVICE, INC.

1 we condition the approval of this application on  
2 all of those funds being used for repairs to the  
3 system before the City has to go out and pay for  
4 things that otherwise can be paid for with that  
5 fund. Is that a reasonable suggestion or no?

6 MR. BARROW: There is no problem with  
7 that. That fund is actually going to be for repairs  
8 and maintenance of the system. We are still going  
9 to provide capital, which we do now.

10 We will be providing that same capital  
11 each year. That will go into the system over and

12 above-- nothing to do with the \$65,000 maintenance,

13 that's strictly a maintenance fund.

14 MR. NEFF: You expect that to be spent

15 every year?

16 MR. BARROW: We have a separate

17 agreement that we put into the system. That's why

18 we are retaining ownership. In fact, the other

19 plus that we have is that some of our capital, for

20 example, we do have roughly \$200,000. A good part

21 of that or a part of that goes to equipment, such

22 as pickup trucks or back-hoes or whatever. We will

23 no longer have to do that, because United Water

24 will be providing that equipment. So those funds

25 will be going into the system, into the

STATE SHORTHAND REPORTING SERVICE, INC.

1 infrastructure.

2 MR. NEFF: If you have a motion, I'll

3 second it. Let's have a roll call--I'm sorry, do

4 you have any questions?

5 MS. RODRIGUEZ: I'm just commending

6 them. Having a little bit of a background, smaller

7 water companies do this with private entities. It

8 usually works out well. Again, based on what Tom

9 said, make sure your i's are dotted and your t's

10 are crossed. That is my comment. I commend you,

11 awesome idea.

12 MR. BARROW: Thank you.

13 MS. MC NAMARA: Mr. Neff?

14 MR. NEFF: Yes.

15 MS. MC NAMARA: Mr. Avery?

16 MR. AVERY: Yes.

17 MS. MC NAMARA: Ms. Rodriguez?

18 MS. RODRIGUEZ: Yes.

19 MS. MC NAMARA: Mr. Blee?

20 MR. BLEE: Yes.

21 MS. MC NAMARA: Mr. Fox?

22 MR. FOX: Yes.

23 MS. MC NAMARA: Mr. Light?

24 MR. LIGHT: Yes.

25

MR. NEFF: Next up we have Bridgeton

STATE SHORTHAND REPORTING SERVICE, INC.



1 Municipal Port Authority.

2 (Jack Surrency, being first duly sworn

3 according to law by the Notary).

4 MS. BERTRAM: Rebecca Bertram, Solicitor

5 for the City of Bridgeton.

6 MR. SURRENCY: Jack Surrency, Executive

7 Director of the Port Authority, S-u-r-r-e-n-c-y.

8 MR. MARMERO: I'm Al Marmero, Attorney

9 for the Bridgeton Municipal Port Authority,

10 M-a-r-m-e-r-o.

11 Good morning, Board. Thank you for

12 having us today. I know you have our application

13 before you, but I want to just give a little bit of

14 an introduction and a background.

15 The original application that was

16 submitted by this entity, was originally submitted

17 both by the Port Authority and the City. We were

18 seeking to sell the subject property, as well as

19 tax increment financing. At this point that

20 process has been bifurcated. The application that

21 you have before you now is simply on behalf of the

22 Port Authority for the sale of the subject

23 property.

24 Obviously, we're appearing because the

25 Port Authority desires to sell this property.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Pursuant to NJSA 40:68A-43.1 we need your approval

2 to do that.

3 This requirement is further spelled out

4 in the regulation which sets the standard for that

5 approval in the case of the sale of real property.

6 If the terms of the lease, sale or disposition are

7 fair and reasonable in light of current market

8 conditions, the Local Finance Board shall approve

9 the resolution.

10 So basically we are obligated to show

11 to you that the sale of our subject property is

12 fair and reasonable in light of current market

13 conditions.

14           There is some litigation involved in

15 this matter, as well. Which I want to give you a

16 little background on as well. I know you received

17 objections to this proposal. I would assume you'll

18 here from the objector as well, but I will keep

19 this brief.

20           There is an entity, Henry Grove

21 Diversified Investments, which purports to a hold a

22 judgment against the Port Authority. Both the City

23 and the Port Authority dispute the amount and the

24 validity of that judgment. It is the subject of

25 litigation before Judge Curio in the New Jersey

STATE SHORTHAND REPORTING SERVICE, INC.

1 Superior Court.

2 The important thing to note is that

3 this whole process has been under judicial scrutiny

4 through Judge Curio. At this point there are two

5 separate Court Orders which do apply in this

6 matter.

7 There is an August 16th, 2012 Court

8 Order which allows the Port Authority to sell this

9 property free and clear of any judgment asserted by

10 Henry Grove. And then there is also a separate

11 order as well, dated November 26, 2012, which

12 clarifies the purchase price of the property at

13 \$310,000.

14 So, again, a Superior Court Judge has

15 ruled that this transaction can take place. The

16 last step is approval from this Board.

17 An appraisal was performed. That

18 appraisal was subject to judicial scrutiny. The

19 value was set at \$310,000. That value has not been

20 challenged or disputed. Essentially now we are

21 seeking your approval for this transaction.

22 For the record, the subject property is

23 Block 146, Lots 1 and 1.01 on the City tax map, as

24 well as Block 132, Lots 1, 1.01 and Lot 3.



25

I would open it up to any questions

STATE SHORTHAND REPORTING SERVICE, INC.

1 that the Board may have at this point.

2 MR. NEFF: So if I could, the

3 Board--I'm sorry, the Port Authority-- is there a

4 port there?

5 MR. MARMERO: Yes.

6 MR. NEFF: There is a port. What does

7 it consist of?

8 MS. BERTRAM: Right now it's all vacant

9 land. Prior buildings that were on the site--

10 MR. NEFF: It is not a port?

11 MS. BERTRAM: There is a facility that

12 could handle a port. There are no transactions at

13 this point.

14 MR. NEFF: So there is no port. This

15 Authority has existed for many years in our

16 records. We don't have any budget, any audit,

17 anything with respect to this Authority for, I

18 think since 2006, if I recall, maybe a little later

19 than that, but many years, not any filings of

20 anything.

21 The last thing we have-- we tried to

22 check to see what the Authority's assets were and

23 liabilities were. The last thing we have is a

24 statement from 2005.

25

So to me personally, I can't vote to

STATE SHORTHAND REPORTING SERVICE, INC.

1 approve a sale of property until I know what

2 assets, sales, liabilities are of the entity and

3 what its fiscal condition is, what's going on

4 there.

5 So I don't see myself voting for this

6 today. That's not to say we couldn't ultimately

7 get there. I have a lot more questions about this.

8 I'm just wondering if somebody could

9 explain, what has the Authority been doing for the

10 last, I don't know, five years? Why haven't

11 budgets been submitted? Presumably because there

12 has been no activity.

13 But why would you assume a Board like

14 this would approve a sale of property without even

15 having any kind of paperwork in front of it as to

16 what the Authority's assets or liabilities are?

17 MS. BERTRAM: If I can, I have a little

18 bit more than Mr. Marmero, on the City's part. Over

19 the last ten years there-- there is a redevelopment

20 plan that covers the property. The City has been

21 trying to find someone to redevelop the property.

22 Back in 2003, I believe, they had

23 someone interested and there were contracts entered

24 into at that point. At that point the City did loan

25 isn't to the Port to bring the financial records

STATE SHORTHAND REPORTING SERVICE, INC.

1 current.

2 That's why you do have them through

3 2005. After that redeveloper backed out and that

4 project did not move forward, there was simply no

5 money in the Port's budget to continue and have

6 financial records provided or performed. There

7 were no audits or even a budget completed.

8 At this point the Port's assets consist

9 of a small bank account, which Mr. John Casarow has

10 in his trust account, as he was the former attorney

11 for the Port, as well as the property that we're



12 seeking to sell today. As well as additional

13 properties that are still owned by the Port.

14 That is the balance of their assets.

15 That information has been provided in our other

16 litigation before Judge Curio as well.

17 So if the Board would like additional

18 financial records, they could certainly be

19 provided. The Port was trying, I believe, not to

20 spend a lot of money in doing that, in order not to

21 diminish the proceeds of the sale. Because the

22 sale price is the \$310,000 that the Judge has

23 approved.

24 It was our position that any more money

25 that is spent to do financial records, provide

STATE SHORTHAND REPORTING SERVICE, INC.

1 information, is going to diminish what's left of

2 those proceeds.

3 If the Board is interested in those,

4 they could certainly be provided.

5 MR. NEFF: Just my own take on it and I

6 don't mean this to be flippant, but it is going to

7 sound that way. Literally what I just heard was,

8 we don't want to spend money on an audit or

9 preparing financial reports because we just don't

10 feel like spending the money.

11 Those are critical documents. I just

12 heard that there is an account with funds in it

13 that the Authority has at its disposal in some

14 capacity. Yet there hasn't been a budget, audits or

15 anything filed as to how the funds were used or not

16 used for five or six years.

17 MS. BERTRAM: If I could clarify that?

18 That account has about \$1,400 in it, is what Mr.

19 Casarow has advised.

20 MR. NEFF: Did it have \$1,400 in it

21 five years ago?

22 MS. BERTRAM: It has consistently had

23 that money. Mr. Casarow has not been paid for his

24 services in probably seven years.

25

MR. NEFF: Okay. Our assistant

STATE SHORTHAND REPORTING SERVICE, INC.

1 director, who's a former auditor and CFO for a  
2 county and several municipalities, was actually  
3 quite stunned that there were no financial  
4 documentation for this Authority at all. He raised  
5 that as red flags.

6 As you noted, we did have a discussion  
7 with somebody who is objecting. I did not, but  
8 staff had a discussion with someone who was raising  
9 an objection to the sale moving forward and made  
10 reference to the litigation.

11 I think we are going to want to see

12 some additional-- I'm going to want to see some

13 sort of additional documentation of what's going on

14 with this Authority, what its assets and

15 liabilities are before we could approval something

16 like this, not to say we can't get there.

17 MR. LIGHT: I have a question, if I

18 may-- I'm speechless. That usually doesn't happen.

19 The intended purchaser is a developer. Is it going

20 to be developed--what's the intention, in the form

21 of homes, a business?

22 MS. BERTRAM: They intend to develop

23 the property into a manufacturing facility for

24 modular homes that are energy efficient. There is

25 a warehouse on-site. That's the, where the

STATE SHORTHAND REPORTING SERVICE, INC.



1 warehouse would be.

2 MR. LIGHT: It would be a business, a

3 manufacturing facility?

4 MS. BERTRAM: Correct.

5 MR. LIGHT: What is the timing element?

6 If the information that the Director is requesting

7 could be provided and you can be scheduled on

8 another meeting in July or August, would that

9 create a problem with the intended contract?

10 MS. BERTRAM: I don't anticipate that

11 will be a problem. Certainly we want to provide

12 all the information that makes the Board feel

13 comfortable.

14 MR. LIGHT: Okay, Tom.

15 MR. NEFF: Here is just a general

16 question. There is no port, yet there is a Port

17 Authority, which seems strange to me. Why is a

18 Port Authority that doesn't have a port, an

19 appropriate entity to carry out an economic

20 development project?

21 Why hasn't this Authority been

22 dissolved and then either have the City move

23 forward with the development project itself or if

24 you want to have an Authority do it on behalf of

25 the City, with not establish a Redevelopment

STATE SHORTHAND REPORTING SERVICE, INC.

1 Authority?

2 It just seems intuitively so strange to

3 me to have a Port Authority that exists with no

4 port and pursuing an economic development proposal.

5 That's one question. Another question

6 is, if you have an attorney who's been maintaining

7 the small account, how then did they pay it or

8 selected the attorney?

9 MS. BERTRAM: Mr. Casarow wasn't paid

10 for years. Previously Mr. Raczenbek, who was at

11 his office, Steven Raczenbek, was the Port attorney

12 since, I believe, its inception. Of course, that's

13 a little bit before my time.

14 I am not familiar with their records.

15 So I don't know at what point Mr. Raczenbek was no

16 longer paid and Mr. Casarow was.

17 I did inquire of him as to any billing

18 records. He frankly said, I didn't think that I

19 would end up getting paid, so I haven't kept them.

20 The Port has not done what they should

21 have done over the course of time, we acknowledge

22 that. We want them to begin to fix that.

23 When the new administration in

24 Bridgeton did come in, they did appoint members to

25 the Board so that projects could go forward. I'm

STATE SHORTHAND REPORTING SERVICE, INC.

1 not saying that at some point the Port wouldn't be

2 viable, that is the hope. So that it can have a

3 manufacturing facility there.

4 It's on the river. That a

5 manufacturing facility once there in operation,

6 will bring other businesses to the area so that it

7 could be functional.

8 MR. LIGHT: It would seem to me that

9 the community has a situation here with something

10 that's been dormant for almost-- not ten years, but

11 pretty close to it. Perhaps they didn't try to

12 resolve it in the best fashion.

13           Since this is not an emergency where

14 you might lose your contract or intended contract,

15 I would suggest it's probably best that you go and

16 back work with the Division as to what's the best,

17 easiest and right way to be able to work this out

18 to the benefit of the community. Whether it is to

19 re-establish the Port Authority or to do it through

20 the municipality.

21           It doesn't sounds like we can act on it

22 today. It doesn't sound like it's an emergency

23 situation upon which that we need to act on it

24 today.



25

MS. BERTRAM: That's one of the reasons

STATE SHORTHAND REPORTING SERVICE, INC.

- 1 why we are here, to ask what else can we do to
- 2 provide information that would make the Board feel
- 3 comfortable?
- 4 MR. NEFF: We can have more discussions
- 5 after this point. I think at the very least you
- 6 need to get an update audit that lists what the
- 7 assets and liabilities are and the status of the
- 8 accounts, what contracts are all out there.
- 9 I think we ought to sit-down and say do
- 10 you really need to have a Port Authority that does
- 11 this at all or can you dissolve it? It really may

12 be that you should have an application before the

13 Board to dissolve the Authority that isn't really

14 needed and let the municipality move forward with

15 its business without an added authority at all.

16 Or maybe if the Board wants to create a

17 redevelopment authority to move forward with a

18 redevelopment project there are actually standards

19 for that.

20 Board members for a redevelopment

21 remarks authority actually are supposed to go

22 through certain training classes under the Local

23 Redevelopment Housing Law.

24 We can have those discussions and try

25 and figure this out.

STATE SHORTHAND REPORTING SERVICE, INC.

1           MR. AVERY: Where would the  
2 proceeds--if and when the land was sold, who would  
3 end up with the proceeds of the sale?

4           MS. BERTRAM: The way Judge Curio  
5 structured the Order-- I'm just answering because I  
6 was actually there during that, those two Court  
7 proceedings. Was that the \$310,000 would be placed  
8 in a trust account. Then an application would be  
9 made to the Court as to distribution of the money.

10           Because there is an allegation by Mr.  
11 Martin who owns the LLC that has an alleged-- he

12 believes a judgment. The City does not believe

13 there is a valid judgment against the Port

14 Authority.

15 A portion of that money would then-- if

16 that is a valid judgment, will be used to satisfy

17 that.

18 MR. AVERY: So the Port Authority has

19 had no expenditures in five or six years, whatever

20 the time frame is, maintained no insurance on the

21 land, no insurance on the buildings?

22 MS. BERTRAM: Correct. The City--it

23 was under a City policy.

24 MS. RODRIGUEZ: The city has a rider,

25 basically, for that?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MS. BERTRAM: Yes. At one point the Port  
2 was in receivership. Again, that was before my  
3 time as well. That was in the last five years, six  
4 years as well.

5 MR. NEFF: I think it's safe to say  
6 we're not going to act on this today. But if we  
7 could, let's--the folks who are in opposition to  
8 this, if we could hear from them? If I can ask you  
9 guys to clear the table have, then have them come  
10 up.

11 (Thomas Martin, Will Martin, being



12 first duly sworn according to law by the Notary).

13 MR. THOMAS MARTIN: Thomas Martin, Henry

14 Grove Diversified Investments, LLP.

15 MR. WILL MARTIN: Will Martin, from the

16 Martin Corporation and also the managing partner of

17 Henry Grove Diversified Investments.

18 MR. BONCHI: Keith Bonchi of the

19 Goldenberg, Mackler law firm. We're the attorneys

20 for Henry Grove.

21 May I proceed?

22 MR. NEFF: Yes.

23 MR. BONCHI: A couple of things. I had

24 sent you my objections and laid things out. But I

25 first want to go with the issue of the,

STATE SHORTHAND REPORTING SERVICE, INC.

1 quote, "supposed judgment", that was indicated to

2 you.

3 Of course, the Deputy Attorney General

4 is not here for what I was going to say, take a

5 look at the Court ordered judgment.

6 This goes back historically to a loan

7 by the bank to the Port Authority for \$800,000 that

8 somehow got secured by a mortgage.

9 It went to the Appellate Court. The

10 Appellate Court said that even though it was

11 actually approved by the Local Finance Board back

12 then, this is years ago, you can't have a mortgage

13 on the property. But the Appellate Division said

14 that--and I have the opinion, you can sue on the

15 note.

16           There was actually a consent judgment

17 entered into between the Port Authority and the

18 holder of the debt. This is not some supported

19 thing, this by consent. I have all the papers. I

20 made both copies, happy to give it to your Deputy

21 Attorney General.

22           My client took over the debt and

23 substituted in as the Plaintiff. There is a Court

24 Order saying that. The appeal period for that has

25 long run.

STATE SHORTHAND REPORTING SERVICE, INC.

1 I think we start with the question of  
2 honesty and integrity of whether or not they can  
3 come and tell you this is not a legitimate debt, it  
4 absolutely is.

5 I'm willing to let your own Deputy  
6 Attorney General look at it and see if you agree or  
7 disagree. That's not the issue. The issue is how to  
8 pay it, not whether there is debt.

9 There are payments-- their argument to  
10 go back and re-establish it is why we are before  
11 you. The Judge said in her Order and I have it here

12 again,"subject to the Local Finance Board. She did

13 not usurp your authority.

14 My understanding is, from doing a

15 little research is, prevent irresponsible ill

16 considered expenditures. Prevent undisclosed

17 expenditures. Prohibit deficit financing by

18 municipalities. That's exactly what you have.

19 Mr. Chairman, you said why is this Port

20 Authority still in existence? Because if they

21 dissolve it, the State law clearly indicates that

22 the City has to pay the debt and they are hiding

23 this debt, they don't want to pay it.

24 My client, Martin Corporation, has been

25 in Bridgeton, as I indicated in my objection, for

STATE SHORTHAND REPORTING SERVICE, INC.



1 over forty years. My client wanted to buy this  
2 property to move his plant because he owns property  
3 next door. He actually bought a tax lien on another  
4 adjoining property. He actually wanted to take his  
5 own money and develop it for his business because  
6 the sewer plant is right across.

7 In the type of business that he has, he  
8 uses--he dyes fabrics and whatever, uses a lot of  
9 water. He thought he could set up something  
10 useful.

11 The City doesn't want it. My client was

12 even willing to pay about \$130,000 more than they

13 are selling it to Renewable, from the judgment, in

14 order to buy this property. They said no. It is a

15 fiscal matter.

16           The issue comes down, why does it

17 exist? The Port Authority, it is mud. There is

18 nothing going on. I showed aerials to your

19 assistant. I'm not making this up. It hasn't

20 happened. It's a failed project.

21           It's not a shot at the City. They took

22 a shot at something years ago. They thought it was

23 going to work. They borrowed money. I think I

24 heard the Chairman say you got to pay back money.

25 They don't want to pay it back, Judge-- Mr.

STATE SHORTHAND REPORTING SERVICE, INC.

1 Chairman. I used to be being in Court.

2 They don't want to pay it back. That's

3 what this is over. It is debt. It is legitimate

4 debt. They borrowed the money, they used it. My

5 client has it. They don't want to sell to my

6 client for \$130,000 more, so we asked that they

7 actually do the debt.

8 The question of the Authority is, in my

9 understanding, again, the law provides under

10 40A:5A-18, "if at any time as a result of exercising

11 his responsibilities under this Act, the Director

12 has reason to believe that an Authority is faced

13 with financial difficulty, the Director shall

14 summon appropriate officials of the Authority and

15 the local units, or either of the aforesaid, to a

16 hearing before the Local Finance Board".

17 That's when I sent my second-- I

18 believe this Authority has to be dissolved. It is

19 simply nonexistent, nonfunctioning. It is in

20 debt.

21 We've got a list of the assets.

22 Attached to my objection is what we got a list of

23 assets from John Casarow, their attorney who hasn't

24 been paid. It seems to be at least in the ballpark

25 of a million dollars of undisclosed liabilities,

STATE SHORTHAND REPORTING SERVICE, INC.

1 and the assets are very little.

2 Other than this property there is some

3 land, but the land is environmentally sensitive

4 land that's going to be very hard to develop or get

5 any real money for.

6 Again, although my client offered in

7 satisfaction of his judgment to take the land in

8 dispute here and the other land, he is willing to

9 do that. If not, he should be paid.

10 So as go through this and we're here to

11 answer any questions that you have--and I provided

12 you in the objection the-- that you can see where

13 it is or whatever. There just isn't anything

14 there.

15 The only reason that this exists is a

16 block to pay the debt. Because the statute clearly

17 says, if the City dissolves the Port Authority,

18 which they created, they've got to pay its

19 liabilities.

20 For those reasons, since I think that

21 this Local finance Board makes sure that local

22 governments or authorities operate in a proper

23 fiscal manner, we ask you to do that.

24 My clients are here to answer any



25 questions, if you have any?

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. FOX: How big is this property?

2 MR. WILL MARTIN: The actual building is

3 about two acres. It's 80,000 square feet. That's

4 what the judgment is on. The rest of the land they

5 have is an old manufacturing facility, it's about

6 twelve acres. They own other property totalling

7 about twenty-eight acres, approximately.

8 MR. LIGHT: It seems to me that just

9 the land value would be more than \$300,000 or

10 \$500,000.

11 MS. RODRIGUEZ: It also depends on the

12 condition of the land, if it needs remediation

13 environmentally. We are not going to vote.

14 MR. LIGHT: I think we need more.

15 MR. FOX: Very interesting points,

16 though.

17 MR. NEFF: So you'll leave us with some

18 copies of that?

19 MR. BONCHI: I brought several copies

20 of what the judgment was through August 7th, 2012,

21 which was \$656,350.37, with interest accruing.

22 Plus, under the terms of the judgment, the more

23 they fight us, we are entitled to attorneys fees.

24 We'll go back and get them again and add it. But

25 I'll provide this, with your permission, to your

STATE SHORTHAND REPORTING SERVICE, INC.

1 Deputy Attorney General. He can look at it and  
2 give you his own opinion on whether, when you enter  
3 into a consent judgment, you can attack it later.

4 MR. NEFF: What's the interest rate?

5 MR. BONCHI: I believe it is ten  
6 percent. This goes back quite a few years when  
7 interest rates were higher.

8 MR. NEFF: Okay, thank you.

9 MR. BONCHI: Thank you.

10 MR. NEFF: We'll be calling you to  
11 discuss this.

12 (Ms. Rodriguez and Mr. Blee leave the

13 room).

14 Atlantic City.

15 (Ed Sasdelli, Ken Moore, Michael

16 Stinson, Ronald Cash, being first duly sworn

17 according to law by the Notary).

18 MR. SASDELLI: Ed Sasdelli. I'm the

19 Monitor for Atlantic City.

20 MR. MOORE: Ken Moore. I'm with the

21 firm of Ford, Scott & Associates. I'm the City's

22 auditor.

23 MR. STINSON: Michael Stinson. I'm the

24 Director of Revenue and Finance for the City of

25 Atlantic City.

STATE SHORTHAND REPORTING SERVICE, INC.

1 MR. JACOBY: Irving B. Jacoby, Deputy

2 City Solicitor or Atlantic City.

3 MR. JOHNSON: Everett Johnson, for

4 Wilentz, Goldman & Spitzer, bond counsel to the

5 City of Atlantic City.

6 MR. CASH: Ronald Cash, Business

7 Administrator of the City of Atlantic City.

8 MR. JOHNSON: I'm going to start with

9 the first item, which is the Proposed Waiver of

10 Down Payment.

11 The City is here today requesting--



12 MR. NEFF: I can cut you off on this

13 one and save you some time.

14 MR. JOHNSON: Okay, by all means.

15 MR. NEFF: This first portion of the

16 application is for 12.8 million of borrowing

17 related to Sandy.

18 MR. JOHNSON: That's correct.

19 MR. NEFF: Consistent with what we said

20 for everybody else, borrowing related to Sandy

21 we're not going to make somebody pay a down

22 pavement for something they couldn't plan for. All

23 they are asking for is a waiver of the down payment

24 related to Sandy borrowing.

25

So on that one, why don't we do a

STATE SHORTHAND REPORTING SERVICE, INC.

1 motion.

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

3 approve the proposed \$12,800,000 waiver of down

4 payment.

5 MR. FOX: Second.

6 MR. NEFF: Roll call.

7 MS. MC NAMARA: Mr. Neff?

8 MR. NEFF: Yes.

9 MS. MC NAMARA: Mr. Avery?

10 MR. AVERY: Yes.

11 MS. MC NAMARA: Mr. Fox?

12 MR. FOX: Yes.

13 MS. MC NAMARA: Mr. Light?

14 MR. LIGHT: Yes.

15 MR. JOHNSON: Thank you.

16 MR. NEFF: We saved you thirty seconds.

17 Someone want to address the budget.

18 MR. STINSON: We've submitted the 2013

19 budgets and the amendments to the budget. It's a

20 significant tax increase due to the decrease in the

21 valuation of the properties in Atlantic City.

22 If you look at the decrease in

23 ratables, that exceeds by approximately three cents

24 the increase in the tax rate, due to the

25 appropriations. So it's been reviewed by your

STATE SHORTHAND REPORTING SERVICE, INC.

1 staff, Mr. Chairman.

2 MR. NEFF: I'm just going to ask Ed

3 Sasdelli, the monitor assigned to Atlantic City and

4 their supervision there, just to give a brief

5 report on how he had helped up front in preparing

6 the budget and to give a few remarks.

7 MR. SASDELLI: Sure. Again, my name is

8 Ed Sasdelli. I'm the Monitor for Atlantic City. I

9 think the easiest place to start is where I left

10 off when I reported to the Board a year ago. I

11 said my biggest concern to the municipal finances

12 to the City was the impact of the casino tax

13 appeals.

14 I'm here to say that hasn't changed.

15 If anything, my concern is more now than it was

16 then. Because we know some more data that we didn't

17 know then.

18 To refresh the Board's memory, about

19 seventy percent of the total ratable base comes

20 from twelve properties in Atlantic City, the twelve

21 casinos.

22 All twelve of them filed tax appeals.

23 We now know, we didn't know this last year, eleven

24 of those have been either settled or adjudicated.

25            So what do we know from those eleven?

STATE SHORTHAND REPORTING SERVICE, INC.



1 We know that after the first eleven appeals, the  
2 City has had to refund a little over \$180 million.  
3 Which they did through this Board via tax appeal  
4 bonds that they will pay back over the next twenty  
5 years, adding to the debt service.

6 The second thing we know is the total  
7 valuation of the whole city went down about \$5  
8 Billion, with a B, because of these eleven  
9 appraisals--these eleven tax appeals. So I said  
10 eleven out of the twelve. The twelfth one isn't  
11 done yet. It is the Borgota.

12           Some of you may recognize that name.

13   That's almost \$2 Billion. 1.85 is the current

14   assessment. What we don't know-- nobody knows, is

15   how that gets going to end up.

16           I want to read-- just to give you a

17   flavor of why I'm concerned about that, I point

18   that out, I want to read one sentence from a letter

19   that the tax attorney sent to Director Neff. He

20   said: "If the Judge entirely adopts the position of

21   the Borgota, it will annihilate the City's tax base

22   and cause the tax rate to increase exponentially"

23   that's why I remain concerned about the twelfth tax

24   appeal.

25

So that's kind of the bad news. The

STATE SHORTHAND REPORTING SERVICE, INC.

1 good news is, the City-- since the City has been  
2 under supervision at the end of 2010, they've  
3 worked very collaboratively with the Division and  
4 myself. The Mayor's staff, all whom you see here,  
5 some who you don't see, we meet periodically. As I  
6 said, we work collaboratively.

7       That doesn't mean that we don't bump  
8 heads. Of course we bump heads. I don't approve  
9 everything that the City asks for. I'm sure they  
10 disagree with some of the things that I do. But in  
11 general, on the whole, we're able to sit-down and

12 make decisions, that for the most part, accomplish  
13 what the City administration wants to do and have a  
14 mitigating effect on these tax appeals.

15 As you are heard Mr. Stinson say, we've  
16 had a very successful try at mitigating these  
17 things. If you take the casino tax appeals out of  
18 the budget, basically the budget is stable except  
19 for the debt service and making up for the lost  
20 ratables.

21 But just to give you a flavor, I know  
22 it's late, it's in the lunch hour. I don't want to  
23 go through a whole laundry list. Just to give you a  
24 flavor of how this collaborative effort has worked

25 under supervision.

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1           Let me rattle off just a couple of  
2 things. In 2010 when I got there, there were 1,600  
3 full-time employees in Atlantic City. There are now  
4 1,250 full-time employees. The City has spent--the  
5 City administration has spent a lot of time trying  
6 to be become more efficient. That's a huge savings.

7           We revised collective bargaining  
8 agreements to save hundreds of thousands of dollars  
9 moving forward, with new pay scales, contributions  
10 and all kinds of things.

11           We have competitively shopped health

12 insurance, decreased the amount and scope of  
13 professional contracts. They are very closely  
14 monitored. We decreased raises for municipal  
15 employees. When there were raises there were  
16 usually positions that got eliminated to subsidize  
17 those increases. We helped them apply for grants,  
18 like, the Community Disaster Loan Grant.

19       So as I said, by working together we've  
20 tried to mitigate many of those tax appeal issues.

21       In terms of moving forward, you know,  
22 to conclude, what are my three biggest concerns  
23 with Atlantic City? Obviously, it is the casino  
24 tax appeals and what happens with the Borgota.



25

I think I've already told you the

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1 impact of that. You are talking about a nearly \$2  
2 billion ratable. How is that-- how much money has  
3 to be refunded? How is that going to affect the  
4 ratable base? How is it going to affect the budget?  
5 That's a concern.

6 The second concern is doing another  
7 project revaluation. As you know from the last  
8 time that I testified, when everybody is here and  
9 the twelve casinos gets revalued here, that burden  
10 shifts, so its disproportionate.

11 So our recommendation is, and the City

12 has agreed by letter, Mr. Cash did a letter saying

13 they are on board. They know they have to do a

14 revaluation, so you get that equitable distribution

15 back. That was my second concern.

16 My third concern is, we need to

17 stabilize the tax rate. Nobody is happy that we

18 have to have a twenty-seven percent tax increase in

19 Atlantic City. I'm not happy about it, the City is

20 not happy about it. We would like to structure the

21 finances so we don't have those kind of spikes.

22 That concludes my report, unless you

23 have any other questions?

24 MR. NEFF: I don't. But just a couple

25 of comments. I know last year when the purchased

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1 continued supervision we said we would commit to  
2 reviewing whether or not supervision was still  
3 something that should remain in place at the time  
4 that we adopted the budget for 2013.

5 In my judgment we're looking at a  
6 twenty--I think a twenty-three percent or  
7 thereabouts tax rate increase now, even with the  
8 advent of a \$5,000,000 Community Disaster Loan,  
9 which will be one time in nature.

10 And an amendment that we'll be doing to  
11 the budget today, as part of the adoption, which is

12 a \$7,497,707 Community Development Block Grant,  
13 essential services grant. That the State actually  
14 designed the program over the last two months and  
15 helped the City file that application, so that they  
16 would be eligible for the funding.

17 We put that program together in a  
18 manner that recognized Atlantic City as being a  
19 special condition. The only municipalities that we  
20 are providing those funds to in the amounts that we  
21 are, essentially are Atlantic City and Asbury Park,  
22 that are poorer communities and under some  
23 distress.

24 So we are trying to do what we can to

25 help ameliorate the tax situation there. So that

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1 amendment would be reflected as part of this budget

2 adoption.

3 Those funds, the \$7,487,707 grant,

4 would offset other essential services that

5 otherwise just couldn't be provided with an

6 unsustainable tax rate increase.

7 Those services are police salaries and

8 wages, \$4,664,806; fire salaries and wages, by

9 \$2,332,403 and public works salaries and wages by

10 \$500,498.

11 I would also just mention that as part



12 of our efforts to cooperatively work with Atlantic

13 City to improve the budget situation, really it was

14 the Division that encouraged and worked with the

15 City to ensure that a Community Disaster Loan

16 application was sought.

17 In the first instance it was the

18 Division's work and efforts with the Federal

19 government to make sure that program was

20 activated. That we worked hand in hand with the

21 City to make our cases with FEMA officials, as to

22 why it was appropriate for them to receive funding.

23 So we've done our part to try to help

24 that budget. But those two sources of money, the

25 Community Disaster Loan, for sure, will not be

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- 1 available next year. The community Disaster Block
- 2 Grant fund may or may not be available next year.
- 3 It depends on whether or not the Federal government
- 4 renews funding to the State of New Jersey of that
- 5 purpose and allows it to move forward.
- 6       So right off the bat we've got \$12
- 7 million of funds that won't recur for next year.
- 8 We have the Borgota appeal that's still pending.
- 9 As Mr. Sasdelli noted, the attorneys for the City
- 10 who handle appeals, noted that--I forget what the
- 11 terminology was, what it would mean for the tax

12 rate.

13 MR. SASDELLI: It would annihilate the

14 tax rate.

15 MR. NEFF: Annihilate the tax rate. I

16 think that's not necessarily rhetoric looking at

17 what the impact of what the appeals are. It is no

18 one's fault at the city necessarily. You know, the

19 level of distress there that's occurring and the

20 inability to propose a budget that's truly

21 balanced, because of what's happened in the

22 casinos, is something that warrants a heightened

23 level of supervision by this Division.

24 I think it would be irresponsible for

25 us to walk away at this point. The supervision is

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1 pretty narrowly crafted. It is not terribly  
2 intensive. It's less intensive than it is for  
3 transitional aid in other communities. With  
4 recognition that this City has not come in and  
5 asked for transitional aid.

6 We don't have a full-time employee  
7 sitting in City Hall every day watching over every  
8 aspect of government. We do have some level of  
9 comfort that the existing relationship is adequate  
10 as it is. Mr. Sasdelli is a part-time time  
11 employee. He's paid hourly. I don't think he

12 probably earns more than \$25,000 or \$35,000 a year

13 in part-time employment.

14 I think the relationship has been one

15 that's been very positive and productive, and not

16 one that has hurt the City.

17 I know that the rating agencies also

18 have expressed to me that supervision is something

19 that gives them comfort, when they give the City a

20 rating. I've spoken with many, many investors at

21 different conferences. People who buy City debt

22 are much more comfortable knowing that Atlantic

23 City is under some level of supervision, that the

24 State has an active roll there.

25

It is a productive process. We're not

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1 recommending or I'm not recommending that we end  
2 supervision early. When the City comes back in for  
3 financing for the Borgota appeal, when we get  
4 there, then we can think about it again at that  
5 time. We'll revisit it then.

6 A question that I have for the City is,  
7 when we were here last year and adopting a budget,  
8 we indicated there were two things that we wanted  
9 to see before supervision was lifted. One was that  
10 the budget would be stable, which it is not at this  
11 point. That's not to cast blame on anybody. It is

12 just circumstances of events.

13 But the other item that we indicated

14 needed to be addressed was the situation whereby

15 other casinos have appealed their taxes and their

16 assessments have gone down dramatically, but the

17 remaining properties in the City, other than the

18 ones who also filed appeals, their assessments are

19 still right at where they were back in, I guess,

20 2007 or 2008 when the last appeal was done.

21 So if there was a revaluation or

22 reassessment of these properties, they too would

23 see a reduction in their values on their

24 properties. It would give them some relief.

25

I haven't seen any action moving

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1 forward on a revaluation. I'd just like to know  
2 what the City's intent is with respect to  
3 revaluation--a revaluation or a reassessment, when  
4 will that occur?

5 MR. STINSON: We do plan, as Ron  
6 indicated in his letter to you in March, to put out  
7 RFPs later this year. We felt we could not do it  
8 any earlier than that because of the issues with  
9 the flood maps for Atlantic City, Atlantic County,  
10 Southern New Jersey.

11 There was one map put out, an advisory

12 map, at the end of last year by FEMA. They are  
13 supposed to be putting out, I believe what they are  
14 calling a working map, later this month, the  
15 beginning of July. And then a couple of months  
16 after that when they get the comments back from  
17 that map, then a preliminary map. Then it will be  
18 a year or two before they issue final maps.

19       There are significant questions right  
20 now. In not in just Atlantic City, like I  
21 indicated, all communities, as to what is  
22 considered the velocity zone. When we get a little  
23 be better feel on that, that will significantly  
24 impact any valuation. Any of the firms the State

25 recognizes to come in and do a valuation, will have

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1 to take into consideration these new maps.

2 Since it is so fluid right now, like I

3 said, they put out maps last year. They are getting

4 ready to put out this next map. You have to give

5 them a chance. They could significant affect up to

6 twenty-five percent of the properties in Atlantic

7 City, just by the changes that they are going to

8 make.

9 So the game plan at this point in time,

10 is to do an RFP later this year for a reval.

11 MR. NEFF: With all due respect, this

12 isn't like something that just became an issue in  
13 later October when the storm came. There are other  
14 municipalities that are moving forward with  
15 revaluations and reassessments.

16 I had a meeting with the Director of  
17 the Division of Taxation of the State. I asked him  
18 about the intention, whether it is advisable to  
19 wait for revaluation pending the adoption of maps  
20 like that. In his professional judgment it wasn't.

21 You do the best you can on a reval with  
22 the information you have available. Those maps may  
23 change, may take some time to get them in place.  
24 Once they get them in place it's going to take a



25 year or two years before market information comes

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1 to bear, what those maps really do mean for peoples

2 property values.

3 Our preliminary maps out there could be

4 used for guidance purposes. This process has to

5 get moving sooner rather than later. When is your

6 best guess as to when the RFP would move forward?

7 MR. STINSON: I was thinking the end of

8 September.

9 MR. CASH: September, October is when

10 we were hoping to get it moving.

11 MR. NEFF: Okay. I would just suggest,

12 again, if we hit the Borgota coming in--you guys

13 coming in with tax appeals for Borgota, this issue

14 of the revals--a reval not having some progress, we

15 are going to be right back here with me saying, not

16 until there is a reval can we quit supervision.

17 Because you are going to continue to look at a

18 decline in the casino share paying levy. You going

19 to look at another year of residents in the City

20 paying tax rate increases that are going to be

21 double digit.

22       You know, I feel strongly that it just

23 needs to get addressed. On that note, I know that

24 the city also wants a provide tax relief to the

25 extent it can. I know the Mayor proposed a tax

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1 rebate program outside of the budget process. Where

2 he intended and wanted to give \$500 tax credits to

3 a certain segment of the population in Atlantic

4 City. Which we had asked our Attorney General's

5 office to look at and review it.

6 They opined back to us that's just

7 simply unconstitutional. Because as a practical

8 matter, if you are giving credits to some and not

9 others, you are creating different-- as a practical

10 matter, you are creating different tax rates. It

11 violates the uniformity clause of the Constitution.

12           That's something that when we adopt the  
13 budget today, we will not be incorporating that  
14 policy that was advanced by the Mayor and advanced  
15 by the Council counsel. But it is  
16 unconstitutional.

17           I take our legal cues from the Attorney  
18 General's office. I can't rely on somebody else's  
19 legal opinion, whether it is the City's or someone  
20 else's. This Board has got to live up to what it is  
21 that our Attorney General's office tells us is  
22 legal or not.

23           So we won't be incorporating that as  
24 part of the budget today. There won't be authority

25 to move forward with that program. But hopefully

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1 the \$5 million Community Development Block  
2 Grant--I'm sorry, the \$5 million Community Disaster  
3 Loan and the more than \$7 million Community  
4 Development Block grant. Between the of them that  
5 \$12 million of relief will provide some tax relief  
6 to people in the City. Such that they will be  
7 paying about ten percent less of an increase in  
8 taxes than they otherwise would have, with the  
9 budget that was proposed several months ago and  
10 produced.

11 MR. STINSON: Tom, one other thing that



12 Board brought up in the past, is the valuation of

13 the casinos. Just as an update, the City

14 administration, myself included, met last fall with

15 the local Assembly representatives. Then, of

16 course, Superstorm Sandy did hit.

17 The Business Administrator and I met

18 with the local senator, State Senator Whalen, about

19 a month ago. He has now proffered a meeting that

20 we're scheduled to have within the next two weeks,

21 I believe, with the Casino Association or at least

22 the President of the Casino Association.

23 So I don't want to say it is progress,

24 but at least the City is talking to its

25 legislators. And now we'll be talking to the

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1 casino industry to see what we can do. We  
2 presented some very-- some ideas that maybe are out  
3 there. We'll move forward. When we have more  
4 information we'll share that with yourself and with  
5 Ed Sasdelli.

6 MR. CASH: May I ask a question? Can  
7 you give us-- you said that the AG's office  
8 determined that what we propose was not-- we  
9 weren't able to do. Can we get something in  
10 writing from you on that?

11 MR. NEFF: They have not reduced their

12 opinion to writing. I think it is the consensus of  
13 the attorneys at the Attorney General's office that  
14 this is such a clear cut issue, where the  
15 Constitution is very clear and provides that there  
16 has to be uniform tax rates. That giving some  
17 people credits as opposed to others, violates that.

18       The only constitutional ability around  
19 that, is for the State legislature to establish a  
20 rebate program, which it has. But it's not the  
21 rebate program you propose.

22       The municipality does haven't the  
23 ability or the authority to issue it's own rebate  
24 credit programs. That's a power that's preserved

25 for the legislature under the Constitution.

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1 MR. CASH: I just hope you recognize the

2 spirit in which it was done--

3 MR. NEFF: I do.

4 MR. CASH:--to deal with the

5 disproportionate--

6 MR. NEFF: Just to comment. I think

7 the Mayor was trying to provide some form of tax

8 relief. I don't disparage it. It was an attempt

9 to do something that he thought was good. That

10 everybody wants to provide some level of tax

11 relief.

12           Raising-- it is just not something  
13   that's constitutionally lawful. The way that it is  
14   lawful that provides tax relief to everybody, as we  
15   did, is try to get some grants that would otherwise  
16   would need to have a levy increase to trigger a  
17   thirty percent tax increase.

18           MR. JACOBY: Mr. Neff, our office is  
19   reviewing the constitutionality of that action. Of  
20   course, the Attorney General's opinion requires  
21   serious consideration. It will be given every  
22   serious consideration.

23           If I could just switch back to a thing  
24   that you alluded earlier, to a question that you

25 alluded to earlier, assuming for the moment that a

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1 revaluation is done and addresses your assessment  
2 question and addresses one of the two concerns that  
3 you had or have, underlying the need for continuing  
4 the limited supervision, the City has what I  
5 believe is a reasonable request.

6 I would appreciate a listing of the  
7 remaining criteria necessary to end its limited  
8 supervision. Is that a possibility?

9 MR. NEFF: We'll re-review supervision,  
10 as I said, when we get to the tax appeal issue. We  
11 will sit-down and we'll talk about it with the

12 City. But right now I'm not going to commit to

13 anything on the supervision aspect.

14 Any other comments on the budget

15 itself, question?

16 MR. LIGHT: I just have a question

17 concerning Borgota's appeal. Do you have any

18 feeling for the timing aspect of that? Will that

19 occur-- sometimes these take a long time. My

20 question is, will it occur during this tax year, or

21 is it possible it will occur in a future tax year?

22 MR. STINSON: Right now Borgota is in

23 the Tax Court for years 2008--2009 to 2010, I'm

24 sorry. At present he has indicated he will issue a

25 written decision for those two years by September

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1 30th.

2 MR. LIGHT: So it will be in this tax

3 year.

4 MR. STINSON: For those two years.

5 The other three years will be--he will set a dates

6 for next year. Of course, whatever his decision

7 is, because we have previous values, it will be

8 determined whether we accept it or appeal it. If

9 it would be appealed, it will not--we will not be

10 back to borrow funds this year, because that will

11 drag into next year.

12 If it's a settlement that the City

13 feels is favorable, then we'll have the credits and

14 we'll decide whether we have to borrow--

15 MR. LIGHT: Sooner than later, okay.

16 MR. STINSON: Because it is only two

17 years, it's not going to be the type of monies that

18 we talked about in prior ones.

19 MR. LIGHT: Thank you.

20 MR. STINSON: Sure.

21 MR. NEFF: Anybody else have any

22 questions?

23 MR. LIGHT: No. Do we take action on

24 the budget today?

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1 MR. NEFF: Right. The motion would be  
2 to adopt the budget as introduced and amended at  
3 the City level, with further amendments that would  
4 reduce the levy by the amounts discussed earlier.  
5 And using those funds to offset the cost of  
6 essential services, police, fire and public works.

7 MR. LIGHT: Are you ready? I'll make  
8 that motion that we approve, based on what the  
9 Director just said.

10 MR. NEFF: Second? I'll second it.

11 MR. AVERY: I'll second it.

12 MR. NEFF: Take a roll call.

13 MS. MC NAMARA: Mr. Neff?

14 MR. NEFF: Yes.

15 MS. MC NAMARA: Mr. Avery?

16 MR. AVERY: Yes.

17 MS. MC NAMARA: Mr. Fox?

18 MR. FOX: Yes.

19 MS. MC NAMARA: Mr. Light?

20 MR. LIGHT: Yes.

21 MR. NEFF: That's it. All right, we're

22 done. We'll talk a little bit more. Just wait,

23 like, five minutes and I'll talk to you out in the

24 hall.



25

MR. JACOBY: Thank you.

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1 MR. JOHNSON: Thank you.

2 MR. NEFF: We were talking about

3 scheduling, but maybe we should adjourn.

4 MR. FOX: Motion to adjourn.

5 MR. AVERY: Second.

6 MS. MC NAMARA: All in favor?

7 (Unanimous affirmative response).

8 MR. NEFF: We're adjourned.

9 (Whereupon, the proceedings stand

10 adjourned at 12:45 p.m.)

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1           C E R T I F I C A T E

2

3       I, CHARLES R. SENDERS, a Certified Shorthand

4 Reporter and Notary Public of the State of New

5 Jersey, do hereby certify that prior to the

6 commencement of the examination, the witness was

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

8 truth and nothing but the truth.

9       I DO FURTHER CERTIFY that the foregoing is a

10 true and accurate transcript of the testimony as

11 taken stenographically by and before me at the

12 time, place and on the date hereinbefore set forth,

13 to the best of my ability.

14 I DO FURTHER CERTIFY that I am neither

15 a relative nor employee nor attorney nor counsel of

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

17 neither a relative nor employee of such attorney or

18 counsel, and that I am not financially interested

19 in the action.

20

21 C:\TINYTRAN\Charles Senders.bmp

22

23

24 CHARLES R. SENDERS, CSR NO. 596.

25 DATED: June 26, 2013

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