

STATE OF NEW JERSEY  
DEPARTMENT OF CONSUMER AFFAIRS  
LOCAL FINANCE BOARD

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REGULAR MEETING AGENDA \*  
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Conference Room No. 129  
101 South Broad Street  
Trenton, New Jersey  
Monday, July 15, 2013

TIME: 10:30 a.m.

B E F O R E: THOMAS NEFF-CHAIRMAN  
FRANCIS BLEE-MEMBER  
JAMIE FOX-MEMBER  
TED LIGHT-MEMBR

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

A P P E A R A N C E S:  
  
JOHN J. HOFFMAN, ESQ.  
ACTING ATTORNEY GENERAL  
BY: PATRICIA E. STERN, ESQ.  
Deputy Attorney General  
For the Board

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STATE SHORTHAND REPORTING SERVICE, INC.

1 (Transcript of Proceedings, Local  
2 Finance Board, July 15, 2013 commencing at 10:30  
3 a.m.)

4 MR. NEFF: We're going to get started.  
5 First up we have two consent items, Environmental  
6 Infrastructure Trust Program applications. First  
7 is Chatham Township, \$7 million Environmental  
8 Infrastructure Trust Loan Program, proposed  
9 Nonconforming Maturity Schedule and Waiver of Down  
10 Payment.

11 The second is Boonton Town, \$650,000  
12 Proposed Environmental Infrastructure Trust Loan  
13 Program and nonconforming Maturity Schedule  
14 consistent with the program.

15 Take a motion on those two.

16 MR. BLEE: Motion.

17 MR. FOX: Second.

18 MR. NEFF: Roll call.

19 MS. MC NAMARA: Mr. Neff?

20 MR. NEFF: 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?

1 MR. LIGHT: Yes

2 MR. NEFF: Second up we have two  
3 additional agenda items. One for Lawnside. They  
4 are converting to a calendar year from a fiscal  
5 year municipality. They met all the conditions that  
6 are generally required of such municipalities.

7 The second is Bridgewater Township Fire  
8 District Number Four. They have \$900,000 Proposed  
9 Project Financing. They have had a competitive bid  
10 process. They had an election. They are only  
11 financing about two-third's of the project cost and  
12 they have a low interest rate. Take a motion on  
13 those two.

14 MR. FOX: So moved.

15 MR. LIGHT: Second.

16 MR. NEFF: Roll call.

17 MS. MC NAMARA: Mr. Neff?

18 MR. NEFF: 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: We have three additional

1 consent items. One is for Gloucester County  
2 Utilities Authority, Sewer Revenue Refunding Bonds,  
3 \$7.8.

4 Second is--that's just a refunding for  
5 savings.

6 Second is an old business matter for  
7 the Passaic County Improvement Authority. They have  
8 been before the Board last month and they were  
9 approved for a \$10 million lease program. They had  
10 asked for it to be \$15 million. We told them we  
11 would put it on consent if they came back with  
12 appropriate paperwork. This is just making out a  
13 \$15 million lease program.

14 Third is the Bergen County Improvement  
15 Authority. They also have refunding for savings,  
16 for \$13 million.

17 Take a motion on those three.

18 MR. LIGHT: I make a motion to approve.

19 MR. BLEE: Second.

20 MR. NEFF: Roll call.

21 MS. MC NAMARA: Mr. Neff?

22 MR. NEFF: Yes.

23 MS. MC NAMARA: Mr. Blee?

24 MR. BLEE: Yes.

25 MS. MC NAMARA: Mr. Fox?

1 MR. FOX: Yes.

2 MS. MC NAMARA: Mr. Light?

3 MR. LIGHT: Yes.

4 MR. NEFF: The first item up on the  
5 agenda probably could have gone on consent as well.  
6 I don't think anyone is here from Commercial  
7 Township?

8 It is \$40,000 loan through the USDA  
9 program, which has a Nonconforming Maturity  
10 Schedule.

11 It is a little bit odd because it is  
12 only \$40,000. It has a thirty year payment  
13 schedule, but it is consistent with the USDA  
14 program parameters. Any questions?

15 The Nonconforming Maturity Schedule is  
16 two payments a year instead of one payment a year.  
17 It is a thirty year loan instead of a twenty year  
18 loan.

19 It is for the construction of a  
20 building. It is statutorily not the same as the  
21 useful life of a building. But thirty years for a  
22 loan isn't the end of the world. It probably could  
23 have been a little bit better with a shorter  
24 maturity. I don't see it as something to fight  
25 about.

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

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

3 MS. MC NAMARA: Mr. Neff?

4 MR. NEFF: Yes.

5 MS. MC NAMARA: Mr. Blee?

6 MR. BLEE:

7 MS. MC NAMARA: Mr. Fox?

8 MR. FOX: Yes.

9 MS. MC NAMARA: Mr. Light?

10 MR. LIGHT: Yes.

11 MR. NEFF: Next up is Perth Amboy, a  
12 \$10.3 million storm related expenditure, \$3.25  
13 million ordinance for capital improvements and  
14 \$3.42 million for Water/Wastewater Improvements.

15 (Jill Goldy, Gregory Fahrenbach, being  
16 first duly sworn according to law by the Notary).

17 MS. GOLDY: Jill Goldy, Chief Financial  
18 Officer.

19 MR. FAHRENBACH: Gregory Fahrenbach,  
20 City Administrator.

21 MR. JESSUP: Good morning. Matt Jessup,  
22 Mc Manimon, Scotland & Baumann, bond counsel to the  
23 City. As you just heard, Greg Fahrenbach and to  
24 Greg's right, Jill Goldy.

25 This application involves three bond

1 ordinances, totalling \$24,415,000 in an  
2 appropriated amount and authorizing bonds and notes  
3 in the amount of \$16,970,000.

4 All three bond ordinances are seeking  
5 approval pursuant to the Municipal Qualified Bond  
6 Act, to be approved as Qualified Bond Act  
7 ordinances. The City is not at this time seeking  
8 approval to issue Qualified Bonds.

9 One of the ordinances appropriates  
10 \$17,100,000 for waterfront recovery improvement  
11 resulting from Hurricane Sandy.

12 That Bond Ordinance is also seeking  
13 approval for a waiver of the down payment  
14 requirement. The only authorization amount is  
15 \$10,300,000 in bonds and notes. The difference  
16 between the \$17.1 million and \$10.3 million  
17 consists of a variety of sources; a \$5,575,000  
18 FEMA grant, a \$115,000 USDA grant, both of which  
19 are federal, so don't automatically apply for the  
20 down payment waiver; a \$400,000 redeveloper  
21 waterfront access contribution and \$710,000 in  
22 combined City contributions.

23 That \$710,000, consists of \$150,000  
24 which is truly a down payment amount and \$560,000  
25 which comes from capital surplus.

1                   So the City is making significant  
2                   efforts to down-size the debt, but the capital  
3                   surplus does not technically count as a down  
4                   payment either.

5                   So the down payment would be \$515,000.  
6                   Again, the City is putting up a total of \$710,000.  
7                   But because all of that doesn't technically count  
8                   as a down payment, the City is seeking a down  
9                   payment waiver on that Bond Ordinance.

10                   The other two Bond Ordinances, the  
11                   \$3,850,000 Bond Ordinance is for various capital  
12                   improvements, including IT improvements.

13                   MR. NEFF: How much was that?

14                   MR. JESSUP: It is a \$3,850,000  
15                   appropriation, \$3,250,000 in bonds or notes, for  
16                   building improvements, fire pumper, road  
17                   improvements and other various improvements.

18                   There the city is actually putting up a  
19                   down payment in excess of the five percent  
20                   requirement, as well as \$400,000 in capital  
21                   surplus. So, again, a significant effort by the  
22                   City to down-size the amount of debt in connection  
23                   with these projects.

24                   The last Ordinance appropriates  
25                   \$3,465,000 and authorizes bonds and notes in the



1 amount of \$3,420,000 for Water and wastewater  
2 improvements.

3           The Water/Wastewater Utility in the  
4 City is self-liquidating so no down payment is  
5 required. Nonetheless, the City, again, is putting  
6 up \$45,000 from capital surplus to try and  
7 down-size the debt. Which is consistent with a  
8 long-standing effort by this administration in  
9 cutting the debt of the City dramatically.

10           Again, the Qualified Bond Act revenues  
11 are \$9.237 million. We are not seeking approval at  
12 this time to issue bonds in that amount or pursuant  
13 to the Qualified Bond Act.

14           We'll come back before the Board in the  
15 event that the City decides to issue bonds under  
16 the Qualified Bond Act.

17           MR. NEFF: Okay. So \$17 million for  
18 the marina. Is it all storm related?

19           MR. FAHRENBACH: The \$17 million was all  
20 storm related, but it is not \$17 million for the  
21 marina. The damage that took place is probably  
22 over a distance of a mile and a half. It includes  
23 the marina, erosion problems where it ate into the  
24 hillside. It includes replacement of a river walk  
25 and harbor walk area, installation of bulkheads

1     revetment, to be able to protect the coast line  
2     along the Arthur Kill and the Raritan Bay.

3                   MR. NEFF:  Why is only \$5 million of it  
4     going to be picked up by FEMA?  I would have  
5     thought it would be a larger amount if it was storm  
6     damage?

7                   MR. FAHRENBACH:  First of all, these  
8     calculations were based on a seventy-five percent  
9     reimbursement, as opposed to what apparently now is  
10    going to be a ninety percent reimbursement.

11                   Secondly, because FEMA does not  
12    necessarily reimburse you for a hundred percent  
13    of-- I'm sorry, for seventy-five or ninety percent  
14    of your losses, they depreciate what was there at  
15    the time.  And some of this is going to be repairs  
16    where, you know, it is the straw that broke the  
17    camel's back.  It was okay prior to the storm, but  
18    it had deteriorated some.  As a result of the storm  
19    it now needs to be replaced.

20                   The cost of replacement, therefore,  
21    exceeds the valuation which FEMA placed on the  
22    losses that occurred.

23                   MR. NEFF:  They are being replaced only  
24    because of the storm or they would have been  
25    replaced anyway or no?

1                   MR. FAHRENBACH: They are being  
2 replaced because of the storm. They would have been  
3 replaced probably in four, five or six years. We  
4 actually had them in the capital improvement  
5 program to be done somewhere in the vicinity of  
6 2016, 2017, 2018.

7                   But now if there is another storm, the  
8 fear is the we're going to end up losing large  
9 portions of the coast line.

10                  MR. NEFF: Okay. Anybody have any  
11 questions.

12                  MR. LIGHT: I just didn't understand  
13 the waiver of down payment. Is that for the entire  
14 package or just part of it.

15                  MR. FAHRENBACH: It is for that one  
16 Ordinance, the \$17 million. Let me just say that  
17 as of right now our expectation is that instead of  
18 the \$5,575,000, that number without it going to  
19 ninety percent, is going to be over \$5.6 million  
20 coming from FEMA.

21                  We have already received \$445,000 from  
22 FEMA. It comes through a State agency. So our  
23 understanding is that given all of the  
24 improvements, that there was going to be great deal  
25 more, maybe as much as a third to a half of what

1 we're seeking authorization from coming from other  
2 sources, capital surplus, capital improvement  
3 funds, the waterfront access money from Meridian,  
4 money coming from USDA and finally the FEMA money.

5 MR. NEFF: Presumably, if you get more  
6 FEMA money, you just issue less debt and then  
7 cancel portions of this ordinance?

8 MR. FAHRENBACH: Yes.

9 MR. NEFF: Because you are very close  
10 to the debt limit of three and a half percent. So  
11 you have incentive to do that.

12 MR. FAHRENBACH: I'd like to make some  
13 comment on that, if I can. You may recall that we  
14 were before you on two prior occasions regarding  
15 the current fund, to refinance certain elements of  
16 debt that had originally been the equivalent of a  
17 capital lease with the Middlesex County Improvement  
18 Authority, that we were able to refinance at  
19 significant savings to the municipality.

20 The negative consequence of that was  
21 that it ended up taking what was real debt, except  
22 that it was with the Middlesex County Improvement  
23 Authority, and making it debt of the City.

24 We would hope that in the future,  
25 depending upon what demands come upon the City,

1 that the Finance Board would recognize that we have  
2 been paring down the debt, whether it be bonds and  
3 notes or it be the equivalent of capital leases, as  
4 a total trying to produce those numbers.

5 So while we're pushing up against the  
6 3.5 limit, we've done that as a result of trying to  
7 consolidate all the debt the City has.

8 MR. NEFF: I just ask, sort of  
9 unrelated to this particular application, since you  
10 brought that up, when the City went and refinanced  
11 lease payments that otherwise had to be made to the  
12 Improvement Authority, why wasn't that just done  
13 through the Improvement Authority itself, do you  
14 know? If they could have gotten better rates for  
15 their debt, why didn't they do it?

16 MR. FAHRENBACH: Our analysis indicated  
17 that if we were taking them on with the city alone,  
18 with the negotiations that we were going through,  
19 we were eliminating the number of fees that were  
20 being charged to the City, that you may recall at  
21 least one particular council member was railing  
22 against for a very long period of time.

23 The interest payments we were able to  
24 receive were extremely favorable, according to the  
25 financial consultant. We use Gold & Beal.

1 MR. NEFF: What's Perth Amboy's rating  
2 now?

3 MR. FAHRENBACH: It is A Minus with a  
4 positive outlook, from S&P. I think, as it was  
5 indicated earlier, it was one of three positive  
6 outlooks granted to municipalities in New Jersey in  
7 2012.

8 MR. NEFF: I don't have any other  
9 questions. Other than I would continue to applaud  
10 your efforts to get the City moving in the right  
11 direction financially.

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

13 MR. FOX: Second.

14 MR. NEFF: Take a roll call.

15 MS. MC NAMARA: Mr. Neff?

16 MR. NEFF: Yes.

17 MS. MC NAMARA: Mr. Blee?

18 MR. BLEE: Yes.

19 MS. MC NAMARA: Mr. Fox?

20 MR. FOX: Yes.

21 MS. MC NAMARA: Mr. Light?

22 MR. LIGHT: Yes.

23 MR. FAHRENBACH: Thank you all very  
24 much.

25 MR. NEFF: Next up is East Orange City.

1 (Jillian Barrick, Victoria Walker,  
2 being first duly sworn according to law by the  
3 Notary.

4 MS. BARRICK: My name is Jillian  
5 Barrick. I'm the City Administrator for East  
6 Orange.

7 MS. WALKER: Victoria Walker, City CFO.

8 Good morning. The City of East Orange  
9 is coming before your to get for a \$2.19 million in  
10 Tax Appeal Refunding Bonds.

11 We've plan been placed, since 2007,  
12 since our last reval that was done at the height of  
13 the market, to pay back tax appeals.

14 We've come before you three previous  
15 times for a total of \$7.4 million. This is our  
16 fourth time since 2011.

17 We would like to fund this over five  
18 years, which would be approximately \$33 to the  
19 taxpayer. If not, then the average taxpayer would  
20 be paying \$146.

21 MR. LIGHT: What are you asking for,  
22 five or four.

23 MS. BARRICK: Five years. \$2,150,000  
24 over five years.

25 MS. WALKER: \$2.19 million.

1                   MR. NEFF: I don't want to nickel and  
2 dime, but in keeping with our past practice,  
3 whatever it takes in terms of maturity to get them  
4 to fifty dollars is what we generally approve.  
5 Just four years seems to be-- I'd like to try to be  
6 consistent with that, if we can. It is not a big  
7 change, but it has been a past policy to allow for  
8 maturities for refundings. Whatever it takes to  
9 bring it under the fifty dollar average.

10                   MS. BARRICK: So you are asking for  
11 four years instead of five.

12                   MR. LIGHT: That would be \$42 instead  
13 of \$33.

14                   MS. WALKER: For four years, that's  
15 fine.

16                   MR. NEFF: Is there anything else  
17 extenuating for the municipality that would argue  
18 for the longer term?

19                   MS. WALKER: We just completed the reval  
20 March 2013, so hopefully the burden wouldn't be on  
21 the taxpayers too much longer.

22                   MS. BARRICK: I think we can work with  
23 four years.

24                   MS. WALKER: That's fine.

25                   MR. BLEE: Motion to approve for four



1 years.

2 MR. FOX: Second.

3 MR. NEFF: Take a roll call.

4 MS. MC NAMARA: Mr. Neff?

5 MR. NEFF: Yes.

6 MS. MC NAMARA: Mr. Blee?

7 MR. BLEE: Yes.

8 MS. MC NAMARA: Mr. Fox?

9 MR. FOX: Yes.

10 MS. MC NAMARA: Mr. Light?

11 MR. LIGHT: Yes.

12 MR. NEFF: I just want to congratulate  
13 you. I know you guys have worked hard. You got off  
14 of transitional aid. The reval is pretty  
15 impressive. A lot of people went through them. I  
16 just want to note that for the record.

17 MS. BARRICK: Thank you.

18 MR. NEFF: Next up is-- we're deferring  
19 West New York. Is there anyone from West New York  
20 here?

21 (No response).

22 Seaside Heights Borough. Seaside  
23 Heights actually could have been on consent as  
24 well. They had \$10 million for storm related. It  
25 was all-- all that they were asking for was a

1 waiver of down payment, which we've done for  
2 others. They are over the debt credit-- over the  
3 three and a half percent. But in light of this  
4 coming about because of the storm and through no  
5 fault of their own, not a lack of planning, we felt  
6 that not to bring them here and do it on consent.  
7 Anyone want to move this case?

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

9 MR. BLEE: Second.

10 MR. NEFF: Roll call.

11 MS. MC NAMARA: Mr. Neff?

12 MR. NEFF: 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. NEFF: The City of Union

20 City--okay. Sorry, that was deferred as well.

21 Carneys Point Township Sewerage  
22 Authority, \$1.1 million Proposed Amendment of  
23 Previously Approved Qualified Bond Ordinance.

24 (Frederick Margron, being first duly  
25 sworn according to law by the Notary).

1                   MR. MARGRON: I'm Frederick Margron,  
2 M-a-r-g-r-o-n, Authority Engineer for the Carneys  
3 Point Sewerage Authority.

4                   MR. NORCROSS: Philip Norcross, Parker,  
5 Mc Cay, bond counsel.

6                   Good morning. This is an application  
7 far positive findings for project notes for the  
8 Authority of \$1.1 million. The Authority, somewhat  
9 of an anomaly,, has no outstanding debt and has  
10 historically gone entire pay-go.

11                   However, it has gotten to the point  
12 where some lines, manhole covers and some other  
13 improvements now aggregate the approximate \$1.1  
14 million, so pay-go is not viable.

15                   We are issuing notes right now to  
16 temporarily fund these improvements. There will  
17 not expect to be any kind of user rate increase.  
18 We are in discussions trying to jump into the EIT  
19 program. At this point EIT has said we're not  
20 eligible for their interim funding.

21                   What we are doing is talking to them  
22 about jumping into next year's program to  
23 permanently finance. But we need to, obviously,  
24 get these improvements underway as quickly as  
25 possible.

1                   Obviously, the Engineer is here to  
2 answer any of those questions, but it is fairly  
3 straight forward in nature.

4                   MR. NEFF: The application looked  
5 relatively okay to me. The one thing I noticed,  
6 there was a law past a year or two ago that  
7 requires every Authority to have a web page that  
8 has certain information. There is no web page for  
9 the Carneys Point Township Sewerage Authority.

10                  MR. NORCROSS: It is actively being  
11 worked on as we speak. Carneys Point Township  
12 Sewerage Authority is not-- it's down by the  
13 Delaware Memorial Bridge. I'm not excusing their  
14 behavior in any way. But one of the checks here is  
15 to bring their compliance up to speed. Certainly,  
16 if you want to make this approval conditioned upon  
17 that, I think that we'll certainly expedite the  
18 process.

19                  MR. NEFF: That would sound to be  
20 appropriate.

21                  Unless anybody else has any other  
22 questions, I'll make the motion to approve prove  
23 conditioned on getting the web site up and in  
24 compliance with the law.

25                  MR. FOX: Second.

1 MR. NEFF: Seconded by Frank--Jaime, by  
2 Jaime.

3 MR. FOX: It is all Frank's.

4 MR. NEFF: Roll call.

5 MS. MC NAMARA: Mr. Neff?

6 MR. NEFF: Yes.

7 MS. MC NAMARA: Mr. Blee?

8 MR. BLEE: Yes.

9 MS. MC NAMARA: Mr. Fox?

10 MR. FOX: Yes.

11 MS. MC NAMARA: Mr. Light?

12 MR. LIGHT: Yes.

13 MR. NORCROSS: Thank you.

14 MR. NEFF: Next is Lower Township  
15 Municipal utilities Authority.

16 (Matthew Ecker, Stephen Testa, being  
17 first duly sworn according to law by the Notary).

18 MR. ECKER: Matthew Ecker, E-c-k-e-r,  
19 Executive Director, Lower Township MUA.

20 MR. TESTA: Stephen, S-t-e-p-h-e-n,  
21 Testa. I'm a financial consultant for the  
22 Authority.

23 MR. JESSUP: Good morning. Matt Jessup,  
24 Mc Manimom, Scotland & Baumann, bond counsel to the  
25 Lower Township MUA. To my right is Steve Testa and

1 to Steve's right is Matt Ecker, the Executive  
2 Director of the MUA.

3 This is an application pursuant to NJSA  
4 40A:51-6, seeking positive findings in connection  
5 with a USDA grant and bond financing.

6 The total amount of USDA funds is  
7 \$10,853,000. That's broken up into \$8,167,000 in  
8 bonds and \$2,686,000 in USDA grant.

9 The interest rate on the bonds is  
10 locked in at 2.125 percent. The project brings  
11 water service to approximately 2,500 new customers,  
12 replaces and installs fire hydrants, new wells and  
13 other improvements.

14 This project in the short term  
15 financing was first approved by the Local Finance  
16 Board on June 9th, 2010.

17 At that time we projected a four year  
18 construction plan followed by a USDA refinancing.  
19 That construction is coming ahead of schedule. The  
20 project is nearly complete and we're ready to close  
21 with USDA.

22 The Utilities Authority financed the  
23 construction to date, through the issuance of a  
24 \$12,250,000 project note. That note matures on  
25 September 20th of 2013. The USDA is ready for

1 closing a day prior, where the funds from the grant  
2 and loan of \$10,853,000 will be used to pay off  
3 that amount of the project note.

4 The balance of the project note, which  
5 will be \$1,397,000, will be paid through two  
6 sources of funds. Approximately \$1,004,000 is  
7 unspent note proceeds, money that we borrowed that  
8 ultimately we did not need now that the project is  
9 complete.

10 The \$397,000 balance of the cost of the  
11 project that's not funded by USDA, is going to be  
12 paid for by the Authority out of cash on hand.  
13 There is no increase to service charges expected or  
14 necessary to fund the debt service on the USDA  
15 bonds of approximately \$364,000, as the charges  
16 from the new users create more than enough revenue  
17 to cover the cost of bringing those users onto the  
18 system.

19 MR. NEFF: Okay. I just have one  
20 comment. I'm going to be like the grinch again. I  
21 noticed in the questionnaire from the Authority  
22 there is, like, \$2,000 and change payment for  
23 certain celebratory holiday functions.

24 I would just suggest respectfully going  
25 forward you may want to knock things like that off

1 and pay their own way toward holiday parties and  
2 things like that. Otherwise the questionnaire is  
3 fine, just a friendly suggestion.

4 MR. JESSUP: Thank you.

5 MR. NEFF: Does anybody else have any  
6 other questions or comments?

7 MR. BLEE: Motion to approve.

8 MR. NEFF: I'll second it.

9 MR. NEFF: Roll call.

10 MS. MC NAMARA: Mr. Neff?

11 MR. NEFF: 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. NEFF: I'm just going to go a  
19 little bit out of order and call Cumberland  
20 County. Then we'll do Middlesex next.

21 (Stephen Testa, Gerard Velasquez,  
22 Anthony Inverso, being first duly sworn according  
23 to law by the Notary.)

24 MR. TESTA: Stephen Testa, Auditor for  
25 the Improvement Authority.



1                   MR. VELASQUEZ: Gerard Velasquez,  
2 Executive Director of the Improvement Authority.

3                   MR. INVERSO: Anthony Inverso, financial  
4 advisor.

5                   MR. NORCROSS: Philip Norcross, Parker,  
6 Mc Cay, bond counsel.

7                   MR. INVERSO: Good morning. The  
8 Improvement Authority is here before you today for  
9 an approval of a proposed issuance of County  
10 guaranteed Lease Revenue Bonds, Board of Social  
11 Services/Employment & Training Facilities Project  
12 Series 2013, in an aggregate amount not to exceed  
13 \$25 million.

14                   The bonds will are being used to  
15 finance the acquisition of certain real property  
16 within the County, construction of a new facility  
17 for the County Board of Social services, to be  
18 located on that property, the connection of a new  
19 facility for Cumberland County Department of  
20 Employment & Training, to be located on property  
21 currently owned by Cumberland County College, as  
22 well as capitalized interest and other ancillary  
23 costs for the project.

24                   The County currently has these  
25 facilities on privately owned property and are

1 paying rental payments to those property owners.

2           The bonds will be issued over a term of  
3 twenty-five years, after a one year capitalized  
4 interest period. The debt service on those bonds  
5 will replace those existing rental payments that  
6 are being paid, like I said, to a private entity.

7           The Improvement Authority will own the  
8 project and be the project manager for the  
9 construction. There will be a lease structure with  
10 this project, where the Authority will lease the  
11 project to the County. The term of the lease will  
12 be coterminous with the term of the bonds or  
13 twenty-five years.

14           There will also be a County guarantee  
15 for the bonds to enhance the marketability of the  
16 bonds to investors.

17           With that I will open up for any  
18 questions.

19           MR. NEFF: I just have one quick  
20 question. Looking at the questionnaire, somebody  
21 had been relatively recently hired as an economic  
22 development coordinator. Can you please tell me  
23 what that position does?

24           MR. VELASQUEZ: That person essentially  
25 goes out and works with our local communities,

1 municipalities. We are trying to do some shared  
2 services. We are trying to work on some  
3 alternative activities with them, do some  
4 recycling. We are trying to create a situation  
5 where the Improvement Authority is more of an  
6 economic enhancement, arm, of not only the County,  
7 but all the municipalities within the County.

8 MR. NEFF: It is essentially--it is not  
9 necessarily an Authority function per se. It  
10 assisting regionally in the County?

11 MR. VELASQUEZ: It's an Authority  
12 function, because we went get involved in doing  
13 these things throughout the County. He's also  
14 working on recycling. We had a gentleman who was  
15 doing our recycling program who actually had a  
16 brain tumor. So he's stepping in and filling that  
17 role as well.

18 MR. NEFF: Okay. The project itself,  
19 the properties aren't owned by the Authority.

20 MR. NORCROSS: Well, two parts. The  
21 Board of Social Services currently leases spaces in  
22 a commercial building. That portion of the  
23 project, the land acquisition process is underway.  
24 The Executive Director can detail it. We expect  
25 hopefully they will be by agreement. Obviously, if

1 not they will be taken by public purpose. The due  
2 diligence due, the fair market appraisals have all  
3 been done.

4 With respect to the other project, it  
5 is going to be on ground owned by the County  
6 College, another public entity.

7 The County believes from a public  
8 policy prospective, having the employment training  
9 center at the same location as the County College,  
10 would actually be a very good idea in terms of  
11 integrating the two facilities. There is included  
12 in the project cost, I believe, \$700,000 for the  
13 land acquisition cost.

14 One other thing to point out, is that  
15 the Department of Human Services is actually  
16 encouraging counties to begin to move out of  
17 privately owned facilities with respect to Board of  
18 Social Services functions and into publicly owned  
19 facilities.

20 This a step in that regard, aside from  
21 the logistical improvements that we believe will be  
22 accomplished.

23 MR. NEFF: What's the time table for  
24 purchasing the property and moving people?

25 MR. NORCROSS: Immediately. We are

1 commencing it immediately consistent with the  
2 project financing.

3 The Authority has adopted a  
4 reimbursement resolution under the Internal Revenue  
5 Code. The projects are both proceeding literally  
6 immediately with all due speed.

7 MR. NEFF: You don't anticipate coming  
8 back to the Board for increased costs associated  
9 with delays for buying people out or moving people?

10 MR. NORCROSS: No, sir. I keep shaking  
11 my head, but I'll defer to the Executive Director.

12 MR. VELASQUEZ: We've been working with  
13 the private property owners for some time now. We  
14 have a good sense where everybody is with regard to  
15 acquisition price, costs.

16 MR. LIGHT: I have a question, Tom.  
17 The Authority, under the estimated issuance cost,  
18 there is an Authority financing fee of \$125,000.  
19 What is that?

20 MR. INVERSO: The estimated issuing  
21 costs?

22 MR. LIGHT: Apparently there is an  
23 Authority Financing fee. The total cost of issuance  
24 are estimated to be \$448,090?

25 MR. INVERSO: Right.

1                   MR. LIGHT: The second to last item is  
2 an Authority financing fee of \$125,000. I'm just  
3 asking what that is?

4                   MR. INVERSO: That's a financing fee  
5 that the Authority is charging for their role in  
6 this bond financing. They are going to own the  
7 project. The bonds are being issued by them. So  
8 there is a cost incurred by them for monitoring the  
9 financing and the bond payments, so on and so  
10 forth. It is a general financing.

11                  MR. LIGHT: A cost situation rather than  
12 a-- based on costs, actual costs.

13                  MR. INVERSO: Right. I think it is a  
14 fifty base points.

15                  MR. LIGHT: I'm sorry?

16                  MR. NORCROSS: The financing, I think  
17 it is point one half of one percent. Lawyers  
18 answering financial questions always gets a little  
19 dangerous.

20                  MR. LIGHT: Engineers listening to less  
21 causes financial arguments.

22                  MR. NORCROSS: This is similar to any  
23 other, New Jersey EDA, they all charge up front  
24 financing fees. I'm assuming--again, I'll defer to  
25 other people in the table. This is consistent with

1 their past practice.

2 This entity has historically only been  
3 in the solid waste business. This is, frankly, from  
4 my prospective, they have not issued non-solid  
5 waste debt for probably decades, if ever. That's  
6 why you probably have never seen a financing fee  
7 for this.

8 MR. NEFF: The buildings are actually  
9 going to be constructed by the Authority?

10 MR. NORCROSS: That's one reason for  
11 the Improvement Authority's involvement here. The  
12 County--these are relatively significant  
13 improvements being undertaken for a County that  
14 historically has not had projects of this  
15 magnitude.

16 Case in point, they rented space in  
17 buildings in Vineland for upwards of twenty years.

18 The Improvement Authority has the folks  
19 in place to oversee the construction as opposed to  
20 the County hiring third party construction  
21 managers, project managers on an integrated basis.

22 What's also important here is that the  
23 Board of Social Services, as I mentioned, is paying  
24 rent to a private owner. The Board of Social  
25 Services budget is separate and apart from the

1 County budget. In this case it would become a  
2 public facility.

3 MR. LIGHT: I thought it looks high,  
4 that's why I was asking the question.

5 MR. NEFF: Any other comments or  
6 concerns?

7 MR. BLEE: Motion to approve.

8 MR. FOX: Second.

9 MR. NEFF: Roll call.

10 MS. MC NAMARA: Mr. Neff?

11 MR. NEFF: 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. NORCROSS: Thank you.

19 MR. NEFF: Middlesex County Improvement  
20 Authority.

21 (Richard Pucci, Anthony Inverso, being  
22 first duly sworn according to law by the Notary).

23 MR. PUCCI: Richard Pucci, Executive  
24 Director, P-u-c-c-i.

25 MR. PANELLA: Anthony J. Panella of



1 Wilentz, Goldman & Spitzer, bond counsel.

2 MR. INVERSO: Anthony Inverso.

3 MR. CANTALUPO: John Cantalupo, Wilentz,  
4 Goldman & Spitzer, bond counsel for the Authority.

5 MR. INVERSO: Good morning. The  
6 Middlesex County improvement Authority is here  
7 before you today for issuance of Capital Equipment  
8 and Improvement Financing Revenue bonds--I'm sorry,  
9 Revenue Bonds for their Capital Equipment and  
10 Improvement Financing program, in an amount not to  
11 exceed \$19.5 million.

12 This is the Authority's annual program  
13 that they have done doing since 1992, that has come  
14 before the Board every year. It consists of a  
15 lease and loan portion and benefits communities  
16 within Middlesex County.

17 The bonds will be amortized over a ten  
18 year period. The application originally indicated  
19 that the Middlesex Borough projects would be  
20 financed over twenty years. That's since been  
21 corrected.

22 After reviewing those projects further,  
23 it has been determined that those only can be done  
24 over a ten year period. So we talked to the  
25 Borough. They are in agreement that they will do

1 these over ten years. The final term of the entire  
2 financing will be ten years.

3 As I mentioned, this is an annual  
4 program. It is a County guaranteed program. The  
5 County will be introducing their guarantee  
6 ordinance in a couple of days. We expect that the  
7 bonds for each participant will have approximately  
8 a level amortization. And I mentioned term of ten  
9 years. And.

10 MR. CANTALUPO: All costs are consistent  
11 with previous programs. We also amended the  
12 program. We have been doing it since 1992. We  
13 amended it in 2008 when the Property Cap Law was  
14 put in place. At one point the lease portion of  
15 bonds was not in either the property tax cap or the  
16 debt side of the budget because they were under the  
17 old law. So it was amended in 2008 when the new  
18 law took effect.

19 Then the Governor's current law in 2010  
20 reflects that the lease payments which are on the  
21 police cars are amortized over five years,  
22 consistent with the Local Public Contracts Law.  
23 That they go in the current fund side of the  
24 budget. And the loan side of the project, all the  
25 towns and the County introduce a loan ordinance and

1     they file supplemental debt statements.  And the  
2     program has been done this way since 19-- since  
3     2008.  Again, it's an annual program since 1992.

4                     Nothing has changed.  All costs of  
5     issuance have stayed the same as they have in the  
6     past.  That's pretty much it.  We're happy to  
7     answer any question.

8                     We submitted a questionnaire from the  
9     Authority as well.  Executive Director Pucci is here  
10    to answer that and any other questions that you may  
11    have.

12                    MR. NEFF:  A couple of questions just  
13    related to the police cars.  The municipality is not  
14    able to bond or borrow itself for the purchase of  
15    police cars; correct?

16                    MR. CANTALUPO:  Correct.

17                    MR. NEFF:  But yet if they go through  
18    this Authority they can effectively borrow to buy  
19    the police cars?

20                    MR. CANTALUPO:  They lease the police  
21    cars.  They have been doing that, again, for since  
22    the existence of the program.  It's consistent with  
23    the Local Public Contracts Law that allows them to  
24    enter into a five year lease with other outside  
25    leasing entities.  So it is a similar type

1 program. It's just through the Authority and they  
2 get the benefit of the AAA guarantee.

3 MR. PANELLA: The one thing I will tell  
4 you is that although these markets for leases and  
5 bonds are fluid, liquid and settled, if there is  
6 any place in the public credit markets where there  
7 is interest rate vagaries, it's in these five year  
8 leases. We're active in that market. Day to day,  
9 unsuspecting municipalities can pay double on a  
10 lease rate versus what others would be paying in  
11 the market.

12 Because if there is one place where the  
13 banks that provide the rates, there is not a  
14 consistency and I say it diplomatically, it is in  
15 these lease rates. To the extent that we have  
16 municipalities that are financing items that they  
17 otherwise would have to lease on their own live  
18 with the five year lease term capital, in many  
19 instances the interest rates that they are going to  
20 pay on those leases could be as high as fifty  
21 percent higher than they pay through a pool program  
22 with a larger principal amount that's financed  
23 through bond financing. Where, even though there  
24 are short term maturities in the bond financing,  
25 that market is closer to perfect than this lease

1 market is.

2 The lease market is the least perfect  
3 municipal market out there.

4 MR. INVERSO: The aggregate, as you  
5 mentioned, the size, has a big effect on that. By  
6 pulling these together, the critical mass helps in  
7 the marketing. The County guarantee enhances the  
8 credit of those projects. So it makes it all work.

9 MR. PANELLA: If a town could do a five  
10 year bond for a police car, it would be a much more  
11 effective way to finance a police car than a five  
12 year lease. But they are not permitted to issue  
13 bonds for police cars.

14 When you go out and do a bond that by  
15 itself it's only maturity is five years, that's  
16 also not as perfect a market as the longer term  
17 market is. Why all these pooled lease programs,  
18 even with the increased issuance costs, generally  
19 work, is because the interest rate differential can  
20 be so extreme when they are financed individually.  
21 I've seen that personally time and time again.

22 The banks are predatory on unsuspecting  
23 municipalities with short term leases. You don't  
24 see them. They don't come here.

25 MR. LIGHT: You also have a problem

1 with a five year life.

2 MR. PANELLA: Well, we live with the  
3 Local Finance Board limits on the maturity on the  
4 equipment. They are all aggregated. That's why we  
5 see a ten year aggregated term on this financing as  
6 opposed to something longer.

7 MR. INVERSO: It is all consistent with  
8 the Local Bond Law, with the exception of the  
9 police cars, with a consistent with the Local  
10 Public Contract Laws that permits municipalities to  
11 lease police cars for five years. That's why we  
12 utilize that.

13 MR. NEFF: You may be able to legally  
14 lease something for five years, but do police cars  
15 really have a five year life? I think we had  
16 another Authority in here leasing cars today for  
17 three years. It is just-- again, I don't want to  
18 nickel and dime. But it seems to me if you've got  
19 a police car in a big municipal and put on a lot of  
20 miles every year, a lot of wear and tear.

21 MR. LIGHT: I think that what most of  
22 them do, they trade them down, purchase them from  
23 the police department. After three or four years  
24 they send them to the Public Works or something of  
25 that nature.

1                   MR. CANTALUPO: The State policy is  
2 five years. Certainly, the towns can go three years  
3 if they wanted to finance. It is a maximum term if  
4 they want to use it. Or they can go three years if  
5 they want to.

6                   MR. PANELLA: It's really the town.

7                   MR. NEFF: I don't want to really  
8 belabor that point.

9                   MR. LIGHT: Can I ask one question on  
10 one of the items here on the list?

11                   MR. NEFF: Yeah.

12                   MR. LIGHT: There is fire academy radio  
13 equipment for almost \$3 million. Is that a  
14 complete replacement of the radio system for the  
15 fire academy?

16                   MR. CANTALUPO: Typically when you see  
17 costs that high they are doing a full system  
18 replacement or major components of the system to  
19 notify individuals. You know, the County over the  
20 past several years has been instituting a new  
21 emergency communications system. And I know they  
22 have been very active in putting on new antennas  
23 and new systems.

24                   MR. LIGHT: For that price, that might  
25 be tied into others, such as the Sheriff's office,

1 it's not just the fire academy, though?

2 MR. CANTALUPO: It is a County wide  
3 service. I'm sure it's included. I don't know  
4 positively, but I'm certain with the price tag and  
5 given what Middlesex County has been doing with  
6 their OEM, that would all tie into what they are  
7 doing with the County.

8 MR. NEFF: I just have a question about  
9 one of the purchases as well. There is a  
10 bookmobile in Monroe. Is there a County library,  
11 what is that for?

12 MR. PUCCI: I think I can answer that.  
13 That's for the local municipal library. We  
14 currently have a bookmobile that's been outdated  
15 and we are now purchasing a second one, that I'm  
16 speaking of.

17 MR. NEFF: There is no County library?

18 MR. PANELLA: Monroe has it's own  
19 municipal library.

20 MR. NEFF: There is no County library?

21 MR. CANTALUPO: Outside of the County  
22 College's, they don't have their own library.

23 MR. LIGHT: They have interlocal local  
24 agreements between the library, but they are all  
25 municipal.



1                   MR. NEFF: I have to say I'm not going  
2 to be prepared to vote for this today. In the end  
3 I think we can get there. But I have to say, I'm  
4 sure you know this is coming, the comptroller  
5 report that came out last year, \$210,000 or  
6 approximately \$200,000 salary for the Executive  
7 Director, \$55,000 bonus that was paid in 2010, \$400  
8 a month payment toward the car. It seemed  
9 excessive to me.

10                   When I reviewed the questionnaire for  
11 the Authority I noticed that an answer to whether  
12 or not the health benefits were as cheap as or  
13 cheaper than the State Health Benefits Plan, the  
14 answer was essentially we don't know or we can't  
15 provide that analysis. Which seemed a little bit  
16 strange to me.

17                   I just I can't, in light of the fact  
18 that there is a \$50,000 fee that's going to the  
19 Authority and a \$10,000 first annual fee, which I'm  
20 not sure what the difference is between those two  
21 fees, it seems to me there is not a tight ship  
22 being run at the Authority.

23                   I'd like to hear some comments on the  
24 comptroller's report.

25                   MR. PUCCI: I'd like to comment now,

1     rather than wait for a later period.  First, it is  
2     always important to put something in prospective.  
3     As the Executive Director, which I've been in this  
4     position now for twenty-three years, when I first  
5     started twenty-three years ago, I was given a seat  
6     like you are sitting on, a desk and a \$25,000  
7     budget.

8                     Now, it's always easy in the big scope  
9     of things to look at today and say, wow, that  
10    salary, it's a pretty big salary you are getting.  
11    If you look at our report, I think it is important  
12    from the prospective of reviewing it over those  
13    twenty-three years we went from that \$25,000 budget  
14    to a budget that's over \$60 million, over half a  
15    billion dollars on our statement as far as financed  
16    projects.

17                    Which I might add, includes five  
18    special needs schools, three that were expanded,  
19    two were brand new built.  We also took over the  
20    responsibility-- when I first started the County  
21    had recycling funds and no program.  They told us  
22    at the Authority we want you to run the recycling  
23    program.

24                    It's a lot easier in your position, in  
25    all due respect, Director Neff, to come into an

1 operation and everything is structured. Now, I'm  
2 not just your average guy on the street here. I'm  
3 a career public servant. I have a Master's degree  
4 in public administration. I've served three  
5 communities as a business administrator. I'm the  
6 Executive Director at the Authority for twenty-one  
7 years from its outset. I'm also a mayor of a  
8 community for twenty-six years.

9           So I think I understand well of what is  
10 expenditures and what isn't. I take it personal to  
11 have you, who is someone that was always  
12 politically oriented in a committee position, a  
13 partisan where we're on opposite sides and then you  
14 are appointed to this position.

15           I have the experience and the know how  
16 from day one. Let's talk about what happened at  
17 the Authority. Two brand new nursing homes were  
18 built. The Freeholder Board, it is their policy,  
19 and the Board of MCIA, to decide contracts, to  
20 decide what is expended for those contracts and  
21 we're paid, all right.

22           We did the nursing home after the  
23 recycling program became a model for the State.  
24 Residential collections were ranked number one or  
25 two in the State every year in the counties.

1                   Number two, we've got the nursing  
2 homes. We're the safety net in Middlesex County.  
3 Everybody tried public second, go public sector,  
4 sell them. There is a safety net. Eighty percent  
5 of our residents, over 400 residents are in there,  
6 a lot of which are on Medicaid and can't afford  
7 anything.

8                   The Freeholder Board decided, their  
9 policy, to let us run it and subsidize it. In  
10 addition to that, there were all kinds of losses at  
11 the golf courses, all kinds of issues and  
12 problems. We were advised by the Freeholder Board  
13 that they wanted us to take-over the golf program,  
14 work the best we can at it. We did that  
15 responsibility. Numerous financing, numerous  
16 responsibilities, currently have over 600  
17 employees, a substantial amount of employees to be  
18 responsible for in all of these different  
19 divisions.

20                   Now, in all due respect to Mr. Boxer  
21 and his report, if anyone would look online they  
22 could see our responses to that report. It was  
23 issued in August of 2012.

24                   So what happened was, in dealing  
25 specifically with this mysterious bonus or this

1 non-transparency, if anybody really looked at it  
2 and was truthful, what happened was that we decided  
3 in certain positions, four specifically, mine was  
4 one, that we wanted to pay a salary that was in the  
5 pension plan. And then there would be additional  
6 funds that were paid in addition to that, as  
7 supplemental income for benefits, extended  
8 benefits.

9           That was all instituted. That was  
10 passed by the personnel committee. That was put in  
11 the budgets. That was part out of our W-2s.  
12 Anybody could scrutinize it five different ways and  
13 find it. It didn't mysteriously drop out of the  
14 sky in December of two 2010 and '11 and jus say  
15 this is a bonus. It was paid bi-weekly.

16           It is rather interesting now, because  
17 the Governor's program that was passed by the  
18 legislature, now caps executive positions in many  
19 PERS positions and then makes you after that  
20 \$100,000, whatever the number is that's capped, you  
21 go into another program, no different than what we  
22 were doing.

23           With that said, we were first advised  
24 by the Controller's office we wanted to review the  
25 Middlesex County Improvement Authority because you

1 are one of the largest operations and multi purpose  
2 operations in the State of New Jersey. They did  
3 that.

4                   Interestingly, what's never commented  
5 on, the financings were all found in place. There  
6 were no findings against any of the finances. In  
7 addition to the that, we put it in the report just  
8 so everybody can see. Because all you read today  
9 politically is that all of these commissioners, in  
10 all due respect to all of you as members of this  
11 Board, all they do is expend funds on either trips  
12 or go to conventions, have cars or benefits.

13                   We put in the report, it is never  
14 mentioned, big kept secret, all our commissioners,  
15 no salary, no benefits, no trips, no car, nothing,  
16 zero. Five member Board, they token expend a dime.

17                   So as we look at it and you look at it,  
18 I can understand from where you are coming and your  
19 angle, but, again, this application, in all due  
20 respect to your sheet that you sent out and  
21 questionnaire, this is the wrong--and I'm going to  
22 tell you this, because I'm going to tell you as a  
23 kid now-- I'm not patronizing, but I'm mad. When I  
24 started in this business that job you have was the  
25 goal of every administrator in the State of New

1 Jersey.

2                   It was a well respected position.  
3 Because you know what was different when you sat  
4 here? There was no politics. There could be Rs  
5 and Ds on this Board, Executive Directors. Now the  
6 Authorities are getting very frustrated. Because  
7 it is not as if you are talking substantive items.  
8 What you are talking about is, you are talking  
9 about individual things and knit-picking.

10                   You want to talk about the State Health  
11 Benefits Plan, fifteen years ago or so NJIF in  
12 Middlesex County was created, because the State  
13 Health Benefits Plan was so expensive, and as Tony  
14 alluded to a little bit on the lease program, it  
15 was uncontrollable as far as the year to year  
16 expense.

17                   Now so you say that about the State  
18 Health Benefits Plan. We put in the report we have  
19 four union agreements, four different union  
20 agreements. Some end in '13, some end in '14.  
21 Every one of them-- we're a union county, we  
22 believe in collective bargaining--each one of them  
23 has certain coverages.

24                   The State Health Benefits Plan would  
25 not work at this juncture because it does not have

1 the coverages that we agreed to in these union  
2 agreements.

3 Now, come to the end of 2014, we have  
4 to make a decision. We had a competitive bid when  
5 we gave Blue Cross/Horizon that bid a few years  
6 back. What we'll do at that time. We'll look at  
7 the State Health Benefits Plan. We'll look at the  
8 coverages. We'll look at what contracts we can  
9 negotiate. Then we'll go from there and make a  
10 decision. It's premature now. We just can't do  
11 it.

12 We also sent you that report. I'm a  
13 professional administrator. Forget the hat as  
14 politician or mayor. We sent you a report. We  
15 didn't hear from you back until this moment. Now  
16 you say you want to delay things, because all of a  
17 sudden, oh, there are a couple of questions that  
18 weren't answered properly.

19 A, why didn't you get back to us  
20 sooner? B, I don't see how that's relative at all  
21 to what we're doing here today.

22 We're talking about the County and six  
23 other communities who had planned these dollars at  
24 a certain schedule. We delayed it a month or a  
25 couple--last month we were going to come on, we



1 delayed it. We're here this month. We gave you  
2 the report.

3 I just want to say, I do not think, if  
4 you want to have disagreements with me and the  
5 Authority, you are putting in prospective something  
6 that you are not. You are not the Freeholder Board  
7 in Middlesex County or any other county. You are  
8 not the Board at MCIA. They are the policy makers,  
9 they do the determination.

10 Now, you can disagree with me on the  
11 amount of funds being expended for my apply  
12 personal salary, that's understandable. Let me  
13 tell you one thing we did after, we went to the  
14 Board. I said, listen, the comptroller's report,  
15 the Board made it unanimous, unanimous saying to  
16 me, you deserve every dollar you earn. That's what  
17 they said to me at that time.

18 I said you know what, in fairness to  
19 everybody, let's look over these see and what we  
20 can do. Because from the standpoint of transparency  
21 they want to see it all in the pension plan. They  
22 said, well, you deserve a certain amount of  
23 compensation for everything that you did,  
24 everything that you did from day one.

25 That's not getting recognized. They are

1 looking at it right now as if it was always here.  
2 So I said you know what we'll do, we'll research.  
3 The Governor, in all due respect, I know he  
4 challenged the Superintendent of Schools and said  
5 \$175,000. With made an argument in our report that  
6 we don't think the Governor's position, whether it  
7 is Governor Christie or anyone else as a Governor,  
8 should be comparative. It should be something  
9 else.

10                   What did we look at? We looked at an  
11 agency that had one-third the employees. We looked  
12 at an agency that we felt the responsibilities were  
13 far less in the scope of what we do, compared to  
14 ours. We tried to look at the Governor's  
15 philosophy.

16                   What did we see? We saw in May of  
17 2012, an Executive Director position for the  
18 Economic Development Authority, far less  
19 responsibility. In fact, the appointment everyone  
20 would legitimately argue, the person may have had  
21 potential but was not experienced, salary  
22 established at \$225,000.

23                   Then we looked at a second position  
24 established, operations officer. A promotion for  
25 someone from within who obviously was experienced,

1 given over \$200,000.

2 We looked at that as a comparison for  
3 me as the Executive Director and everything that I  
4 did as far as questioning me whether it is should  
5 go in the pension or not. The Board said, well, if  
6 you are willing to take it, even though we prefer  
7 that you keep the current correct, we will put it  
8 in a new contract. That's the contract that we  
9 sent you.

10 Similar to the other two who were under  
11 contract, one in a memorandum of understanding, the  
12 same principle applied as far as competitive.  
13 That's how that came about.

14 The only thing that I would appreciate,  
15 I'm only a phone call away, we could have discussed  
16 this long before this meeting. I don't think it's  
17 right to hold this up if the arguments are going to  
18 be about the fact sheet, because we're going to be  
19 before you in the future anyway on different items  
20 and I think we can discuss it professionally.  
21 Thank you.

22 MR. NEFF: So just a couple of points.  
23 First off, I didn't question your personal  
24 integrity or your ability to run your Authority. I  
25 didn't do it. I take exception to being called a

1 kid. Even though maybe I'd like that, because I'd  
2 like to be young.

3 MR. CANTALUPO: You should like that.

4 MR. NEFF: But I've been in public  
5 service for or twenty-two years myself. I spent  
6 two years as a lawyer in a law firm that's very  
7 credible and large in this state. I worked with  
8 clients from Hudson County to Asbury Park. I've  
9 worked with other agencies and divisions here.

10 Regardless of what you may think of my  
11 past history, I think I have a pretty good  
12 reputation for working very well with people who  
13 are Democrats, Republicans, regardless of their  
14 party affiliation.

15 The Hudson County Improvement Authority  
16 has come before this Board, Camden County  
17 Improvement Authority. We worked well, things have  
18 gotten through the process.

19 My exception that I take to what I see  
20 with the Authority is not based on politics. It is  
21 based on seeing a public salary in a public setting  
22 that appears to me to be higher than it should be.  
23 Only because it is public service.

24 We all say property taxes are too high  
25 and people should be taking salaries commensurate

1 with what we do. I can turnaround and say a  
2 private attorney in my place gets paid a lot more  
3 money. In fact, I did when I was not here.

4 MR. PUCCI: The point I wanted to  
5 raise--

6 MR. NEFF: I listened to you for ten  
7 minutes. You can listen to me for one.

8 MR. PUCCI: I just want to make one  
9 point.

10 MR. NEFF: You can listen to me.

11 MR. PUCCI: You are the one who  
12 challenged me.

13 MR. NEFF: Come on.

14 MR. PUCCI: I just to say--

15 MR. FOX: Let's take a deep breath.

16 MR. PUCCI: I just want to say one  
17 thing. You can have your opinion whether my salary  
18 is high or not. The Freeholder Board and the Board  
19 at MCIA made a decision. That's fine. What I'm  
20 challenging is, to hold up this application on that  
21 argument.

22 MR. NEFF: Part of your application is  
23 fees that get paid to your Authority that pay your  
24 salary and are paid by property taxpayers in  
25 Middlesex. That's relevant to this application.

1 You may see it is knit-picking and around the  
2 margins. I see it as something more.

3 I try to take a professional tone in  
4 this comment and this exception here. I'm about to  
5 go in a different direction, because I think I was  
6 called a kid. I think I was told I was just a  
7 political hack. That's what I heard, maybe I  
8 missed it. You know, I'm not the one--

9 MR. PUCCI: I never used that language.

10 MR. NEFF: That's taking in \$210,000 and  
11 taking a \$400 a month payment for a car and getting  
12 another payment from your municipality where you  
13 are a mayor. Taking in lieu of payments as your  
14 mayor for health benefits, but taking benefits from  
15 the Authority itself.

16 Don't sit here and tell me I'm a  
17 political hack. You're the political hack.

18 I'm not voting for this today. This  
19 can hold over until next month. Maybe things will  
20 quiet down a little bit. I tried to have a  
21 professional discussion here today. That's not what  
22 I got from you.

23 MR. PUCCI: I am here to review my  
24 comments.

25 MR. NEFF: Okay. We're done, next.

1                   MR. FOX: I think the fact that there  
2 are not enough votes to pass this today, given the  
3 Director's decision, that we hold it.

4                   MR. NEFF: We are deferring this. Then  
5 next up is Bayonne. We'll take Bayonne next. This  
6 is done.

7                   (Stephen Gallo, being first duly sworn  
8 according to law by the Notary).

9                   MR. GALLO: Stephen Gallo. I'm the  
10 Business Administrator for the City of Bayonne.

11                  MR. BAUMANN: Director, members of the  
12 Board, I'm Joseph Baumann, from Mc Manimon,  
13 Scotland & Baumann, for the City of Bayonne.

14                  MR. FOX: We're glad you're here we're  
15 here.

16                  MR. BAUMANN: Thank you. We have  
17 presented to the Board an application to dissolve  
18 the Bayonne Local Redevelopment Agency, consistent  
19 with 40A:5A-20.

20                  We believe we provided you with a  
21 comprehensive application that identifies the two  
22 pronged test that we need to meet in order for the  
23 Board to dissolve the Authority.

24                  The two prongs include addressing the  
25 obligations and debt of the Authority and then

1 confirming that the City is in a position to  
2 takeover and provide the services previously  
3 provided by the Authority.

4           Let me sort of start with the services  
5 first. The City of Bayonne as a redevelopment  
6 entity, continues to provide redevelopment efforts  
7 throughout the City, just not just at the Military  
8 Ocean Terminal of Bayonne.

9           There are a number of redevelopment  
10 projects that go on in Bayonne on a continuing  
11 basis that's handled entirely by the City  
12 administration.

13           The City is confident that it will be  
14 able to add the redevelopment efforts at the  
15 Military Ocean Terminal and the overseeing of those  
16 redevelopment efforts in it's current  
17 infrastructure. And as a result doesn't expect to  
18 have need to add additional staffing or otherwise  
19 to provide the services associated with  
20 redeveloping the Military Ocean Terminal, in  
21 addition to various projects going on in the City.  
22 You will see in our application we believe that  
23 ultimately saves the city several million dollars a  
24 year going forward.

25           As far as the obligations and the debt



1 of the Authority is concerned, we've identified for  
2 you all of the debt in the application. It comes  
3 in basically two forms, nonrecourse and recourse.

4           The nonrecourse debt is debt that the  
5 Authority has incurred for which the City of  
6 Bayonne and the Redevelopment Agency are not  
7 responsible. Meaning that there is some other  
8 source of funding.

9           For example, in the case of Royal  
10 Caribbean, the Royal Caribbean corporate guarantee  
11 provides for the debt service on those bonds. This  
12 is very similar to what the New Jersey Economic  
13 Development Authority does on a regular business  
14 and is permitted under the Redevelopment laws.

15           Included in that category is a Bayonne  
16 Bay Developer Note, which I'll address sort of at  
17 the end of my remarks.

18           On the recourse side there are  
19 literally just three debt obligations that are  
20 recourse to the City of Bayonne through the subsidy  
21 agreement. There are two notes and a bond issue.  
22 They are identified in the application.

23           The City's intention is to initially  
24 assume that debt and then ultimately to refinance  
25 that debt through the HCIA or in the public

1 markets.

2           So as a result, you have a bond  
3 ordinance that authorizes \$45 million worth of debt  
4 as well as our resolution that will be adopted to  
5 assume the debt on an interim basis.

6           There have been two objectors who are  
7 also litigants against the BLRA in this matter, who  
8 have submitted both letters and very comprehensive  
9 documents opposing, in one case the dissolution and  
10 in another case just asking for clarification as to  
11 the intention of the City following the  
12 dissolution.

13           We thought that our intention was  
14 clearly stated. We believe that our contention is  
15 clearly stated in the application and in the  
16 subsequent letter we provided.

17           The City of Bayonne will stand in the  
18 shoes of the Bayonne Local Redevelopment Authority  
19 after the dissolution, no more, no less. So the  
20 expectation is that subsequent to the dissolution  
21 of the BLRA, the City of Bayonne as the successor  
22 entity to the BLRA, will have all the rights and  
23 duties of the BLRA and have all the assets and  
24 obligations of the BLRA, no more, no less.

25           In the case of the BB&E note, which is

1 currently a nonrecourse note, meaning that it is  
2 secured by a mortgage on property at the Peninsula,  
3 but it is not secured by either the general funds  
4 of the BLRA or secured by the subsidy agreement  
5 between the City and the BLRA.

6 The expectation is that the City is  
7 going to issue debt to refinance that debt, within  
8 the next two months. The BLRA has issued a  
9 termination notice to BBD, which pursuant to that  
10 notice requires that they pay off that note on  
11 September 28th, 2013.

12 The City of Bayonne fully intends to  
13 raise the money to pay off that note as the BLRA  
14 promised they would do, on September 28th, 2013.

15 So this is no effort to avoid that  
16 obligation. In fact, it's an effort to satisfy the  
17 obligation pursuant to the letter of the BLRA  
18 previously sent to that developer.

19 I think there have been some questions  
20 raised about whether or not, if and when there  
21 would be an adverse ruling against the BLRA or in  
22 this case the City as the successor to the BLRA,  
23 the city would be responsible.

24 The City's position is that neither the  
25 BLRA nor the City have any obligation to those

1 litigants. Their cases are without merit.

2           Having said that, if and when a final  
3 decision is rendered, a final and nonappealable  
4 decision is rendered by a Court of competent  
5 jurisdiction, the City would step up and be  
6 responsible for that obligation, in the same manner  
7 as if they were the BLRA.

8           This is simply an effort to complete a  
9 process that was begun by Mayor Smith when he  
10 became elected, to consolidate government and also,  
11 frankly, consistent with your direction to us when  
12 the BMUA came down for certain approvals, but you  
13 also directed us to begin the process of dissolving  
14 the BLRA.

15           We're here today to fulfill that  
16 promise to you and that commitment of Mayor Smith,  
17 to the taxpayers and citizens of Bayonne to  
18 dissolve the BLRA.

19           MR. NEFF: Have you provided in all the  
20 documentation that you submitted to the Board, have  
21 you provided a copy of that as well to the  
22 litigants in the different matters?

23           MR. BAUMANN: We have.

24           MR. NEFF: Can you explain a little bit  
25 better the nonrecourse debt of the Authority and

1 the four different issuances or five--or four and  
2 only the BBD note would be covered by this. Why  
3 BBD and not the other three?

4 MR. BAUMANN: Let me begin with Royal  
5 Caribbean. The BLRA issued bonds for Royal  
6 Caribbean to build a port terminal on the Military  
7 Ocean Terminal. The BLRA issued that as a conduit  
8 issuer, just like the NJEDA issues debt. It is  
9 secured by the corporate debt of Royal Caribbean.

10 So the City of Bayonne and the BLRA are  
11 not responsible for that debt. So the City feels  
12 no need to become responsible today.

13 The Bayonne Crossing project was also  
14 bonds that are secured by an annual service charge.

15 MR. FOX: The Bayonne what?

16 MR. BAUMANN: Bayonne Crossing. It is a  
17 retail projects on Route 440 that was done as a  
18 redevelopment project. The debt is paid for that  
19 through an annual service charge, a payment in lieu  
20 of taxes, paid for by the developer. Again, the  
21 BLRA is not responsible for that, it's nonrecourse  
22 to the BLRA and it will continue to be so.

23 The third obligation is a BBD note.  
24 The BLRA, as of this issuance of a notice of  
25 termination in connection with that project, is

1 obligated to repay that note on December 28th,  
2 2013. It is nonrecourse.

3           When the City takes over that, it will  
4 remain nonrecourse. But the City's intention is to  
5 borrow recourse debt, not from BBD, but from the  
6 markets or through the HCIA, to raise the funds to  
7 pay them off.

8           That debt will remain nonrecourse after  
9 we dissolve the BLRA. But our expectation is we  
10 will issue recourse debt to pay it off. Why are we  
11 issuing recourse debt to pay off nonrecourse debt?  
12 Because the property is worth more than \$14  
13 million. It makes the most sense for us to issue  
14 the debt, pay off BBD, have the mortgage and all  
15 the recorded documents released, making that land  
16 free and clear of any encumbrances which currently  
17 exist. That would be the third portion.

18           By virtue of the ordinance we're not  
19 turning that nonrecourse debt into recourse debt,  
20 we're simply getting authorization from the  
21 bondholders to issue recourse to somebody else to  
22 raise the funds to pay off the BBD notes.

23           MR. NEFF: Who would own the property.

24           MR. BAUMANN: The BLRA will own the  
25 property. The City as successor to the BLRA will

1 the property. The BLRA owns the property today. It  
2 just has a mortgage on it.

3 MR. FOX: On this one, this is good  
4 public policy. Putting aside with all the members  
5 having worked with Bayonne in the past, this can  
6 only help.

7 MR. NEFF: I know there are different  
8 entities and litigants. We are going to take other  
9 people, have them come up and discuss their issues  
10 as well. Before we let them go, anybody have any  
11 other questions?

12 MR. LIGHT: The only question I would  
13 have, I don't know whether it is appropriate at  
14 this time, is that with the pending litigation  
15 would that have any effect on our taking any action  
16 on this request at this time?

17 MR. NEFF: It was just actually listed  
18 on our agenda today as a hearing only. Because  
19 there are so many issues with litigation. We  
20 wanted our Attorney General to be able to listen to  
21 the hearing today.

22 I know that a request has been made of  
23 the Board by at least one of the litigants who  
24 suggested this matter should be appropriately  
25 before the Office of Administrative Law. Our

1 lawyers are reviewing that. I'm not quite sure  
2 where they are on that. I think they are inclined  
3 to say that's not the case. But they are going to  
4 review that and do their due diligence on it, make  
5 sure that we dotted our i's and crossed our t's.

6 We also wanted to make sure that as  
7 part of this hearing and the process going forward,  
8 that the City fully steps in the shoes of the  
9 authority and assumes all of its liabilities, which  
10 seems to be the case.

11 I know that we've got a follow-up  
12 letter dated on, I think the 12th, July 12th.  
13 Which indicated that was certainly the intent and  
14 that's what's being requested.

15 So I think that those are bridges that  
16 can be crossed to make sure that the other  
17 litigants are kept in the same position of being  
18 able to be reimbursed. We want to make sure of  
19 that as well. That's our primary mission here, to  
20 make sure the Authority is just not walking away  
21 from its debts and liabilities.

22 But if there are no other questions  
23 from folks and here, I guess if you have concluding  
24 remarks and bring up the other folks?

25 MR. BAUMANN: I guess, I don't know how



1 many different ways to say, but subsequent to the  
2 dissolution of the BLRA, the City of Bayonne will  
3 stand in the shoes of the BLRA. We will have no  
4 additional obligations. For example, nonrecourse  
5 debt will not become recourse. But we will also  
6 have no less obligations.

7           It is not an effort to avoid  
8 obligations. We understand the law. We understand  
9 the statute. We understand your criteria for  
10 dissolving and we intend to meet it.

11           MR. NEFF: I would just add. I know  
12 that in earlier matters not directly related to  
13 this proposal, I had asked the City to take a look  
14 at dissolving the Authority. I think it is the  
15 right thing to do as a matter of policy.

16           If the Authority keeps spending money  
17 on things that aren't necessarily needed, and if  
18 those functions were wrapped into the City, you  
19 would think there is less money being spent and  
20 more money to go around to make people whole who  
21 may ultimately need to be made whole if the Judge  
22 says they do. That was always my impression and my  
23 desire of this whole process.

24           Like you, we don't want to approve  
25 anything if it means that people who have some sort

1 of rights lose them. With that I think we'll bring  
2 in some of the other folks up. I think we have  
3 some people from Wilentz here today?

4 MR. EPSTEIN: I'm Jonathan Epstein. I  
5 represent--I'm the other objector.

6 MR. NEFF: If you want to come up.

7 MR. EPSTEIN: I think Brian is going to  
8 have more to say than I will.

9 I represent Bayonne Residential Limited  
10 Partnership and Bayonne Residential Urban Renewal.  
11 I'm Jonathan Epstein.

12 Really, we just wanted to make one  
13 point absolutely clear, so that there is no chance  
14 that we're going to be litigating over what this  
15 means if, in fact, there is a dissolution of the  
16 BLRA.

17 So our understanding is that upon the  
18 dissolution of the BLRA, the City will have, with  
19 respect to liabilities, all of the liabilities for  
20 any of the claims that are arising out of any of  
21 the claims that we have as a redeveloper.

22 My client was a redeveloper who built  
23 the Alexian City View project in Bayonne. That's a  
24 544 unit luxury apartment complex.

25 The City, at that moment in time, will

1 have all of the liabilities with respect to our  
2 clients. We don't want to be in Court arguing about  
3 what the consequences of this means with respect to  
4 the City's liabilities.

5           So we want that crystal clear. Our  
6 request was very simple. That is requesting that  
7 the Local Finance Board in its Resolution of  
8 approval, should it approve this matter, will state  
9 that. And acknowledge the fact there are those  
10 pending claims and acknowledge that the City will  
11 have whatever liabilities may arise out of those  
12 claims.

13           I'd just like to make one other  
14 observation with respect to Mr. Baumann's comments,  
15 so that you do have a picture. I'm not sure how  
16 relevant it is, but Mr. Fox raised the question  
17 about or made a comment about what's transpiring.

18           Just so you know, Mr. Baumann has  
19 indicated that the City will continue the  
20 redevelopment effort of the BLRA. That's really the  
21 gist of the litigation of these two redevelopers,  
22 so everybody understands.

23           The gist of the litigation is that the  
24 redevelopment effort of the BLRA was abandoned  
25 inappropriately, we say contrary to the

1 Redevelopment Law, contrary to our redevelopment  
2 agreements.

3           We have no idea, at this moment in  
4 time, other than what we may learn in our--  
5 whatever settlement negotiations we may be having  
6 with regard to our litigation. We have no idea what  
7 the so called redevelopment effort is with regard  
8 to the Peninsula at Bayonne Harbor.

9           I want to make sure you understand,  
10 this is not as if the City has an ongoing  
11 redevelopment effort that we are aware of at this  
12 moment in time regarding the Peninsula.

13           Those are my only comments. If you have  
14 any questions for me, I'll be happy to answer them.  
15 I'll be happy to answer any questions about our  
16 case. If not, that's all that I wanted to bring to  
17 the attention of the Board.

18           MR. FOX: Can I ask a response to that  
19 point?

20           MR. BAUMANN: I guess I feel like we  
21 were all saying the same thing over and over again.

22           MR. FOX: I actually accept the facts  
23 that the City will be held responsible. I'm  
24 actually now asking, is there a redevelopment?

25           MR. BAUMANN: There is a redevelopment

1 plan in place. There is ongoing settlement  
2 negotiations with the redevelopers. You know, we  
3 expect to get that all wrapped up, put into place  
4 and move forward.

5 MR. NEFF: Did you receive Mr.  
6 Baumann's letter of July 12?

7 MR. EPSTEIN: I did. Mr. Baumann has  
8 kept me apprised of exactly what was transpiring.

9 MR. NEFF: If that was a matter of the  
10 record and was reflected in a resolution, would  
11 that address your concern?

12 MR. EPSTEIN: Ninety percent of the way  
13 there. What he didn't say, which is something that  
14 he did say on the record today, is an  
15 acknowledgment specifically with respect to the  
16 pending claims, that the City stands in the shoes  
17 of the BLRA with respect to those claims. And to  
18 the extent that there would be a liability that  
19 arises out of those claims in the litigation, the  
20 City would be responsible for that liability. With  
21 that additional language, that would be acceptable  
22 thank you.

23 MR. NEFF: Okay.

24 (Benjamin Hoffer, being first duly  
25 affirmed according to law by the Notary).

1                   MR. HOFFER: Benjamin Hoffer, in-house  
2                   counsel to Bayonne Bay Developers.

3                   MR. MALLOY: I'm Brian Malloy, Wilentz,  
4                   Goldman & Spitzer. I represent Bayonne Bay  
5                   Developers in the litigation. We submitted a  
6                   letter in response to the dissolution application.

7                   I do appreciate the opportunity to come  
8                   here and some of the comments. I would just like  
9                   to make a few comments. I know it's been a long  
10                  morning. I'll try to keep my comments short.

11                  First, Joe Baumann mentioned that as  
12                  part of his presentation that the City and the BLRA  
13                  believe that the litigation lacks merit.

14                  This is not the place to debate the  
15                  merits of the litigation, but to give you some  
16                  context as to why we're here opposing this  
17                  application.

18                  Mr. Baumann just acknowledged in  
19                  response to your question, sir, that there is a  
20                  redevelopment plan in place. There is.

21                  The city abandoned it three years ago.  
22                  The City-- the mayor, because they had a \$32  
23                  million budget gap that they could not fix, invited  
24                  the Port Authority to buy three of five residential  
25                  developments on the Peninsula, residential

1 properties, for use for non-residential purposes,  
2 for uses inconsistent with the redevelopment plan.

3 In my client's redeveloper agreement,  
4 there is a specific undertaking by the BLRA, that  
5 they will not permit a container port on the  
6 Peninsula. The container port is a maritime heavy  
7 industrial use. The contract they gave to the Port  
8 Authority, permits a container port on the  
9 Peninsula.

10 In sum and substance, there is a breach  
11 of contract action and a tortious interference  
12 action. Because the City sold out my client's  
13 contract, because they needed \$32 million in thirty  
14 days.

15 The Port Authority was a very willing  
16 conspirator in that story. They gave them the money  
17 they needed. And our view is, threw my client's  
18 contract under the bus.

19 For a case that has no merit, it's been  
20 litigated for almost three years. We have a damage  
21 claim in excess of \$100 million. And perhaps  
22 because I was born in Jersey City and have Hudson  
23 County roots, I'm suspicious when the primary  
24 defendant in my case is going to be dissolved.  
25 Without, I would submit to you, adequate

1 explanation in this application as to what is going  
2 to happen.

3 Now, Mr. Baumann's says they are going  
4 to-- if I heard him correctly, the City is going to  
5 borrow money to pay the \$14 million note, plus  
6 interest of my client. I'm encouraged to hear  
7 that, because they have fought in the litigation.  
8 They resisted paying that money back despite the  
9 BLRA's breach.

10 Moreover, moreover, he said today that  
11 they are going to pay that money back. They sent a  
12 letter saying we'll pay the money back, but then  
13 you have no claims against the city or the BLRA.  
14 Tying it a relinquishment of to claims that are in  
15 excess of \$100 million.

16 There are more questions asked or  
17 raised by this application than answered. The  
18 application does not have any provision for the  
19 payment of the \$14 million note plus interest. Mr.  
20 Baumann's letter says that, but it is inconsistent  
21 with the application.

22 Because now they are saying they are  
23 going to--the City is going to raise money to pay  
24 that note down. There is no provision in the  
25 application for the increased litigation costs to



1 the City as a result of the dissolution of the  
2 BLRA. There won't be the BLAR to help fund the  
3 defense costs to the City and the BLRA.

4 There is no analysis of how they are  
5 going to save \$2 million. I hope that's true. If  
6 they can, I think as a citizen of the State that's  
7 good public policy. They haven't demonstrated how  
8 they are going to do it, other than to say it.

9 Mr. Baumann said here today that he  
10 anticipates the City would not need to hire  
11 additional personnel to assume all the  
12 redevelopment functions of the BLRA. I never heard  
13 that before.

14 I asked the mayor that in the  
15 deposition. He refused to answer the question.  
16 One reason could be because there is no  
17 redevelopment function being done right now on the  
18 Peninsula, because they have abandoned and walked  
19 away from the redevelopment plan.

20 Our view is simply this. There are many  
21 issues raised by this application. The application  
22 deserves to be reviewed on the merits. It doesn't  
23 deserve to be rushed through.

24 We are requesting the opportunity for a  
25 hearing to resolve issues and questions that are

1 raised by this application, that have not been  
2 adequately explained thus far. Maybe they will,  
3 but not thus far. We have contractual rights to be  
4 protected, constitutional rights to be protected.

5           Again, when the primary defendant in  
6 the litigation is vanishing without adequate  
7 explanation as to what's going to happen, my  
8 antenna go up. When hear here something contrary  
9 to what's in the application, that they are going  
10 to refund the \$14 million note plus interest, which  
11 is contrary to the application, I have more  
12 questions, not fewer questions.

13           We request the opportunity to ferret  
14 out those questions, to get a full record. So that  
15 this Board then can review it on the merits, but  
16 with a full explanation of what's going to happen.  
17 Because there too little disclosed.

18           I credit Mr. Baumann for disclosing  
19 more today. I think that's a step in the right  
20 direction. But we're not there yet. There is,  
21 quite frankly, too much at risk. That's the  
22 essence of it. If there are any questions?

23           MR. NEFF: That's precisely why we are  
24 having the hearing today. I don't want to rush  
25 something through of this magnitude.

1                   MR. MALLOY: I wasn't suggesting that  
2     you were. I welcome the fact that it is being--

3                   MR. NEFF: We will be--whether they  
4     want to take a stab at answering some of the  
5     questions you raised now or whether they'd like to  
6     respond in writing is fine as well. But if you  
7     have questions above and beyond what you raised  
8     here--

9                   MR. MALLOY: In the letter we submitted,  
10    which I will rely upon for that. I don't want to  
11    repeat that.

12                  MR. NEFF: That has, of course, been  
13    sent to Mr. Baumann as well?

14                  MR. MALLOY: Certainly.

15                  MR. NEFF: We'll let this lie.

16                  MR. FOX: This is complicated, but one  
17    thing for edification. Wasn't there always allowed  
18    a marine terminal on the northern side of MOTBY at  
19    some point? I always thought it was, but go ahead.

20                  MR. MALLOY: There is a maritime  
21    district. But the redevelopment plan itself  
22    specifically says there cannot be a container port,  
23    even in that district, as a full-time use.

24                  MR. FOX: That would be across the line?

25                  MR. MALLOY: There is a barrier and

1       there is a buffer.  But what we're talking about  
2       is--

3                       MR. FOX:  Even though you could see it  
4       in clear view.

5                       MR. MALLOY:  Yes.  There is a wonderful  
6       redevelopment plan with wonderful artist renderings  
7       of interesting neighborhoods and recreational water  
8       activities that my client bought into hook line and  
9       sinker.  And gave the City \$14 million in advance,  
10      because the city needed the money.  And then sell  
11      out three of the five residential districts to the  
12      Port Authority.

13                      I went on the Port Authority web site.  
14      They don't build residential housing.

15                      MR. FOX:  True, hopefully never.

16                      MR. NEFF:  Can i just-- two points for  
17      Bayonne.  One, we don't have a statement of  
18      creditors of the Authority.  It is not signed, we  
19      don't have a signed copy of that.  We still need a  
20      signed copy of a list of creditors.

21                      We also do need a detailed break down  
22      of what the projected cost savings are for the  
23      proposal as well, if you can get those two things?

24                      MR. BAUMANN:  Yes.  Can I make some  
25      final remarks?

1 MR. NEFF: Sure.

2 MR. BAUMANN: We didn't list the  
3 liabilities. I guess she wants us to sign, so we  
4 will get that to you. We can provide the savings.  
5 But I want to make sure that we're all focused,  
6 which I know you are, on what-- this is not the  
7 lawsuit, as Brian said and I grow. It is not an  
8 opportunity for us to debate the merits of the  
9 lawsuit. It is not an opportunity for them to use  
10 it as a legal strategy to extract information that  
11 we would not otherwise be obligated to give in the  
12 lawsuit.

13 It is really just an opportunity for us  
14 presenting to how we are meeting the obligations of  
15 the obligees and how we are providing the  
16 services. That's really where I was hoping we  
17 would all stay focused and not allow this to become  
18 a bigger investigation, discussion than is  
19 otherwise appropriate for this.

20 When the City says explicitly says on  
21 the record by me in the ordinance, we are stepping  
22 up to all of the obligations, to all of the  
23 liabilities, whatever they are, when they arise.  
24 In that process we're not admitting any liability  
25 that doesn't exist already. We're not assuming any

1 obligations that don't exist.

2                   When we say that and we say "all", all  
3 means all. While I appreciate Mr. Malloy is  
4 suspicious being from Hudson County, that is not  
5 how we're playing this game here.

6                   I sent, as Mr. Malloy would agree, I  
7 sent the ordinances to him before they were  
8 adopted. I called him several times. I kept Mr.  
9 Epstein apprised every step of the way.

10                   I understand and appreciate why there  
11 is a suspicion. I just don't know how many ways to  
12 say, that the City of Bayonne intends to step up to  
13 the plate and meet all of the obligations of the  
14 BLRA.

15                   But in doing so, they are not going to  
16 take on obligations that don't exist today, like, a  
17 lawsuit that hasn't been finally decided by a Court  
18 of competent jurisdiction that's nonappealable.  
19 They are not going to step in and say we are going  
20 to do something that's not--that the BLRA wasn't  
21 responsible for. We're just going to step up and  
22 say we're doing exactly what we said we're going to  
23 do.

24                   "All" means all. Through this process  
25 I want to make sure they don't turn this into

1 something that it really doesn't need to become,  
2 which is this big sort of discussion. "All" means  
3 all. That's what we meant.

4 MR. NEFF: I have no intent of  
5 re-litigating what's already being litigated  
6 somewhere else.

7 MR. MALLOY: May I make one comment if  
8 I may?

9 MR. NEFF: Yes.

10 MR. MALLOY: Joe reminded me. The  
11 ordinance that they adopted says that they will  
12 initially assume all the obligations. The word  
13 "initially" doesn't appear in the statute. It  
14 says that when the City and the municipality  
15 dissolve the authority, it has to assume all  
16 obligations. It's peculiar that the word  
17 "initially" is inserted. I don't know what that's  
18 intended to mean. I think we're entitled to know  
19 the answers to that.

20 MR. BAUMANN: Let me do that on the  
21 record, too, so there is no suspicion in what I  
22 described as "initially" in my discussion. We are  
23 going to assume that right away. We are going  
24 refinance it. So initially we're going to assume  
25 it. Then we have a bond ordinance than allows us to

1 refinance it. So there are notes. One of notes  
2 come due on August 8th. That's being refinanced by  
3 the BLRA. The HCIA has nothing to do with this.

4 We are initially going to assume that  
5 debt. Then we are going to ultimately refinance it  
6 directly to the City. So "initially" is just meant  
7 to clearly explain step one, assume debt to be  
8 refinanced later per the bond ordinance. Nothing  
9 untoward, sneaky. It is what it is.

10 MR. NEFF: I would share all the  
11 suspicions of Hudson County, even though I'm not  
12 from Jersey City. I do feel as though they are  
13 moving in a direction that I think we all think is  
14 the right thing to do. We do want to dot the i's  
15 and cross the t's.

16 I think I would take an unusual step  
17 with this process. We'll take a stab at the  
18 resolution of the Board for how it would approve  
19 this if ultimately that's what is done. We will  
20 circulate that ahead of time. Let people take a  
21 look at it and make sure that peoples' comfort  
22 level is there.

23 But I do want to also stress that we're  
24 not going to allow the Board to be put in a  
25 position where we try and otherwise rule on



1 litigation issues that are pending before a Court.

2 We're not going to do that.

3 MR. MALLOY: We're not presenting--

4 MR. FOX: My statement about I do  
5 belief, as the Director, believe that it is good  
6 policy to consolidate decision making. That's what  
7 I meant by that. So nothing that--

8 MR. MALLOY: May my client make a  
9 statement?

10 MR. NEFF: Yes.

11 MR. HOFFER: I just want to say that  
12 since my client has been involved in this process,  
13 on our side the people remain the same. However,  
14 every year or two the players on the other side of  
15 the table change. With that change comes a change  
16 in the way they handle their business.

17 So initially we were working with Mr.  
18 Baumann and his team. Then politics changed and  
19 Mr. Baumann was out for some period of time. We  
20 were dealing with Mr. Worther, Mr. Patella and Mr.  
21 Malloy--

22 MR. MALLOY: That's me.

23 MR. HOFFER: No, another Malloy.

24 MR. MALLOY: Terry Malloy.

25 MR. HOFFER: Terry Malloy, Mr. Nichols.

1 The cast of characters on the Bayonne side has  
2 changed like a revolving door every other year or  
3 so.

4 When that happens there is a 180 degree  
5 turn in how they handle our matter. We're left not  
6 sure what to do. We are not looking to re-litigate  
7 the case here. We do look to the Local Finance  
8 Board to protect the status quo. We had look to  
9 get summary judgment on our note a year and a half  
10 ago. The BLRA came in and said to the Judge, whoah,  
11 this is part of a larger matter. You shouldn't  
12 rule on the note yet. Wait until everything is  
13 decided. Keep the status quo on the Peninsula and  
14 everything there.

15 I'm a little concerned being a Bayonne  
16 born and bred person, you know, even when my  
17 grandmother says to me, they were always corrupt,  
18 they continue to be corrupt and they always will be  
19 corrupt. I'm not saying they are that way today,  
20 but that's just what my grandmother said to me.

21 I just feel that I want to maintain the  
22 status quo so that-- just as the BLRA sought to  
23 do. So that, just as they wanted, we should have  
24 the same benefit.

25 MR. FOX: Your company made an

1 investment in an area that was risky or had  
2 potential, great potential and great difficulties  
3 associated with it; correct?

4 MR. HOFFER: I was curious what the  
5 risks here are referring to.

6 MR. FOX: You took a risk that could  
7 have gone--you know, it was a difficult project  
8 from day one?

9 MR. MALLOY: Not until they sold out to  
10 the Port Authority. We didn't assume that risk.

11 MR. FOX: Before the Port Authority  
12 stepped in the last couple of years, it was still a  
13 complicated--

14 MR. HOFFER: A redevelopment of that  
15 size is a complicated matter.

16 MR. FOX: That project has had many  
17 issues for quite a long time.

18 MR. HOFFER: Sure, that's fair.

19 MR. FOX: When you make an investment in  
20 an area where you have government involvement,  
21 changes in the cast of characters, quote,  
22 unquote "happens".

23 MR. HOFFER: It does.

24 MR. NEFF: You are more likely to have  
25 more frequent and complicated changes in the cast

1 of characters if you've got two entities rather  
2 than one, I would argue.

3 MR. HOFFER: Everybody blames their  
4 predecessor and says the guy before me.

5 MR. NEFF: That is certainly true. All  
6 you can do is look forward and try to figure out  
7 what the right thing to do is.

8 We'll review the record. We'll review  
9 the different letters and correspondence that we  
10 received.

11 As I said, we'll put together some sort  
12 of draft resolution for the Board that we may  
13 consider at the next meeting. We will circulate  
14 it, if people want to take a look at it. If there  
15 is something that gives you discomfort, something  
16 that you think can be clarified, let us know.

17 We'll try and get to the point where  
18 this can either move forward or not. We'll get  
19 that to you as soon as we can. The next meeting is  
20 scheduled for the second Wednesday of August.  
21 Whatever day that is, I think it is the 14th. So  
22 we'll be back on that did he.

23 MR. EPSTEIN: You'll provide copies to  
24 counsel, copies of the draft resolution?

25 MR. NEFF: Yes. Everything that we

1 send, we're going to start copying everybody on  
2 everything.

3 MR. EPSTEIN: Thank you.

4 MR. MALLOY: Thank you very much.

5 MR. NEFF: Is there anybody else who  
6 want to be heard on this?

7 (No response).

8 All right. Thank you. That's it.

9 Anyone move to adjourn?

10 MR. FOX: I make a motion.

11 MR. LIGHT: Second.

12 MS. MC NAMARA: All ayes?

13 (Unanimous affirmative response).

14 MS. MC NAMARA: Thank you.

15 (Whereupon, the matter concludes at

16 12:15 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.

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23

24 CHARLES R. SENDERS, CSR NO. 596

25 Dated: August 12, 2013

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