

1 STATE OF NEW JERSEY  
2 DEPARTMENT OF COMMUNITY AFFAIRS  
3 LOCAL FINANCE BOARD

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4 REGULAR MEETING AGENDA, \*  
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7 Conference Room No. 129  
8 101 South Broad Street  
9 Trenton, New Jersey  
10 Wednesday, August 14, 2013

11 TIME: 10:15 a.m.

12 B E F O R E: THOMAS NEFF-CHAIRMAN  
13 FRANCIS BLEE-MEMBER  
14 IDIDA RODRIGUEZ-MEMBER  
15 ALAN AVERY-MEMBER  
16 TED LIGHT-MEMBER

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

20 A P P E A R A N C E S:  
21  
22 JOHN J. HOFFMAN, ESQ.  
23 ACTING ATTORNEY GENERAL  
24 BY: DONALD M. PALOMBI, ESQ.  
25 Deputy Attorney General  
For the Board

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31 STATE SHORTHAND REPORTING SERVICE, INC.

1 (Transcript of proceedings, August 14,  
2 2013, commencing at 10:15 a.m.)

3 MR. NEFF: We're going to start. This  
4 is a continuation of the Executive Session that was  
5 being handled earlier on ethics matters.

6 The first matter up we have two consent  
7 items. They are Environmental Infrastructure Trust  
8 projects. One is for the Old Bridge Municipal  
9 Utilities Authority, \$8.25 million loan program and  
10 project financing.

11 The second is Burlington Township.  
12 They have a \$1.4 million Environmental  
13 Infrastructure Trust Loan Program, Nonconforming  
14 Maturity Schedule and Proposed Waiver of Down  
15 Payment. They are all consistent with the EIT  
16 program standards. For that reason they are on  
17 consent.

18 I'll make a motion on those?

19 MS. RODRIGUEZ: So moved.

20 MR. LIGHT: Roll call.

21 MS. MC NAMARA: Mr. Neff?

22 MR. NEFF: Yes.

23 MS. MC NAMARA: Mr. Avery?

24 MR. AVERY: Yes.

25 MS. MC NAMARA: Ms. Rodriguez?

1 MS. RODRIGUEZ: Yes.

2 MS. MC NAMARA: Mr. Blee?

3 MR. BLEE: Yes.

4 MS. MC NAMARA: Mr. Light?

5 MR. LIGHT: Yes.

6 MR. NEFF: Okay. Next up we have five  
7 items an consent for various reasons. Two are for  
8 waivers of down pavement for capital repairs  
9 necessitated by Superstorm Sandy. One is a \$2  
10 million financing in South Amboy for a waiver of  
11 Down Payment. And the other is for Moonachie  
12 Borough, \$7,390,000. They would like a proposed  
13 waiver of down payment for those capital items that  
14 they could not have anticipated.

15 The third consent item if for Hopewell  
16 Township Fire District, Number 1. It's a \$175,000  
17 ambulance purchase. The staff has reviewed it and  
18 found out no issues. They have competitively  
19 secured an interest rate for the lease and  
20 competitively sought the ambulance purchase, so  
21 that's on consent.

22 Then last we have two items that are  
23 before us that are the Qualified Bond Act,  
24 municipal borrowings that would not have needed  
25 Board approval, but for the fact that they are a

1 Qualified Bond Act program.

2 The staff reviewed their applications  
3 and determined that they have enough revenues and  
4 state aid to cover the debt service associated with  
5 their issuances.

6 I would take a motion on those five  
7 items of consent.

8 MR. LIGHT: Make a motion of approval.

9 MS. RODRIGUEZ: Second.

10 MR. NEFF: Take a roll call.

11 MS. MC NAMARA: Mr. Neff?

12 MR. NEFF: Yes.

13 MS. MC NAMARA: Mr. Avery?

14 MR. AVERY: Yes.

15 MS. MC NAMARA: Ms. Rodriguez?

16 MS. RODRIGUEZ: Yes.

17 MS. MC NAMARA: Mr. Blee?

18 MR. BLEE: Yes.

19 MS. MC NAMARA: Mr. Light?

20 MR. LIGHT: Yes.

21 MR. NEFF: Next up on the agenda is  
22 Bayonne City, Proposed Dissolution of the Bayonne  
23 Redevelopment Authority and Porposed Qualified Bond  
24 Ordinance.

25 I would just note for the record that

1 this is a continuation of a matter that we heard  
2 last month. There was significant discussion  
3 amongst the attorneys involved in the matter over  
4 the last several weeks, as well as the staff from  
5 our office.

6 I think that the various litigants who  
7 came before us last month have come to an  
8 understanding as to appropriate action by the Board  
9 and they won't be contesting what is otherwise  
10 going to be presented by Mr. Baumann. With that,  
11 go ahead.

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

14 MR. GALLO: Stephen Gallo, Business  
15 Administratory, City of Bayonne.

16 MR. BAUMANN: Mr. Chairman, this is a  
17 continuation of the prior hearing where I think we  
18 had a long and diligent discussion on the  
19 application. So unless there are any further  
20 questions, we would just ask the Board to consider  
21 the City's application to dissolve the Bayonne  
22 Local Redevelopment Agency.

23 MR. NEFF: I'm just going to read  
24 the "resolved" sections for the record, that have  
25 been agreed to by the parties, for the controlling

1 elements of the Resolution that the Board would  
2 pass dissolving the Authority.

3           It reads: "Now, therefore, be it  
4 resolved by the Local Finance Board, that having  
5 reviewed all materials submitted to it, as well as  
6 the statements made at the time hearings of July  
7 5th, 2013 and August 14th, 2013, it has determined  
8 that adequate provision has been made in accordance  
9 with bond resolution or otherwise for the payment  
10 of all creditor or obligees of the Bayonne Local  
11 Redevelopment Authority, that adequate provision  
12 has been made for the assumption of those services  
13 provided by the and Bayonne Local Redevelopment  
14 Agency, which are necessary for the health, safety  
15 and welfare of the recipients of those services.

16           "Be it further resolved by the local  
17 Finance Board that upon dissolution the City shall  
18 assume all the rights and obligations of the  
19 Bayonne Local Redevelopment Agency as its  
20 successor, including those that are the subject of  
21 pending claims in the BRLP and BPD litigation.

22           "And be it further resolved that the  
23 Local Finance Board does hereby approve the  
24 dissolution of the Bayonne Local Redevelopment  
25 Agency, pursuant to NJSA 40A:5A-20.

1                   "And be it further resolved that the  
2           representations contained in the Baumann letter of  
3           July 12, 2013, shall be considered part of the  
4           Local Finance Board's approval and such letter is  
5           attached hereto.

6                   "Be it further resolved that the  
7           Executive Secretary of the Local Finance Board is  
8           hereby authorized by the Director to certify or  
9           endorse such documents or instruments as may be  
10          necessary, convenient or desirable in order to  
11          carry-out the purpose of the provisions of the law  
12          and this resolution", and that the resolution will  
13          take effect immediately.

14                   Those were the controlling aspects of  
15          the resolution. There are some whereas clauses  
16          that were agreed to as well, which will be  
17          incorporated in the resolution.

18                   I just note that this, I think, brings  
19          to an end a long run for a Redevelopment Authority  
20          that has been used in the past and not by the  
21          current administration, to prop up Bayonne local  
22          budgets. It's been an added expense that was  
23          unnecessary. I think it is a good positive step  
24          that the City has taken to dissolve the Authority.

25                   With that, anybody have any questions,

1 comments?

2 (No response).

3 I'll make a motion.

4 MR. BLEE: Second.

5 MR. NEFF: Take a roll call.

6 MS. MC NAMARA: Mr. Neff?

7 MR. NEFF: Yes.

8 MS. MC NAMARA: Mr. Avery?

9 MR. AVERY: Yes.

10 MS. MC NAMARA: Ms. Rodriguez?

11 MS. RODRIGUEZ: Yes.

12 MS. MC NAMARA: Mr. Blee?

13 MR. BLEE: Yes.

14 MS. MC NAMARA: Mr. Light?

15 MR. LIGHT: Yes.

16 MR. BAUMANN: Mr. Chairman, thank you  
17 for all your help in this matter. Ms. Mc Namara, we  
18 really appreciate it. It's helped us getting from  
19 last meeting to this meeting. You did a lot of  
20 work with us, so we appreciate it.

21 MR. NEFF: Next up we have West  
22 Deptford. The only people that I'm asking to come  
23 to the table right now are the representatives of  
24 West Deptford itself. I know there are probably  
25 others here who are going to want to testify.



1 You'll be given every opportunity to testify, but  
2 you'll be called up later after the representatives  
3 of the municipality have had a chance to testify.

4 (John Barrett, Brenda Sprigman, David  
5 Thompson, Eric Campo, Raymond Chintall, Denise Di  
6 Carlo, Samuel Cianfarini, Michael Holt).

7 MR. BARRETT: John Barrett,  
8 B-a-r-r-e-t-t, financial consultant for the  
9 Township.

10 MS. SPRIGMAN: Brenda Sprigman,  
11 S-p-r-i-g-m-a-n, Acting CFO.

12 MR. THOMPSON: I'm David Thompson,  
13 Phoenix Advisors, financial advisor for the  
14 Township, T-h-o-m-p-s-o-n.

15 MR. CAMPO: Eric Campo, C-a-m-p-o,  
16 Administrator for West Deptford.

17 MAYOR CHINTALL: Raymond Chintall,  
18 C-h-i-n-t-a-l-l, Mayor.

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

21 MS. DI CARLO: Denise Di Carlo, D-i  
22 C-a-r-l-o, Committeewoman.

23 MR. CIANFARINI: Samuel Cianfarini,  
24 C-i-a-n-f-a-r-i-n-i, Committeeman.

25 MR. HOLT: Michael Holt, H-o-l-t,

1 partner in Holman, Frenia & Allison. We're the  
2 auditors for West Deptford Township.

3 MR. NEFF: If I could, just before you  
4 begin testimony, I'm going to put some context to  
5 this hearing. The State Supervisor Law allows for  
6 this Board to place municipalities under their  
7 supervision under certain circumstances.

8 It is a fairly restrictive law. It was  
9 passed after the Great Depression to make sure that  
10 municipalities in danger of not being able to pay  
11 its bills and it's otherwise going to default on  
12 dealt or it is in some sort of very severe  
13 structural danger, that this Board can step in,  
14 intervene and make sure that bills are paid.

15 It is a law that's, in part,  
16 responsible for why no municipality in the state  
17 has gone bankrupt in eighty years and why non is  
18 going to go bankrupt for another eighty years, we  
19 hope. It is a power of this Board that is very,  
20 very seldomly used. Currently there is only one  
21 municipality that is under state supervision,  
22 that's Atlantic City. They are under supervision  
23 because they have had continued and repeating tax  
24 appeals that have diminished their taxes base,  
25 through no fault of their own, just because the

1 casinos are taking a hit in Atlantic City. It's  
2 put their finances in distress.

3 It is not the kind of tool that this  
4 Board uses lightly, as evidenced by our past lack  
5 of use of it.

6 I do want to stress that, right at the  
7 outset, I'm personally not convinced that we really  
8 need to exercise supervision in West Deptford. But  
9 we will be taking testimony and we'll hear more  
10 from people today about whether that's appropriate  
11 or not.

12 The only reason this meeting is being  
13 held is because state law requires it. State law  
14 requires that if the debt payment of a municipality  
15 exceeds twenty-five percent of their budgeted  
16 appropriations for operating expenses for the year,  
17 that we have to have a hearing like this.

18 That's why everyone is here. It's not  
19 an indication of either my or this Board's belief  
20 that the Town is in any way in danger of not being  
21 able to pay its bills or in danger of defaulting on  
22 any debt.

23 Quite to the contrary. I know this  
24 Board met, I believe in--well, within the last  
25 year, to approve an issuance of debt by the

1 municipality to pay a tax appeal settlement that  
2 was, I think, twenty years in the making, at least  
3 ten years in the making?

4 MR. HASTIE: Thirty.

5 MR. NEFF: It was a very large  
6 settlement for a unique piece of property in the  
7 Township, an oil refinery.

8 Unlike Atlantic City, who has thirteen  
9 casinos and continuing appeals, that was a one time  
10 appeal for this city. The Board is well aware of  
11 that and was well aware of outstanding debt  
12 obligations that existed for the municipality prior  
13 to that approval.

14 There are people who would disagree  
15 about whether or not past debt issuances were  
16 appropriate or not. Be that as it may, they were  
17 issued-- debt was issued. It was approved by this  
18 Board from time to time.

19 The debt service that's being paid by  
20 the municipality is high, but it is sustainable.  
21 Structurally I think it's embedded within their  
22 budget. They are not going to create a problem in  
23 future years. I think the testimony there will  
24 bear that out.

25 This staff for the Local Finance Board,

1 has taken this issue very seriously. We have had a  
2 phone conference with the folks who are here today,  
3 most of you. We've reviewed the audits of the  
4 municipality. We reviewed the budgets of the  
5 municipality we've discussed matters with various  
6 local officials.

7                   So there is no recommendation from the  
8 staff. Unanimously it was the staff's position  
9 that supervision was not needed, was not  
10 necessary. But with that said, we're not going to  
11 presume anything. There may be other members of  
12 this Board who feel otherwise after hearing some  
13 discussion or testimony today.

14                   I would ask people who testify today,  
15 to really keep their comments aimed at whether or  
16 not state supervision is something that is truly  
17 necessary to deal with a structural budget problem.

18                   I don't want to get involved in  
19 re-debating matters that came before this Board  
20 last year, whether it was a tax appeal refunding or  
21 whether it is debating past debt issuances from  
22 five, six, seven, eight, ten years ago.

23                   It may or may not be appropriate. I  
24 was not on this Board when those things were done.  
25 Other members of the Board may or may not have been

1 hear when they were was done.

2 Be that as it may. Those were decisions  
3 that were made in the past after significant  
4 discussion, with an opportunity for public  
5 comment. I don't want to revisit the past.

6 I would ask that people keep your  
7 comments professional and to the matter that we're  
8 discussing today. The public will be given every  
9 opportunity to share their concerns with the Board  
10 and we'll be glad listen to what the folks have to  
11 say.

12 With that I'll turn it over to the  
13 municipality.

14 MAYOR CHINTALL: Good morning. Mayor  
15 Ray Chintall. Thank you for convening this  
16 hearing. Just deferring directly to the  
17 correspondence that you sent to myself and the rest  
18 of the Committee, I would prefer to defer to either  
19 Tom Hastie and Dave Thompson.

20 With regard to what initiated the  
21 hearing today is that twenty-five percent trigger.  
22 Maybe they can highlight that and we can continue  
23 on with any other discussion.

24 MR. HASTIE: Just briefly, I think that  
25 the Chair summed up the issue very well. The Town

1 is in excess-- its appropriation for this year ago  
2 is in excess of twenty-five percent of its  
3 operating appropriation when viewed from last year.

4           There was a number of things that led  
5 to that, mostly prior debt service. And going  
6 forward, the Town expects to return to closer to  
7 where it was. This year is a weird year because  
8 there was jump in debt service to amortize a bullet  
9 maturity of a bond issue. It is going back down  
10 next year.

11           Next year they are going to return to  
12 right around twenty-five percent like they were in  
13 2012, 2011. And then in 2014 they are probably  
14 going to be around, twenty-six, twenty-seven,  
15 twenty-eight percent, depending on what the  
16 operating levy ends up to be.

17           Until the debt service starts to trail  
18 off, to drop down-- I know Dave Thompson had  
19 submitted a list of all of the Town's debt  
20 service. Sometime, depending on what the levy  
21 grows, 2018, 2019, 2020, they are going to fall  
22 below the twenty-five percent trigger and they are  
23 going to go on.

24           You know, that is an extraordinary  
25 amount of debt service, we're not debating that.

1 For the record, I would note that while they are  
2 suffering under a high burden of date, the Town  
3 continues-- none of the other indicia in Section 55  
4 of the Oversight Act are triggered or have ever  
5 been triggered. They have never missed a debt  
6 service payment. They never missed payments to the  
7 schools or the county.

8 They don't have an operating deficit in  
9 excess of four percent. Their tax collection rates  
10 are well in excess of seventy percent while.

11 There is one, you know, red flag in the  
12 Town's file and the Town takes it very seriously  
13 and is working to control it and working to control  
14 the tax rate, they don't expect to be a distressed  
15 municipality.

16 They are operating I think in a way  
17 that they are sadly become accustomed to, paying,  
18 you know, a high level of debt each year.

19 I think in going forward they have got  
20 \$180 million worth of debt that they are going to  
21 be amortizing between now and 2032.

22 As that debt starts to fall off, we'll  
23 return below the twenty-five percent. And when the  
24 debt is finally gone, it will probably, likely be  
25 replaced with regular normal debt and not this



1 extraordinary type of debt that you associate  
2 either with Riverwinds or with the tax appeals.

3 So I think that's where we are. I  
4 think that's what the town, you know, believes.  
5 And I thank Tom and I thank Patty for the work that  
6 you all put into this, the conference calls and  
7 guidance.

8 I think we that we would just rest.

9 MR. THOMPSON: Let me just add that the  
10 unusually high, for the Township, debt service  
11 percentage in 2013 where it approaches I believe  
12 above forty percent, is caused by, as Tom  
13 mentioned, a bullet payment, a large payment on the  
14 tax appeal refunding bond issue that purposefully  
15 scheduled in 2013. Such that it would offset the  
16 credit to the local taxpayers that comes from the  
17 County as their share of the tax appeal that was  
18 settled.

19 The lowering of the County burden,  
20 offsets the substantial increase in the municipal  
21 burden in 2013, in order to, as it was structured,  
22 maintain a stable tax rate for the people of West  
23 Deptford.

24 MR. NEFF: Just a quick question. The  
25 debt service payment is approximately somewhat

1 north of \$15 million in the municipality for the  
2 current year?

3 MR. THOMPSON: Yes.

4 MR. NEFF: Next year the debt service  
5 will be what?

6 MR. HASTIE: 9.8.

7 MR. NEFF: So it will decrease by \$6  
8 million. There is built within the levy this year,  
9 \$6 million from collections to make payment on the  
10 debt service that otherwise won't need to exist  
11 next year. So structurally heading into next year,  
12 you've got a \$6 million decrease in one of your  
13 line items?

14 MAYOR CHINTALL: Right.

15 MR. NEFF: I would note that in the  
16 staff's review, that very positive aspect of your  
17 structural budget situation is somewhat offset by  
18 the uses of what appears to staff to be about a  
19 million dollars of surplus, which will not recur  
20 next year. There is a larger use of surplus that I  
21 believe will be able to be regenerated.

22 We also note that there was a reserve  
23 for debt service that is about \$1.2 million that  
24 was used to pay for debt service this year that  
25 won't be available next year. It does kind of

1 counterbalance that positive aspect, but it doesn't  
2 fully offset it.

3                   So it looks to me, in my judgment in  
4 going forward next year, there is actually a  
5 structurally positive aspect toward the  
6 municipality's budget. While this year it was  
7 difficult, it should get better heading into next  
8 year.

9                   That's part of the reason why, at least  
10 I personally don't believe that supervision is  
11 terribly necessary.

12                   To put this in context, there are other  
13 municipalities all throughout the state that have  
14 larger structural imbalances--I shouldn't even say  
15 that, because I don't think we have structural  
16 imbalance next year. But there are municipalities  
17 throughout the state that have structural  
18 imbalances that range from modest to not so  
19 modest.

20                   Those are the places that this Board  
21 and staff tries to focus our attention to help  
22 those places where we see a problem around the  
23 corner.

24                   We think the worst of West Deptford is  
25 probably behind them, as opposed to some other

1 municipalities with some difficulties.

2 I wanted to put that on the record as  
3 well, too, so people understand, who are here, why  
4 we would not probably be recommending supervision  
5 in this municipality. There are other  
6 municipalities in a lost worse of a situation than  
7 West Deptford.

8 They may have a record level of debt  
9 service, but they don't have a record level of  
10 distress or financial imbalance heading into next  
11 year.

12 Anybody else have anything?

13 MAYOR CHINTALL: Just to go along with  
14 that, Mr. Chairman, just from the positive end, on  
15 behalf of the governing body we don't feel-- Denise  
16 and Sam, I think we are going in a positive  
17 direction, as you mentioned.

18 The first time as of the beginning of  
19 this year, we have a general ledger. We never did  
20 have one before. We now have established starting  
21 August 1st, a reasonable software for our finances,  
22 admin software. I think that's going to be able to  
23 provide us, for the Committee, a monthly review of  
24 our expenses. Whereas in the past we always had to  
25 wait until the end of the year. I think maybe only

1 on a daily or not on a weekly basis, for the CFO  
2 and the Administrator to actually have a better  
3 grasp, better management of our controls of  
4 expenditures and revenue.

5 I think that's going forward. I think  
6 we're going in the right direction. I do believe  
7 and I concur with what you said, I think the  
8 structure of our budget is sound and stable. I see  
9 there is no reason for any state supervision.

10 MR. NEFF: A couple of last points. I  
11 want to recognize that we're aware of some issues,  
12 which I don't think rise to the level of  
13 necessitating supervision.

14 But we are aware that I believe there  
15 were thirty-four audit findings in the prior  
16 audit. A lot of those audit findings have repeated  
17 year after year. I think some of them are being  
18 fixed. In the latest audit, my understanding is  
19 those findings have decreased to twenty-four.

20 MAYOR CHINTALL: Twenty-two.

21 MR. HOLT: Twenty-two.

22 MR. NEFF: Twenty-two. I didn't want to  
23 sell you short. The municipality has put in place  
24 a new accounting system to do a better have a  
25 better--have a better grasp of what your cash flow

1 is and whether you are complying with various  
2 accounting requirements. That's a major  
3 improvement.

4 I think there has been a lot of  
5 criticism, not only of the municipality for having  
6 recurring audit findings in prior years, but I know  
7 our Board and our Division has received a lot of  
8 criticism for not doing something about those past  
9 audit findings.

10 For the record, this Division used to  
11 have 120 employees. They used to very aggressively  
12 review every audit of every municipality. Where  
13 there were significant problems we would work to  
14 try and help make sure that those audit findings  
15 were addressed.

16 Over the last twenty years that staff  
17 has dropped to forty. We no longer are engaged in  
18 holding the hands of municipalities with respect to  
19 their own audit findings. Rather, as is required  
20 by law, audit findings are to be addressed at the  
21 local level. They will be addressed by local audit  
22 corrective action plans that municipalities review  
23 and presumably move forward with.

24 While we would like to be actively  
25 engaged with every municipality with respect to

1 whatever audit findings they may have or other day  
2 to day issues they may have when they are not in  
3 compliance with every law, we don't want to  
4 runaround and play baby-sitter and hold the hand of  
5 every municipality and shake our fist at them for  
6 every lack of compliance that they have with  
7 respect to what should otherwise be the following  
8 of various laws that the state has for finances.

9 That's the job of the local CFOs, the  
10 job of the local counsel. It's the job of the  
11 local professionals to make sure those things  
12 happen.

13 I would always people from running to  
14 the state thinking that we are going to correct  
15 those problems. I acknowledge that we haven't  
16 always done everything that people would like to  
17 see us do with respect to West Deptford or other  
18 Towns.

19 Physically it is not possible in a  
20 state where this Board oversees 565 municipalities  
21 in procurement for over a thousand jurisdictions.  
22 We also oversee the budgets of approximately 150  
23 authorities.

24 With a staff of forty, that means  
25 you've got to concentrate your efforts on where the

1 problems are the worst and where you can do the  
2 most good. In the past we have taken pretty much  
3 of a hands off approach to West Deptford.

4 With that--

5 MR. CIANFARINI: Mr. Chairman-- for the  
6 record, Mr. Chairman, I mean, for over twenty years  
7 we haven't had a general ledger. It's been on our  
8 corrective action reports.

9 Some of the loans that makeup the debt  
10 that are the subject of this meeting here today, we  
11 found discrepancies in the transactions. Such that  
12 \$4.5 million of that is in litigation right now.  
13 Other loans that haven't even been looked at,  
14 deserve a looking at.

15 Without the financial controls of a  
16 general ledger and a fixed asset ledger, you can  
17 see how that can occur.

18 So the credit card has been run up for  
19 this community. With deserve to have the ability  
20 to at least get some guidance from this Board as to  
21 the necessity of a forensic audit.

22 I don't think supervision is needed. I  
23 think that we are correcting these problems. It is  
24 a Home Rule state. We are correcting those problems  
25 as evidenced by our audit report.



1                   But at the same time, the credit card  
2                   has been run up. We need to look at those  
3                   transactions. We'd like your guidance in that  
4                   area.

5                   We'd also liquor some guidance from  
6                   this Board relative to the management conditions  
7                   that allowed this to occur for all of these years.

8                   There are 22,000 people here that, you  
9                   know, don't go to every Township meeting. But  
10                  there has been quite a bit of debt run up on this  
11                  community. We'd like some guidance in that area.

12                  MR. NEFF: The guidance that I would  
13                  offer in terms of a forensic audit, is if the  
14                  municipality feels strongly that one should be  
15                  conducted, the municipality can do that through its  
16                  own professionals and its own procurement process.

17                  I know that the Town of Hamilton  
18                  recently in Mercer County is conducting and  
19                  asking-- rather, is asking their auditors to  
20                  perform duties above and beyond what their ordinary  
21                  audit would entail.

22                  I think it is appropriate for Hamilton  
23                  who found strange things in their Town. They wanted  
24                  them to be addressed through the--whether you call  
25                  it a forensic or performance audit, it is being

1 done there that way. It can be done that way as  
2 well in West Deptford.

3 The state does not have the resources  
4 to conduct that audit itself for municipalities.  
5 We get that request from time to time. It may not  
6 be an unreasonable one in West Deptford. I can't  
7 make that judgment. But it is something that if  
8 the Town wants to pursue, it certainly can if  
9 that's its desire and if it feels that resources  
10 well spent available.

11 MR. CIANFARINI: Is there grant money  
12 available, grant programs that can be applied for?

13 MR. NEFF: The only grant program that  
14 the Division of Local Government Services has  
15 available to it for municipalities, is a  
16 Transitional Aid Program. Which is a program of  
17 general assistance for municipalities that are  
18 facing extreme structural imbalance in their  
19 budgets.

20 And a portion of those funds, if the  
21 municipality wanted to use them for that purpose,  
22 can be used for that purpose. But it would have to  
23 be an application for Transitional Aid, which comes  
24 with a lot of strings attached to those grants.

25 It essentially gives the state control

1 over every hire, every professional that's hired in  
2 the municipality. It gives control over things like  
3 PILOTS.

4 Frankly, I don't see that as being the  
5 sort of an aid that would be really, as a practical  
6 matter, something that we would award to West  
7 Deptford if it was applied for.

8 Certainly, if the Town decided to apply  
9 for Transitional Aid we would review it and take  
10 the application very seriously.

11 But my gut tells me if we were to  
12 receive an application, in light of the structural  
13 positives for the city within the next year, we  
14 would unlikely grant that sort of aid.

15 There are no other pots of money or  
16 discretionary accounts that we have to give the  
17 Boards like that. That is the only grant account  
18 that we have.

19 MR. CIANFARINI: Just for the record,  
20 again, Mr. Chairman, is there a possibility for a  
21 meeting with any member of this Board or on an  
22 individual basis, to show some of the issues that  
23 I'm bringing up here before you today?

24 MR. NEFF: Our May staff members are  
25 always willing to meet with people when they have

1 issues that they want to bring to our attention. I  
2 know in the past we met with ordinary citizens from  
3 West Deptford, who brought us very serious and well  
4 documented complaints. We don't sit-down and meet  
5 with anybody about just whatever the complaint is.

6 If somebody brings to us very serious  
7 concerns and they want to discuss them, we make  
8 somebody available to discuss them.

9 MR. CIANFARINI: For the record, I'd  
10 like to request a meeting then.

11 MR. NEFF: I would ask that if you  
12 would like a meeting, to put down specifically who  
13 you would like to attend, what the agenda is for  
14 the meeting and whatever documentation you think we  
15 need to review to look at it. Then we'll review  
16 that request in that context and we'll be glad to  
17 have further discussions, if appropriate.

18 MR. CIANFARINI: Thank you.

19 MS. DI CARLO: Mr. Chairman, Denise Di  
20 Carlo. I have a prepared statement that I'd like  
21 to ride. It is very. I'd like to give a copy to  
22 the clerk.

23 Let me being by thanking Director Neff  
24 and the members of the Local Finance Board and  
25 staff for conducting this hearing today regarding

1 West Deptford. In the interest of time, I'm only  
2 going to highlight my primary concerns and offer  
3 some practical recommendations to the Board for its  
4 consideration. You know I had sent you a letter  
5 back on July 5th of this year. Today I just want  
6 highlight a few of those.

7 I, too, don't believe that West  
8 Deptford needs a financial monitor at this time.  
9 However, in the very near future we may need state  
10 oversight if the serious weaknesses in financial  
11 and budget management are not corrected.

12 Today I'd like to respectfully request  
13 two things of the Board. First, I ask that this  
14 Board assist West Deptford by requiring monthly  
15 reports and quarterly meetings with DLGS staff.

16 Additionally, given the lack of  
17 experience and certification of our Acting CFO, as  
18 well as the unwillingness to replace the Assistant  
19 Treasurer for over a year now, I also respectfully  
20 request the assistance of one of your staff members  
21 to simply come down to West Deptford and help us  
22 out.

23 The state's best practices clearly  
24 outline that the management of Township finances  
25 and budgeting should be conducted in an orderly,

1 open and transparent process, working with the  
2 administrator and chief financial officer, as well  
3 as the appointed professionals.

4           These best practices were not followed  
5 in the development, introduction and certainly not  
6 in the eleventh hour amendments, that as you had  
7 stated, Director Neff, increased the use of Fund  
8 Balance by over \$1.2 million over the amount used  
9 at introduction, notwithstanding the \$1.1 million  
10 in debt reserves used, for a grand total of \$7.4  
11 million to plug a deficit that will not be replaced  
12 next year.

13           I fail to see how using this much  
14 surplus is responsible, in light of the twelve and  
15 a half percent reduction in ratables, as well as  
16 the pressure from tax appeals that I submitted to  
17 this Board and the likelihood that a hundred  
18 percent of the current year appropriations are  
19 going to be used up.

20           Throughout the budget process the  
21 Township Committee held no budget work sessions. No  
22 projection of revenues and expenditures was  
23 provided to the governing body or the public. And  
24 the CFO failed to provide a three year fund balance  
25 projection despite my numerous requests. At no

1 point in time was our website compliant with the  
2 state's best practices in helping the public  
3 understand this budget.

4 Absent a sound financial plan that  
5 demonstrates how Fund Balance can be replenished, I  
6 have little confidence that the Township will not  
7 run out of cash before the end of this year.

8 Earlier this year West Deptford was  
9 forced to issue a tax anticipation note to shore up  
10 our cash position. An action that I'm sure is  
11 recognized by this Board as an indication of  
12 structural financial weakness.

13 It is beyond dispute that West Deptford  
14 faces many challenges in its finances and its  
15 budgeting. As indicated in Township Administrator  
16 Eric Campo's letter, our fiscal challenges are  
17 significant. But we can get back on track with  
18 sound financial planning and leadership.

19 If we are to gain the trust of the  
20 state as well as the financial community and our  
21 taxpayers, we need to make our decisions in an open  
22 and transparent way.

23 We must honor the commitments made to  
24 this Board and the rating agencies last year when,  
25 as you said, we approved a \$32 million tax

1        refunding bond.

2                    The budget that was prepared is not  
3        faithful to those promises and is not putting us on  
4        a stable, long term financial plan. This budget  
5        puts the Township on a track that threatens to  
6        derail our process toward a stable financial  
7        future.

8                    So in closing, again, I'd like to thank  
9        the Board for its willingness to hear my comments  
10       and reiterate that I too agree that we do not need  
11       state oversight. I do respectfully ask that we have  
12       some sort of requirement for monthly reporting as  
13       well as quarterly meetings on the Township finances  
14       and expenditures.

15                   MR. NEFF: So if I can just address  
16       this, I think most of that was directed at the  
17       Division as opposed to the Board itself.

18                   First let me just say, the letter that  
19       you had sent in the context of the 2013 budget  
20       adoption, I personally read that myself and  
21       discussed that letter with the financial staff who  
22       review budgets and ultimately determine whether or  
23       not they can be adopted or are not, these budgets.

24                   I thought your letter was thoughtful  
25       and I thought it made some fair points. At the end



1 the day our financial staff reviewed the items that  
2 were in the budget by way of appropriations. They  
3 went back and looked at past expenditures for those  
4 same line items. They found, in their judgment,  
5 that the amounts that were being appropriated were  
6 closer to the actual amounts that were expended in  
7 prior years.

8                   They believe that the amounts that were  
9 being appropriated would reasonably be anticipated  
10 to be adequate to cover the expenditures that the  
11 municipality would face for 2013.

12                   That may mean that the surplus that's  
13 been generated in the past may not be generated to  
14 the extent it has been, because you are cutting it  
15 a little closer now.

16                   I think those were fair points. It's  
17 one thing that I have already asked our financial  
18 staff, is to follow-up with that as the year goes  
19 by, check-in, how are those accounts and are they  
20 running a deficit or not?

21                   We had that discussion on the phone the  
22 other day with the Town. We noted that was a  
23 concern. They noted it is a concern as well. They  
24 are going to do their best to live within the  
25 budget items they've appropriated.

1                   We'll be especially looking for, at the  
2 end of the year, any transfers that happened  
3 between line items. Where maybe some line items  
4 weren't adequate to cover the expenses the  
5 municipality has for the year.

6                   We will continue to pay particular  
7 attention to West Deptford, more so than other  
8 municipalities because of what's going on.

9                   But we are not going to formally send,  
10 like, any one person down to-- in other words, help  
11 out the municipality.

12                   But as we would with any municipality,  
13 if there are issues with tax collection, we would  
14 make our tax collector-- our expert tax collector  
15 available to work with your tax collector. We have  
16 people in our financial office who would be happy  
17 to work with your CFO if they need help or  
18 assistance in their responsibilities.

19                   We have a public safety expert, former  
20 police chief, who would be willing to work with  
21 your police to handle any of the public safety  
22 issues that you talk about.

23                   We have a expert on staff and handles  
24 shared services. She'd be more than willing, I'm  
25 sure, to go down and meet with anybody in West

1 Deptford if there are shared service issues that  
2 you are having with the surrounding community, to  
3 try to work with them. As would anybody in our  
4 staff. If they have the time and the ability to  
5 help you they always will.

6 I'm not so sure I would require monthly  
7 reports. But we will be periodically checking in  
8 with the municipality on the expenditures, where  
9 they line up with the appropriations that were  
10 included in the 2013 budget.

11 I say that as sort of a gut reaction to  
12 your comments. But I certainly will give it more  
13 thought. I'll discuss it further with the  
14 financial staff at the Division. If they feel it  
15 is appropriate to have monthly reports, we'll ask  
16 for monthly reports. If they feel that maybe  
17 something less regular is appropriate, then we  
18 would do that.

19 I thank you for your comments. I think  
20 they were appropriate, measured, reasonable and  
21 they are constructive.

22 Any other comments?

23 (No response).

24 Okay. With that I guess I would ask  
25 the folks at the table to step down. If there are

1 people who want to testify, once they have taken  
2 their seats and we can sort of see, just raise your  
3 hand if you want to testify. We'll ask people to  
4 come up one at a time.

5 So is there anybody else who wants to  
6 testify on the West Deptford matter?

7 (No response).

8 No. I'm shocked. I was warned that  
9 buses were coming with people that would testify.  
10 We braced ourselves.

11 We are actually not going to take a  
12 vote on this today. There is another member of the  
13 Board who is not here today, who wanted to be able  
14 to review the record and have an opportunity to  
15 comment as well. We should be having another  
16 meeting on the 29th. We won't be taking additional  
17 public testimony in the matter.

18 It will be something the Board will  
19 discuss very briefly and make a decision on. But I  
20 did commit to that other Board member that we would  
21 defer a vote until the 29th on this matter.

22 I think unless there are other comments  
23 from Board members, I think you can safely guess  
24 where this is headed. But I don't want to  
25 foreclose anything until that other Board member

1 has his chance to review the material in the  
2 record, the transcript of today and has a chance to  
3 review the matter.

4 But we'll probably be voting for this,  
5 I think on the 29th is a special meeting that we've  
6 scheduled, if we are able to get a quorum for that  
7 meeting on the 29th. If not we'll do it in  
8 September, on the second Wednesday of September,  
9 which is the next regular meeting.

10 I would just note for the record, I  
11 think we have a reporter here, that even if the  
12 Board votes one way or the other next month, it is  
13 probably pretty likely that the trigger that  
14 required this meeting will still exist next year  
15 and we'll have to have another meeting next year.  
16 Perhaps not as formal with so much testimony, but  
17 the Board will have to act every year, and have a  
18 meeting every year, for so long as the debt service  
19 payments are at least twenty-five percent of the  
20 appropriations for operating expenses. This won't  
21 be the conclusion of the issue.

22 Any other comments, question?

23 (No response).

24 No, okay. Thank you for coming up.

25 MAYOR CHINTALL: Mr. Chairman and the

1 Board, thank you.

2 (Pause in proceedings).

3 MR. NICOLOSI: I'm a resident of West  
4 Deptford. I have an anonymous letter that was left  
5 in my box. I'll put my name to it, but this is  
6 exactly what happened to West Deptford.

7 MR. NEFF: I'll be glad to take the  
8 letter and look at it.

9 MR. NICOLOSI: My name is on there. My  
10 name is Alfred Nicolosi, 1319 Royal Lane in West  
11 Deptford.

12 MR. NEFF: Middlesex County Improvement  
13 Authority.

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

16 MR. INVERSO: Anthony Inverso,  
17 I-n-v-e-r-s-o, Financial Advisor.

18 MR. NEFF: All right. Before we start  
19 let me put this one in context as well.

20 This is also something that's being  
21 continued from last meeting. Middlesex County  
22 Improvement Authority is asking approval for \$19.5  
23 million of debt to support a loan and lease program  
24 to support a number of municipalities and the  
25 Authority and the County for various capital

1 acquisitions.

2 I raised issues at the last hearing  
3 about a number of issues, including the pay of  
4 certain personnel at the Authority that I thought  
5 were excessive and continue to think they are  
6 excessive. Which are supported by, at least in  
7 part, fees that are paid to the Authority by the  
8 participants in their lease and loan program, which  
9 I think is inappropriate.

10 That said, issues with the Middlesex  
11 County Improvement Authority caused us to take a  
12 more serious and stringent look at their  
13 application. In the past this Authority has come  
14 to this Board and represented, at least since the  
15 time I've been here, that this was a program of the  
16 Authority that been in place I think since 1992 or  
17 somewhere thereabouts. It had been getting approval  
18 by this Board every year since then, including the  
19 three years that I've been here.

20 In the three years I've been here I  
21 always viewed it as, they got the approval for this  
22 for the last eighteen years, I'm not going to spend  
23 a lot of time looking at this particular  
24 application. I don't like to spend so much time on  
25 each application.

1                   With the issues that were raised on the  
2                   Comptroller's Report, with the spending that was  
3                   going on in the Authority that I think is  
4                   inappropriate. I share the Comptroller's staff and  
5                   Comptroller's Office recommendations in their  
6                   report. We spent a time looking at this lease  
7                   program. The more we looked, the more questions we  
8                   had.

9                   They weren't necessarily all directed  
10                  at Middlesex County Improvement Authority's lease  
11                  program. They raised questions about some of the  
12                  other lease programs that are out there.

13                  I'm just going to summarize what some  
14                  of the concerns are that I have and I think other  
15                  staff members have at the Division about these  
16                  lease programs and the bank programs which are  
17                  similar, that are operating.

18                  One, there seem to be differing  
19                  opinions and standards as to the security that goes  
20                  behind the debt that's issued by the authorities  
21                  themselves.

22                  In some counties it is required that  
23                  participating municipalities go through the  
24                  ordinance process to back payments of the  
25                  Authority's debt service. And others, including the



1 one in Middlesex, it is not required that the  
2 municipalities go through a formal bond ordinance  
3 resolution.

4           They through something similar, which I  
5 don't see as being statutorily recognized anywhere  
6 specifically in our statutes. It is concerning,  
7 because if you go through the Local Bond Law and  
8 pass a bond ordinance, it is very clear that the  
9 full faith and credit of the municipality and the  
10 taxing power of the municipality is pledged in  
11 payment for the bonds that are ultimately issued.

12           If you don't, I think it's--I believe  
13 it's a security backing pledge that's backing the  
14 bonds that's somewhat less that is otherwise passed  
15 under the Local Bond Law.

16           I think not only is there confusion in  
17 the legal community, which is evident in different  
18 transactions that exist from county to county with  
19 these lease programs.

20           I think it's apparent as well, in the  
21 material that we reviewed from the Authority  
22 itself. One of the documents that we asked for  
23 subsequent to the last meeting we had, was the  
24 marketing material that the Authority uses when  
25 soliciting a municipality to participate in the

1 lease program. In that marketing material there  
2 was a question and answer section that explained to  
3 municipalities what they need to do to participate  
4 in the program.

5           One of the comments in the question and  
6 answer section was, that a municipality has to  
7 adopt a--and this was the term in the marketing  
8 material, a Loan/Bond Ordinance. That sort of  
9 speaks to the heart of what the issue here is. Is  
10 it a loan ordinance? Is it a bond ordinance? Is  
11 it both? What is it'?

12           The loan ordinance that's set forth in  
13 the application that backs these bonds for the  
14 Middlesex County Improvement Authority, is almost  
15 identically to a bond ordinance, with one  
16 significant exception. That is that the ordinance  
17 that the municipality passes, does not have to have  
18 a down payment prior to its adoption. With a bond  
19 ordinance there has to be a down payment for its  
20 capital items that municipalities secure for  
21 themselves.

22           It seems like in the marketing  
23 material, which also says if you borrow through the  
24 Authority there is no down payment needed. What's  
25 really happening here is, we have a process that's

1 choosing conveniently from those portions of the  
2 process by which pledges are made.

3 Those that benefit the municipality may  
4 not make the most financial sense. Skipping a down  
5 payment in a capital acquisition is something the  
6 Local Bond Law frowns upon and general policy  
7 frowns upon. If you are going to borrow money to  
8 buy equipment, you make a down payment on it. You  
9 don't just wait and pay for it next year. You get  
10 the benefit of this year and pay for it next year.

11 That's a policy issue, but it is also a  
12 legal one, that's implicated by the decision and  
13 the approach that the Middlesex County Improvement  
14 Authority is taking.

15 I don't in any way suggest that the  
16 Middlesex County Improvement Authority is doing  
17 something nefarious, clearly illegal or even  
18 inappropriate with what they are doing in that  
19 respect, but it is an issue.

20 I don't think it's ever been resolved  
21 in a public setting. I don't think it's ever been  
22 resolved before this Board. I would eventually--  
23 I'm not going to ask for it to be done today on the  
24 fly, but eventually I would ask that this Board  
25 pass some rules and regulations for leasing

1 programs, to give some guidance, definitive  
2 guidance to the' community out there, not just  
3 municipal participants in Authorities. But also  
4 the banks and financial institutions that are  
5 lending the money in furtherance of those things.

6 I think if there is a little bit more  
7 clarity about what exactly the underlying pledge is  
8 and how that pledge was secured, by what means,  
9 whether it is a bond ordinance or something else, I  
10 think a little bit of consistency here, especially  
11 if it is done in the right way, could make these  
12 transactions a little bit more marketable. There  
13 would be less confusion in the marketplace about  
14 what the pledges are or are not, it would avoid  
15 some of the confusion that's going on in the legal  
16 arena with these sorts of leases.

17 We're going to have a little bit of  
18 discussion about that area of this finance. It is  
19 a discussion that we will also have in the context  
20 of when Monmouth County comes in for their lease  
21 application or when Bergen County comes in for  
22 theirs. We're not picking on Middlesex County. It  
23 is something that we're going to take seriously for  
24 everyone.

25 Another issue that's come to light for

1 us, and, again, it's not unique to the Middlesex  
2 County Improvement Authority, I've heard it  
3 repeatedly and I know others have heard it, too,  
4 that sometimes municipalities to a county  
5 Improvement Authority's leasing program either  
6 because politically they were directed there for  
7 the fees that were involved. Or in some cases they  
8 may go there because they feel it's just an easy  
9 and quick way to go about buying a police car and  
10 otherwise not making a down payment and financing  
11 something that could otherwise be financed under  
12 the Local Bond Law.

13 I'm not so sure that all the time some  
14 municipalities, not all of them, but some  
15 municipalities are taking the lazy way out. They  
16 are not really shopping around to see if they can  
17 get a better deal from somewhere else that may have  
18 lesser fees or maybe even a better interest rate.

19 There are municipalities that I have  
20 gone out, I've compared the interest rates that  
21 have been received by the authority versus the  
22 interest rates that are received by some of the  
23 participants.

24 There have been cases in the past where  
25 when they do their own issuances of debt directly

1 they get a better rate than the Authority. That's  
2 not in every case. In some cases they get a better  
3 rate from the Authority.

4 In the big picture, I guess what I'm  
5 trying to say is, these sorts of lease programs can  
6 be good. They can be a good alternative for  
7 municipalities. They are not a panacea, they are  
8 not great in every instance.

9 One of the things that's I'm going to  
10 be recommending today, it won't just be with  
11 respect to the Middlesex County Improvement  
12 Authority, but it will with respect to other  
13 authorities who have leasing programs or bank  
14 programs, is that when an individual participant  
15 is-- before an individual participant could be  
16 included in a debt offering, that their CFO  
17 provides some sort of certification, very short,  
18 nothing elaborate, that comes to this Board, on  
19 record. That indicates what they did by way of due  
20 diligence to determine whether or not they could  
21 get a better rate themselves if they went to debt,  
22 or whether they had another alternative for leasing  
23 purposes other than the Authority, that may be as  
24 good as or cheaper than the Authority with less  
25 fees.

1                   Again, they may be able to get the best  
2 deal from the Authority and the Authority has very  
3 good rates on the debt that it issues. But I'm  
4 really concerned that there are some CFOs here  
5 taking the easy way out and just run to the  
6 Authority.

7                   I know that Old Bridge has, subsequent  
8 to the application for \$19.5 million, indicated in  
9 a letter that they no longer wish to pursue  
10 financing through the Authority.

11                   I believe it's their opinion that they  
12 can get a better deal elsewhere by issuing the debt  
13 to themselves. And that is certainly their  
14 prerogative. They took a second look and they are  
15 going elsewhere.

16                   I think that if some other  
17 municipalities took a second look, maybe they  
18 wouldn't stay with the Authority. I don't know.

19                   Something that we want to encourage and  
20 I think is appropriate to encourage, is making sure  
21 that municipalities are shopping around for the  
22 best prices what for things they are buying. So  
23 that at the end of the day the taxpayers know.  
24 That's a concern. We'll have a little bit of  
25 discussion of that as well.

1                   Related to that is, when debt is issued  
2 by an Authority to back a lease, a prospective  
3 purchase by a municipality, a municipality goes out  
4 and does procurement on their own, an actual  
5 purchase price that they pay to secure whatever it  
6 is that they are buying, it may be more, it may be  
7 less than whatever is being financed, I think  
8 through the Authority. I'm not so sure that the  
9 actual amount of debt that's issued one to one  
10 correlates with the actual purchase price of the  
11 material they are getting.

12                   So one thing I would like to see as  
13 part of the certification from the finance officers  
14 when they say they have done the due diligence and  
15 determined that the authority is the best way to  
16 go, I'd like to see a little bit more discussion  
17 about how it is that they came up with the number  
18 they came up with for how much they're securing by  
19 way of financing through the Authority.

20                   I think it is appropriate for us to  
21 make sure it is not too much. On the other hand  
22 it's not too little. In some cases they may be  
23 borrowing less. I'd like to learn a little bit  
24 more about that. The documents that we have don't  
25 shed any light on that.



1                   Finally-- not finally, the post  
2                   reporting that's gone on lease programs varies from  
3                   entity to entity. By way of post reporting for the  
4                   Middlesex County Improvement Authority, the Board  
5                   had very little information in its files as to what  
6                   the outcome of the sale was? How much did it  
7                   really save for municipalities? What was the real  
8                   interest rate?

9                   We went back and looked. We asked for  
10                  information about debt for the Middlesex County  
11                  Improvement Authority. We found that, in fact,  
12                  their rates were pretty low. They were pretty good  
13                  in the past. We would never know unless we asked.  
14                  We also found a lot of information that we still  
15                  don't have.

16                  The Monmouth County Improvement  
17                  Authority issues a post issuance report that is  
18                  very thorough. That goes through unit by unit what  
19                  that they actually borrowed what the payments were,  
20                  how much they paid in fees, all sorts of fees.

21                  It has some discussion narrative about  
22                  what the interest cost is for the municipality and  
23                  what benefits them.

24                  It is a very good report. I think at  
25                  the conclusion of this meeting, my recommendation

1 would be that we require as part of any of these  
2 lease approvals that we allow for, that there be a  
3 post report that's substantially similar to what's  
4 done by Monmouth County with a few other bells and  
5 whistles.

6                   One thing I'd like to see at the end of  
7 the day, is not only what the payment terms and the  
8 financings are, but what was--from the  
9 municipality, what was the actual price that they  
10 paid for whatever product it is that they were  
11 getting from the Authority?

12                   Did it really match up with the  
13 estimate that was included in the financing  
14 agreement itself? I think that's appropriate to  
15 review and looked at. We want to see that. So we  
16 can really determine whether they wind up borrowing  
17 more money than they needed to from the Authority  
18 or did they perhaps put more of a burden on  
19 themselves than they should have by borrowing less  
20 than would be appropriate for a longer term  
21 financing?

22                   Those are some of the issues that we're  
23 going to look at. Another issue we want to explore  
24 a little bit today is the issue of fees. We  
25 discussed them last time. But one of the items

1 that we asked for that continues to give me  
2 concern, is a fee that's paid to County Counsel.  
3 It is small fee relatively, \$15,000.

4 The County Counsel for Middlesex County  
5 is paid a salary, at least according to the records  
6 we have, of approximately almost \$170,000 a year to  
7 be County Counsel. In addition to that, it appears  
8 to us he's then receiving another \$15,000 on top of  
9 that from this financing transaction.

10 The records that were submitted to us  
11 would indicate to me that the work that's being  
12 done for this particular issuance, is being done on  
13 County time. It is being done with County  
14 letterhead and County resources. Yet the money is  
15 going to his law firm.

16 It is addition and on top of, what I  
17 would call padding, of what is already \$170,000 or  
18 close to it, as salary that he's receiving. I  
19 don't know that that's appropriate. We are going  
20 to learn a little bit more about how is that  
21 transaction working?

22 It seems to me that if you are County  
23 Counsel that this is the sort of thing typically,  
24 maybe not, according to the arrangements. Typically  
25 this is the sort of thing a County Counsel would

1 do. It is legal work for the County.

2 He is being paid \$135 an your Honor  
3 hour toward his \$15,000 fee. That's not even the  
4 rate of salary that he receives from the County.  
5 If you do an hourly estimate as to what he's being  
6 paid for a \$168,000 salary, comes out to less than  
7 \$135 an hour. \$135 an hour comes out well in excess  
8 of \$200,000 compensation annually.

9 I don't know where the \$135 amount came  
10 from. I'm not sure that was procured. I'm not  
11 sure what there arrangement was. This is on top of  
12 the salary. If it's the County doing the work, I  
13 assume the County should get the money not  
14 individuals. That's something that we're going to  
15 want to discuss as well.

16 I know--a brief discussion as well.  
17 Immediately after the last meeting that we held,  
18 our Board and the Division received a request from  
19 the Authority to review will in excess of a hundred  
20 different files that we have in our offices, for  
21 the past--385 files they wanted to review for this  
22 Board.

23 It was a request that they were  
24 certainly entitled to make under the Open Public  
25 Records Act. They had every right to ask for

1 those. But I have a real concern. How is that  
2 being paid for?

3 We had a lawyer in our yesterday who  
4 spent eight hours, from one of the firms who's here  
5 today. Which, by my math, is probably \$1,000 in  
6 billables, just for sitting in our office and  
7 reviewing some of these files that our staff were  
8 tied up with and pulling all day yesterday.

9 They asked or things that have nothing  
10 to do with this application. They want to see the  
11 fees that have been charged by other agencies and  
12 authorities over the last three years, since I've  
13 been here.

14 You know, I look at that and I think,  
15 they're entitled to it. They are going to get those  
16 documents. I was here until seven o'clock last  
17 night pulling documents, reviewing them, redacting  
18 them for the Authority.

19 Here's the question. Are the fees for  
20 this particular financing going to be used to pay  
21 for the fixing expedition of a Executive Director  
22 who threw a hissy fit because I called him out for  
23 having a disgusting salary?

24 It sounded to me like we got that OPRA  
25 request as something to intimidate us and make us

1 go away. But, gee, if they are going to bust our  
2 balls--pardon my French, maybe we'll just ask the  
3 Authority, the Board and Division, to go and waste  
4 hundreds and hundreds of hours of time go through  
5 hundreds and hundreds and hundreds of files, going  
6 through them and pulling information for us, make  
7 them redact the information. And we'll divert  
8 their time and attention so maybe they'll just  
9 leave us alone if we ask for enough information and  
10 make their lives miserable.

11                   Unfortunately, the Executive Director  
12 didn't showup today. I would have liked to hear  
13 what he had to say about that. I'd like to know  
14 today, on the record, who's paying those bills?  
15 Who's paying for the \$1,000 that was already spent  
16 on an attorney to come here looking for documents  
17 that are unrelated to this application? Who's  
18 paying for the bills when the documents, hundreds  
19 and probably thousands of pages, are going to be  
20 reviewed by attorneys, who's paying those bills?

21                   Is it the taxpayers of Middlesex County  
22 that are being paid through this lease program?  
23 Because I don't think somebody who is buying a  
24 police car should have to pay for the fishing  
25 expedition of an Executive Director who threw a

1 hissy fit.

2 I don't think the nursing home  
3 residents who are also having things financed  
4 through this financing, should have to pay either.

5 It seems to me that's a pertinent  
6 question I'd like to get a little bit more answers  
7 on as well.

8 I think I've probably spoken enough.  
9 Perhaps we can get some feedback from the people  
10 here to testify.

11 Start where you'd like.

12 MR. PANNELLA: Thank you. Anthony  
13 Pannella and John Cantalupo, from Wilentz, Goldman  
14 & Spitzer, Bond Counsel to the Middlesex County  
15 Improvement Authority. Anthony Inverso, Pheonix  
16 Capital Advisors, financial advisor to the  
17 Middlesex County Improvement Authority.

18 We had a public hearing--at least  
19 believe we believe we had a public hearing last  
20 month on the Authority's annual equipment  
21 financing. Currently it would service the County  
22 government itself and five additional entities in  
23 the County, four municipalities and the Authority  
24 itself, for it's annual equipment needs. It's about  
25 a fifteen and half million dollar project financing

1 currently.

2                   Forgive me if I repeat what the  
3 director has already, in my view accurately  
4 explained. It is a financing that's been  
5 undertaken since 1992.

6                   Just for the sake of clarity, with  
7 respect to the financing structure, from 1992, I  
8 believe, to 2007, at least in my memory, the  
9 financing structure of this equipment financing was  
10 unchanged.

11                   It was a general obligation lease  
12 structured financing, with an overriding County  
13 guarantee on top of it.

14                   In 2008 complex legal issues arose with  
15 respect to the then new Budget Cap laws. The  
16 initial issues that were raised with respect to the  
17 now Budget Cap law in terms of structuring of  
18 financings like this, actually related to  
19 preexisting guarantee and service agreements by  
20 municipalities and counties and if their  
21 obligations to cover operating and debt obligations  
22 of the authorities they created would somehow be  
23 limited under the new Budget Cap laws.

24                   That discussion and analysis with the  
25 then Director of the Division of Local Government



1 Services, morphed into a discussion of the legal  
2 structure of the equipment financing that were  
3 being presented to the Local Finance Board.

4           And as a result of--again, I say this  
5 only for the sake of clarity. In 2008 the  
6 Middlesex County Improvement Authority, as a result  
7 of what I believe were extensive direct discussions  
8 with the then Director, restructured its equipment  
9 financing to honor her policy considerations with  
10 respect to a law that I think everyone even  
11 acknowledged back in 2008, is not a model of  
12 clarity.

13           That there were differing opinions,  
14 legal opinions, n the application of the law. So  
15 that the structure that has been presented this  
16 year in 2013 by MCIA, we believe honors and matches  
17 the-- our understanding of what the Director of the  
18 Division of local Government Services in 2008  
19 believed would be an appropriate interpretation of  
20 the law and honor the State's policies applied on  
21 top of the law.

22           Now, again, with respect to the down  
23 payment issue, again, just for the sake of clarity,  
24 the down payment issue was discussed in 2008. And  
25 that was not an item where we were directed to make

1 a change.

2                   So I know minds can, you know, legal  
3 minds can have differing views, state policies can  
4 change. I just would like to make sure the record  
5 indicates that for purposes of the structure of the  
6 financing what we've been doing, we have made our  
7 best good faith attempt to honor what we believe  
8 were the policy guidelines that were put forth to  
9 us by the Division at that time. It was five years  
10 ago, but I just wanted to make sure that everybody  
11 knew that this hasn't been a totally blind  
12 process. There have been prior communications with  
13 the Division on these types of issues.

14                   MR. NEFF: Can I just add something?

15                   MR. PANNELLA: Yeah, sure.

16                   MR. NEFF: I don't dispute whatsoever  
17 that everybody was working n good faith and trying  
18 to deal with an otherwise complicated and  
19 convoluted law that wasn't perhaps as clearly  
20 written as it could be.

21                   I don't believe there has been much by  
22 way of public discussion or resolution of this  
23 matter. While the Director of the Division may have  
24 had her own legal opinions and I have mine. It  
25 wasn't worth anything and neither is hers.

1                   As we all know, the only person whose  
2 law degree matters is somebody who works for the  
3 Attorney General's office. I do intend, going  
4 forward, to ask the Attorney General to do written  
5 legal advice on the issues we're discussing now and  
6 I raised earlier. Because I think we need to have  
7 some definitive opinion on it. I'm sure they will  
8 play it by the book and do a thorough review. So  
9 whatever they come out with, at least everybody had  
10 clarity going forward.

11                   I think whether they are on one side of  
12 the law or the other, these programs will still be  
13 able to continue, just continue with a little bit  
14 clarity and little bit less uncertainty.

15                   I'm sure you've run into it even before  
16 you joined the program, because you've got  
17 municipal bond attorneys who are looking at this.  
18 They have their own questions which may be  
19 differing opinions.

20                   I think it will help everybody at the  
21 end of the day to get some clarity on this. I  
22 intend to ask the AG's office to do a legal opinion  
23 on this. I wish it had been done ten years ago.  
24 Unfortunately, it wasn't.

25                   With that I want to make it clear,

1 we're not questioning in any way the good faith of  
2 your office or your firm and the things that you're  
3 working on. I can understand that.

4 MR. PANNELLA: Now, with respect to the  
5 application itself, you know, the Middlesex County  
6 Improvement Authority is the proposed issuer of the  
7 debt and the County of Middlesex is the proposed  
8 guarantor of the debt.

9 Their view of the circumstances of the  
10 application is essentially as follows. This is  
11 what--this is the direction that we've received  
12 from our clients.

13 They believe they submitted the  
14 application in good faith. In reliance on past  
15 practices they thought that they should be able to  
16 rely upon. The Division, well within its right,  
17 has asked additional questions with respect to the  
18 application and other related matters at the  
19 Authority. They believe they answered those  
20 questions to the best of their ability.

21 What they're essentially asking for  
22 today, is that if the Local Finance Board would be  
23 in a position to adopt a resolution issuing its  
24 findings today.

25 The County government, in particular,

1 is concerned that there are municipal governments  
2 that have structured their budgets and the timing  
3 of their capital finances in reliance on the County  
4 and the Improvement Authority's representations as  
5 to the program moving forward as it always has.

6 The County feels an obligation to the  
7 municipalities to be able to timely determine how  
8 the program might proceed.

9 What the County government is  
10 essentially is asking, is that if we had the  
11 hearing last month and you've asked questions and  
12 answers have been provided, could we please have a  
13 resolution with findings today, whatever those  
14 findings might be?

15 MR. NEFF: Would we get some additional  
16 discussion as to County Counsel's fees and why it  
17 is that he's being paid as an individual when he's  
18 already receiving a salary of \$170,000 or close to  
19 it? Could somebody answer that?

20 MR. PANNELLA: I guess what I could say  
21 is this, you know, we're the Bond Counsel on the  
22 financing. We're Bond Counsel to the County. When  
23 the question was raised we asked the County  
24 government to provide an answer, at, I believe it  
25 was in April. We asked the County government to

1 provide an answer to that question that I believe  
2 you raised, Director Neff--someone raised to us at  
3 the Division.

4 MR. CANTALUPO: At the hearing, yes.

5 MR. PANNELLA: The County government  
6 provided us with an answer that we provided to  
7 you. We have nothing to add to that. I don't  
8 believe the County had anything to add to that  
9 answer that was provided.

10 MR. NEFF: Apparently not, since they  
11 are not here. I have a lot more questions about  
12 that particular payment arrangement. And whether  
13 that holds up some findings today or not, I believe  
14 some further discussion will tell.

15 But I want to make it clear, County  
16 Counsel's payment strikes me as being something  
17 that needs a lot more review. Whether it is by  
18 this office or the Comptroller's office or perhaps  
19 some other office in the State of New Jersey, to  
20 determine whether it is appropriate and reasonable,  
21 otherwise abiding with the law.

22 So we are going to be asking a lot more  
23 questions about it. For the record we'll make  
24 those requests directly to the County. I understand  
25 you're bond counsel, but we did back in April. We

1 met with the Improvement Authority and all of you.  
2 We indicated to you that we are going to have more  
3 questions about the arrangement.

4           For the first time last night I saw a  
5 letter, it was dated back in April, I think. I  
6 don't know why I never received it earlier. Maybe  
7 it was just a miscommunication and it wasn't sent  
8 or maybe I missed an e-mail or something, I don't  
9 know. We didn't have a copy of it until last  
10 night.

11           All that letter says is, oh, yeah, we  
12 pay him an extra \$15,000 to his law firm. That  
13 raised even more questions for me. Why a payment is  
14 going to a law firm for an employee who's an  
15 individual, and the letterhead asking for a  
16 requisition from this transaction from last year is  
17 on County letterhead, when it is a payment to a  
18 private law firm is beyond me.

19           When I look at his billings, I can see  
20 he's got eight hours one day, six hours another  
21 day, five hours another day. He's being paid for  
22 work in his private capacity as a private attorney,  
23 but on who's dime? Is he taking vacation time when  
24 he's doing that work or is he collecting his pay  
25 for being a County Counsel and then also collecting

1 a fee? It looks like double dipping to me. I can't  
2 be certain and I'm not making that allegation, but  
3 I certainly have a lot of questions.

4 It is disgusting. It is every bit as  
5 disgusting as the Executive Director's salary and  
6 compensation which exceeds a quarter million  
7 dollars.

8 We're not done asking questions. You  
9 can please relay back to your client that we're  
10 going to be back here again asking him the same  
11 questions again and again. He can send me another  
12 fifty OPRA requests if he'd like. If he thinks  
13 that's going to make us go away, he's got another  
14 thing coming, guess again. All he's going to do is  
15 get some more requests from us.

16 Because the more things like that  
17 happen, the more smoke it looks like to me and the  
18 more fire it probably is. We're going to keep  
19 looking and we're going to keep digging. We're  
20 going to find out what's wrong and we're going to  
21 fix it, so that's my own little hissy fit.

22 MR. LIGHT: Maybe we ought just have a  
23 peace pipe that we can pass around here. Do you  
24 have other questions or are you finished?

25 MR. NEFF: I have more, Ted. You can go



1 and I'll have some time to chill.

2 MR. LIGHT: I think that the comments  
3 that have been made about guidelines with some of  
4 these improvement authorities, are well taken.  
5 These have been going on for many years. There is  
6 a lot of dollars that are going around throughout  
7 the improvement authorities. They have saved  
8 townships some costs and abilities to get things  
9 done cheaper.

10 But there are things that should be  
11 looked into for the future. I think that a number  
12 of the things that have been brought up today are  
13 not only based on the fact that those are  
14 necessary. There have been some stones thrown  
15 across the bridge, back and forth across the  
16 bridge, which also created an era of difficulty in  
17 resolving the situation.

18 I see we have other improvement  
19 authorities before us today. We have Middlesex, we  
20 have Burlington, we have Monmouth. I just took a  
21 quick look and there are others that have charged  
22 the same County Counsel fees, Monmouth in  
23 particular. Burlington Bridge at least has one  
24 there. There are things that are common.

25 MR. NEFF: I'm sorry, Ted. Are they

1 similar in the sense that we have employees or a  
2 double dipping as private attorneys, because I  
3 haven't seen anything to that effect?

4 MR. LIGHT: I don't know that, because  
5 I haven't looked at it. This is the first that  
6 I've heard. I'm looking at the back sheets which  
7 indicate the fees. Some of these fees are high. I  
8 have questioned them myself in the past, as you  
9 know.

10 I think those things are fine. I think  
11 that they should be looked into. I think  
12 guidelines probably should be developed which are  
13 more available to them so they know what the  
14 guidelines should be and so forth.

15 I don't know--we've got three of them  
16 that are before us today that have things the  
17 townships are relying on in their individual  
18 county, Middlesex, Burlington and Monmouth. I  
19 can't see that we should be holding those up to be  
20 able to resolve these other issues. I think those  
21 issues need to be resolved.

22 I think they are not the type of things  
23 that should hold up the projects that are here. I  
24 think emotions are rising to the point that are  
25 going to cloud us on all of these things. If we

1 act against the Middlesex are we going to act  
2 against the Burlington, are we going to act against  
3 the Monmouth?

4 I take all of the things that you say  
5 as being things that we should look into, probably  
6 should have looked into the past. I'd like to pass  
7 the peace pipe around to see if we can't calm down  
8 and try to resolve these without people getting  
9 individually concerned.

10 That goes both ways, because the  
11 records--I haven't heard anything about that  
12 happening until you mentioned it today. If  
13 everybody tried to do that to divisions of  
14 government, not only this Division of Local  
15 Government Services, you know, we could create a  
16 lot of costs and a lot of holding up of the process  
17 that we should be going through without having that  
18 kind of thing. So I don't condone that either.

19 I think under the circumstances, Tom, I  
20 would move that we approve the application of the  
21 Improvement Authority for the projects that they  
22 have here today. I would, with that motion, move  
23 that we should look into these guidelines in  
24 general for all of these improvement authorities  
25 and some of the fees that are charged and the

1 procedures that are involved.

2 I can't comment on the other requests  
3 that you've had, because I have no knowledge of  
4 what they were. That's something that hopefully we  
5 can pass the peace pipe around and get that  
6 resolved also. I move the application.

7 MR. NEFF: I would ask before there is  
8 a second, then we have to take a vote. I won't be  
9 voting in its current form. I would ask that we  
10 continue the discussion. I think there may be some  
11 more questions. I know I have a few, to get to the  
12 bottom of a few things.

13 MR. LIGHT: Sure.

14 MR. NEFF: I do have some  
15 recommendations for moving forward with an  
16 application so we don't stop peoples projects  
17 moving forward if they want to. But it isn't just  
18 going to be blanket project findings that are all  
19 positive as we've done in the past.

20 To be clear, this Board doesn't either  
21 approve or deny the Authority moving forward with  
22 what it wants to do. All this Board is empowered to  
23 do is give our review and give our findings.

24 At the end of the day, regardless of  
25 what we do, this Authority is going to be able to

1 move forward with this project.

2 Let me go back to the conflicting legal  
3 issues just for a minute. Because I do want to try  
4 and flush that out a little bit better.

5 MR. LIGHT: At this point-- I don't  
6 want to hold you up, but as far as parliamentary  
7 procedure, I made a motion. There should be a  
8 second or not.

9 MR. NEFF: If there was a second then  
10 it would be in order. Then we would have to vote on  
11 it without further discussion.

12 MR. LIGHT: You can continue discussion  
13 after it, can't you?

14 MR. NEFF: No. Once there is a motion  
15 and a second, once there is a motion on the floor  
16 you have to vote.

17 MR. LIGHT: Then I would hold it for  
18 discussion. I thought the procedure was you have to  
19 have a second to continue it.

20 MR. PALUMBI: We don't have a second.

21 MR. NEFF: So what is the legal basis  
22 for a municipality to give its full faith and  
23 credit and pledge its taxing power in support of  
24 the bonds that are issued by the Authority for a  
25 lease? I don't know what it is if they were to

1 issue the debt themselves, it's the Local Bond Law.  
2 That allows them to pledge the full faith and  
3 credit.

4 I don't see similar language allowing a  
5 municipality to do that in either the Bond Law or  
6 the Local Public Contracts Law, which is what  
7 allows them to enter into leases.

8 I think, pursuant to our discussion the  
9 other day on the phone, you mentioned that the  
10 Improvement Authorities Law may provide that  
11 authority. Maybe you are referring to Section 78  
12 or Section 80, I'm not sure. But can you just, for  
13 the record, clarify what is the authority for the  
14 municipalities to pledge?

15 MR. PANNELLA: Yes. Again, Tony  
16 Pannella, Wilentz, Goldman & Spitzer. I'll be  
17 happy to answer that, but I would just like to have  
18 one complaint. Since 1992 I've been banging my  
19 head against the wall on these legal issues. So  
20 I'm upset that you are going to make me bang my  
21 head on that wall again. I'm ready to bang it.  
22 It's only complaint for the day.

23 It brings back bad memories when we did  
24 the first equipment financing for this improvement  
25 authority and another. I wish I could answer it in

1 one minute and I'll try and answer it in three.

2 Statutory construction analysis is not  
3 as easy as it sounds. The Improvement Authorities  
4 Law and the Local Bond Law that generally controls  
5 debt obligations of municipal governments, were  
6 both initially adopted in 1960.

7 The Bond Law came right before the  
8 Improvement Authorities Law. Needless to say they  
9 have undergone fifty plus years of revisions. They  
10 were initially put on the books in 1960. 1960  
11 seems like a long time ago in many aspects of  
12 life.

13 But in terms of statutory construction  
14 and preciseness of the analysis of statutes,  
15 frankly it's like last week. People were very  
16 adept at statutory construction. The legislature  
17 was very adept at construction of laws in 1960, the  
18 same as I believe it is today in 2013.

19 What this always has come down to--and  
20 this is just one bond lawyer's opinion, but it has  
21 always come down to, from forty-three thousand feet  
22 before you dive down, is whether or not these debt  
23 and lease authorizations of municipal entities are  
24 a separate authorization in the Improvement  
25 Authorities Law or are merely a pass-through of the

1 authorizations in the Local Bond Law.

2                   Legal opinion on this has not been  
3 universal. Our opinion since 1992 has been that  
4 Section 78 of the Improvement Authorities Law, is  
5 an independent statutory authorization for a public  
6 entity under this law to obligate itself to repay  
7 money, in its most simple statement.

8                   Now, why do we believe that? The single  
9 most direct reason why we believe it, is that  
10 Section 78--and I cringe when I say this and I'm  
11 not sure Mr. Mc Manimon agrees with this. But  
12 Section 78 has an express provision which makes  
13 clear that when you enter into this form of an  
14 obligation, whether a lease or a loan under Section  
15 78, you cannot escape it by failure to appropriate.

16                   It's an obligation that cannot be  
17 escaped by merely failing to appropriate money to  
18 honor it in the budget. Which makes it a not  
19 subject to appropriation general obligation, a  
20 higher form of obligation.

21                   If this authorization to obligate  
22 yourself was intended to only be under the Local  
23 Bond Law, I have never understood why the  
24 legislature would have to make clear that it is not  
25 subject to appropriation in the Improvement



1 Authorities Law. Because the Local Bond Law makes  
2 that clear in spades.

3 So when I read that provision for now  
4 running on twenty-one years, I continually come  
5 back to the same point. On customary statutory  
6 interpretation, why would this law expressly make  
7 clear that this obligation is not subject to  
8 appropriation, when the other law makes it clear  
9 throughout the entire law?

10 It suggests to me that these  
11 authorizations to incur liability are in addition  
12 to the Local Bond Law. Additionally, again, I'm a  
13 lawyer so forgive me, I'm a victim of my  
14 experiences. The Local Bond Law existed when these  
15 provisions were written.

16 I could show you twenty-five other  
17 places in Title 40, where the law expressly states  
18 that you incur the obligation in accordance with  
19 the manner set forth in the Local Bond Law. It  
20 actually cites the law itself, says the words.  
21 Those words aren't here.

22 This provision does not tell us to do  
23 it like the Local Bond Law. It tells us to do it  
24 like other similar obligations. It doesn't tell us  
25 to do it like the Local Bond Law.

1                   There is nowhere in here that tells us  
2                   that we should have down payment, that we should  
3                   file a supplemental debt statement. We now file  
4                   supplemental debt statements.

5                   This law-- there are lawyers in New  
6                   Jersey who do not believe you are even permitted to  
7                   file a supplemental debt statement under a Section  
8                   78 obligation. There are literalists. They read  
9                   this provision and they say you have no statutory  
10                  authorization to file a debt statement. Why are you  
11                  doing that, Wilentz, Goldman & Spitzer?

12                  We do it because of the discussions  
13                  that we had with the then Director in 2008 to try  
14                  and honor the then policies that we thought we had  
15                  understood.

16                  That's in essence the crux of our  
17                  analysis. We believe it has always come down to  
18                  whether or not Section 78 is an independent  
19                  statutory authorization or merely an inartfully  
20                  worded reference to a preexisting law. I wish it  
21                  was more complicated than that, but I don't believe  
22                  that it is.

23                  MR. NEFF: If I could, because I want  
24                  to get this stuff on the record.

25                  MR. PANNELLA: I don't know if that

1 helps.

2 MR. NEFF: I think it's appropriate  
3 because he's going to be asked to look at it.

4 I look at Section 80 of the Improvement  
5 Authorities Law, where it expressly talks about  
6 guarantees that can be placed on Improvement  
7 Authority financing.

8 MR. PANNELLA: Yes.

9 MR. NEFF: It says: "For the purpose of  
10 aiding an Authority in the planning of, taking,  
11 acquisition, construction, financing or operation  
12 of any facility", which would be in the lease as  
13 well potentially-- "which the Authority is  
14 authorized to undertake. The County or beneficiary  
15 county, may by ordinance of its governing body,  
16 then provided by the adoption of a bond ordinance  
17 as provided by the Local Bond Law"-- the reference  
18 that you were just referring, and certain other  
19 provisions actually which refer to the Bond Law.

20 It says you have to do so by the Bond  
21 Law. Actually go so far as to give a pledge,  
22 something that amounts to a guarantee.

23 It looked to me like if a municipality  
24 wanted to go so far as to guarantee that it's lease  
25 payments were intended to be subject to the exact

1 same level of security as a bond law pledge, that  
2 they would do it as a bond law.

3 I don't understand why that provision,  
4 A, would even be in there. Otherwise why would you  
5 need the ability to do guarantees, if you can just  
6 do everything by a lease, which is the same thing  
7 as a guarantee.

8 It raised a question in my head. I'm  
9 not saying it to be argumentative. I read it to be  
10 something that made me think that perhaps that's  
11 not the right interpretation.

12 MR. PANNELLA: I'm happy to offer our  
13 view on that if you'd like?

14 MR. NEFF: Yeah.

15 MR. PANNELLA: Prior to 2008--this was  
16 not the c with the Middlesex County Improvement  
17 Authority. Because the MCIA's bond counsel was of  
18 the view that under Section 78 a municipal  
19 government could generally obligate itself under a  
20 general obligation lease ordinance under this  
21 section, because we view it as a separate statutory  
22 authorization to obligate yourself.

23 There were instances where in other  
24 county equipment finances, lease obligations were  
25 being incurred by participants in the program. The

1 lawyers were requiring that--I don't mean to  
2 chuckle, but the concept has always been foreign to  
3 me. I enter into a lease obligation with you. And  
4 then I adopt an ordinance guaranteeing my  
5 obligation.

6           There were instances where lease  
7 obligations were incurred by Obligor A and then  
8 Obligor A would adopt a guarantee ordinance  
9 guaranteeing its lease obligation. We could never  
10 grasp that. Because we felt that Section 78 gave  
11 us a direct way to have a general obligation not  
12 subject to a setoff obligation in Section 78.

13           So for the purposes of our analysis of  
14 Section 80, needless to say we use it for the  
15 purposes of a county government guaranteeing the  
16 obligations of an improvement authority, but not  
17 for the purposes of a public entity obligor itself  
18 guaranteeing its own obligations independently.

19           Again, this is not a model of clarity.

20           MR. NEFF: I understand your position.  
21 I know Monmouth County on a lease proposal that we  
22 will be looking at later today, they actually  
23 have-- require a county--I'm sorry, they actually  
24 require municipal guarantees of things like police  
25 cars. Which then triggers a down payment and

1 everything else, which is a big issue.

2 MR. PANNELLA: That's only on half of  
3 their program. The other half of their program is  
4 just a general obligation, a pure lease. It is  
5 beyond the police car aspect. I'm familiar with  
6 the programs.

7 MR. NEFF: The vehicles in yours don't--  
8 have a five year life and Monmouth County has a  
9 three year life and they make them do a guarantee.  
10 It's a different setup.

11 MR. CANTALUPO: Exactly.

12 MR. NEFF: I'll ask them about that  
13 when they come up.

14 Back to a relatively simple, straight  
15 forward question, I would assume that you would be  
16 able to answer this one. What account is the OPRA  
17 request, which is going to generate probably in  
18 excess of \$10,000 legal bills, what account is that  
19 being booked through? Is it being booked to-- every  
20 time somebody buys a police car through this lease  
21 payment, are they going to be paying for this OPRA  
22 request that the Executive Director filed in his  
23 hissy fit? I'd like to know, where is that going  
24 to show up? I hope it's not showing up in this  
25 particular financing.

1                   I think it's inappropriate for somebody  
2 who is buying a police to pay for Mayor Pucci's  
3 hissy fit.

4                   MR. PANNELLA: Again, Tony Pannella,  
5 Wilentz, Goldman & Spitzer, Bond Counsel to the  
6 MCIA.

7                   I have absolutely no idea personally  
8 how that gets paid for. I have no idea what it  
9 cost. The only thing I can say is having been the  
10 bond counsel to the Improvement Authority for as  
11 many years as we have, I would be shocked and  
12 stunned if any expenses relating to any OPRA  
13 request, would then be sized into any financing of  
14 the Improvement Authority. I would be stunned. I  
15 would be stunned.

16                   I can't tell you-- I can't sit here  
17 today and tell you exactly what the Executive  
18 Director believes.

19                   MR. NEFF: So a question that isn't  
20 going to go away and that we're going to ask later  
21 is, which account was it billed to with the  
22 Authority? I'd like to know. I want to make sure  
23 it's not being paid for through this financing or  
24 any other financing.

25                   Presumably what he is looking for is

1 related to some sort of official, appropriate and  
2 lawful function of his authority that he's allowed  
3 to do. I'm not sure what it is.

4 Your law firm is the one who is  
5 providing the service. I'd like to know--  
6 presumably somebody has also decided from your law  
7 firm that this is even lawful for him to otherwise  
8 pursue and spend time and public money on this  
9 purpose.

10 What is it related to and who is paying  
11 for it? Who's pocket is it coming out of? The  
12 nursing home residents or taxpayers, take your  
13 pick? Or if it is really appropriate, he'll pay for  
14 it from a deduction from his own salary account.

15 That's a question that's not going to  
16 go away and I won't belabor the point. I know it  
17 is not your fault that he filed the requests.

18 MR. PANNELLA: The only thing I would  
19 say, Director, again, I can only offer my opinion.  
20 But that opinion would be based on twenty years of  
21 representation. I would be stunned and shocked if  
22 anything related to any OPRA requests would be  
23 charged against any financing. That would shock and  
24 stun me, based on my twenty years of experience  
25 here.



1                   MR. NEFF: I have no idea. When we  
2 received the prior billing that were then paid for  
3 with similar lease agreements in the past, I did  
4 get an itemized, I think in increment of six  
5 minute, not even half hour billings, from the  
6 County Executive, that raised other issues.

7                   But with respect to Wilentz, I didn't  
8 get a detailed billing, I don't believe. For all I  
9 know, last year when there were costs being born by  
10 Wilentz as part of the transaction, maybe they  
11 included things that were similar to this. I  
12 wouldn't know.

13                   I from no ability to know whether that  
14 would be the case or not, based on the historical  
15 or lack thereof, information with respect to those,  
16 what the payments are being for.

17                   Again, it is not going away. I'd like  
18 to know who's paying for that at some point.

19                   Give me a minute. Let me check my  
20 notes to make sure that I'm not missing any  
21 questions.

22                   MR. AVERY: Mr. Chairman, can I ask a  
23 question? If I'm a municipality and I want to  
24 participate in your program, what do I have to do  
25 at my end to enter into a lease agreement. Is

1       there a requirement, for instance, that I hold a  
2       public hearing as it would be if I did a bond  
3       ordinance?

4                   MR. PANNELLA: We prepared the forms of  
5       documents. John, maybe you can give a brief  
6       explanation?

7                   MR. CANTALUPO: Yes, there is a similar  
8       requirement, yes.

9                   MR. AVERY: So the public in that town  
10      would have an opportunity to comment on what was  
11      proposed for the lease?

12                   MR. CANTALUPO: Yes.

13                   MR. AVERY: As they would a bond  
14      ordinance?

15                   MR. CANTALUPO: Absolutely. They will be  
16      given an opportunity to come forward like most  
17      regular municipal ordinances and also with the bond  
18      ordinance, yes.

19                   MR. PANNELLA: We believe under Section  
20      78 that if a municipal entity wants to generally  
21      obligate itself, it needs to do so via an ordinance  
22      that has the indicia of a two third's voter process  
23      for the public to participate.

24                   Again, these are all compromises. They  
25      are not mirror images of the Local Bond Law. But

1 we tried to insert into the statutory construction  
2 things that we thought made sense.

3 We didn't think it made sense, in the  
4 totality of the law, for a municipal government to  
5 be able to generally obligate itself off a  
6 resolution. So we require an ordinance.

7 MR. AVERY: As I understand it is now  
8 or at least currently, if I enter into a-- I'm a  
9 municipality, I enter into a lease. That obligation  
10 then is reflected in my debt statement now.

11 MR. CANTALUPO: Yes, under this program  
12 and the 2008 discussion.

13 MR. AVERY: It wasn't prior to that, but  
14 it is as of now?

15 MR. PANNELLA: Yes.

16 MR. CANTALUPO: The lease portion of  
17 this financing counts against the cap, which is the  
18 smaller portion and the long portion. We had to  
19 split it up to comply with the Director's--it goes  
20 on the supplemental debt statement.

21 The old way leases were counted, they  
22 weren't counted anywhere against the cap or against  
23 the debt limit. So the Director at the time asked  
24 us to please make sure they count somewhere,  
25 because they were getting all the benefits of the

1 debt, but they weren't getting any of the  
2 detriments of the debt by having it count  
3 somewhere. So the program count-- everything  
4 counts toward something.

5 MR. PANNELLA: It made perfect sense to  
6 us.

7 MR. CANTALUPO: The police cars are  
8 current expenses, because everything else that can  
9 theoretically be put into debt is put into the  
10 supplemental debt statement.

11 MR. PANNELLA: What we understood the  
12 Division's position to be was if you are outside  
13 the budget cap, you're inside the debt limit, you  
14 pick it. You are one or the other. You can't be  
15 neither. It made perfect sense, hence the  
16 modifications in 2008.

17 MR. NEFF: Just a quick follow-up. The  
18 difference between the ordinances, I understand  
19 that you had a public hearing which you said was  
20 similar. Do you need a super majority as you would  
21 for the bond ordinance or it a simple majority?

22 MR. CANTALUPO: It's a super majority.

23 MR. PANNELLA: It is a two third's  
24 vote. Because, again, inside the vagary of the  
25 law, when you are doing statutory construction and

1 the law is not precise, you have to look elsewhere.

2 It seemed to us that if a municipality'  
3 is going to generally obligate itself, historically  
4 speaking, there is a two third's vote.

5 MR. CANTALUPO: Public hearing and a  
6 two third's vote.

7 MR. PANNELLA: With advertisement  
8 before notice of public hearing.

9 MR. NEFF: Did you say that already  
10 while I was talking to Patty?

11 MR. CANTALUPO: Yes.

12 MR. NEFF: I'm sorry.

13 MR. CANTALUPO: That's okay.

14 MR. AVERY: I asked that question.

15 MR. AVERY: Did you have more  
16 questions?

17 MR. AVERY: No, that's it. Thank you,  
18 Mr. Chairman.

19 MR. NEFF: Just a couple of other  
20 clarifying things for the record. One is, in the  
21 application that we received there was a twenty  
22 year maturity for a fire truck.

23 In our discussions, I believe, we had  
24 discussed that the Local Bond Law and the Local  
25 Public Contracts Law allows for maturity of only

1 ten years for fire fighting equipment.

2 On the record, the application that's  
3 before us is essentially amended by virtue of this  
4 meeting, to provide for a ten year maturity and not  
5 a twenty year maturity, which would otherwise be  
6 unlawful.

7 There were a number of provisions in  
8 the application, I think it was two, for County  
9 vehicle purchases. I'm not sure they were  
10 purchases, but they were prospective, some sort of  
11 vehicle acquisitions. Where it was indicated there  
12 was a zero year life-- useful life for those  
13 purposes.

14 I want to clarify on the record,  
15 obviously, that was just a mistake or an error in  
16 the application. My understanding that has  
17 a--according to the Authority, that has a five year  
18 useful life. Are those actually purchases of  
19 vehicles or is that, like, a renovation? Is that,  
20 like, tearing out seats of a bus and putting in new  
21 seats?

22 MR. CANTALUPO: I think it is--it can  
23 be any of the above. I think it is all five year--  
24 five year life vehicles.

25 MR. NEFF: I think between those two

1 items, it was almost a million dollars. But you're  
2 not sure whether--

3 MR. CANTALUPO: I don't know every  
4 single list of item in terms of-- we can certainly  
5 provide that detail subsequently. But it is all  
6 five year life, my memory of looking at it.

7 MR. NEFF: The reason why I'm asking,  
8 I'm familiar with--in the past people have tried to  
9 do things like pay for oil changes, oil filters or  
10 a major piece of equipment.

11 MR. CANTALUPO: We don't allow any of  
12 that.

13 MR. NEFF: I want to make sure there is  
14 nothing like that in here.

15 MR. CANTALUPO: We review  
16 everything--especially just before the financing.  
17 Because sometimes they might have some  
18 modifications in their equipment. But everything is  
19 virtually what they put in here. We make sure  
20 everything is five year.

21 Again, the zero to five was something  
22 that slipped by us. And the twenty, as you said, we  
23 corrected on the record at the last meeting.

24 MR. NEFF: I think I only have one more  
25 question. That is, we had asked for--we were

1     trying to get to what the actual compensation of  
2     the Executive Director is.

3                     We asked for and received an accounting  
4     for accrued vacation and sick time. I think  
5     through 2011 the Executive Director was annually  
6     paying himself for those unused, pursuant to the  
7     Comptroller's records. Beginning in 2012 he  
8     started to accrue them and he would be paid for the  
9     accrued time at the end of his career.

10                    He's got listed in the material that we  
11    received, I think twenty-eight days of vacation  
12    time that was accrued as of December 31st of 2012,  
13    which equates to about a \$20,000 plus payment and a  
14    number of sick days as well.

15                    My question is simply this, if he is  
16    accruing about \$20,000 worth of time last year,  
17    would he then be entitled to--this is a question  
18    that I don't know the answer. Does his contract  
19    allow him to keep rolling over? Can he get another  
20    twenty days next year and then another twenty and  
21    another twenty, so that four years from now he's  
22    going to get an \$80,000 check for his unused  
23    vacation time?

24                    MR. CANTALUPO: My understanding from  
25    conversations with general counsel is that it's



1 capped, just like the state law, at \$15,000. That  
2 would be that payout that would roll year to year,  
3 one time.

4 MR. NEFF: So your representation to me  
5 is that if he has \$20,000 of accrued vacation time  
6 now, he'd only be paid \$15,000?

7 MR. CANTALUPO: That's my  
8 understanding. Again, that's something I've never  
9 analyzed. That's just my understanding.

10 MR. NEFF: If he were here he would be  
11 able to answer that, but he's not here.

12 MR. CANTALUPO: I believe-- I think  
13 even in the letter, it may have said that, didn't  
14 it, Anthony?

15 MR. INVERSO: I don't recall.

16 MR. NEFF: Okay. I'd like some  
17 clarification on that at some point.

18 MR. AVERY: Mr. Chairman, could I add  
19 to that question? Is he paid, under his contract,  
20 dollar for dollar? Is there a percentage that he's  
21 paid for unused time? I know in Ocean County, for  
22 instance, you get fifty percent of your unused time  
23 up to a maximum of \$15,000, as opposed to one  
24 dollar for every dollar.

25 MR. NEFF: My recollection, which may

1 be wrong, after reading his contract, was that he's  
2 paid for accrued vacation time. There is no  
3 indication that it's fifty percent of. I could be  
4 wrong. That's my recollection.

5 I noted in the material we were sent,  
6 twenty-eight days was listed as being worth  
7 \$20,000. So if we did the math we may be able to  
8 back into it, but I just don't know.

9 So before we get to the second on the  
10 motion that's on the table, what I had come here  
11 prepared to do was to make a motion that we could  
12 provide some findings. And that our findings be  
13 consistent with what we stated in the past with  
14 respect to project costs and the like.

15 I would add a few additional bells and  
16 whistles on the findings. One would be that for  
17 the findings in terms-- that we provide a finding  
18 that fees, at least as they relate to the County  
19 Counsel and as they relate to payments of funds to  
20 the Authority itself, which are relatively small  
21 amounts of fees, that those fees we don't find to  
22 be reasonable at this point.

23 I can't vote for anything that suggests  
24 anything to the contrary. Based on the discussion  
25 of what we know, I think they are outrageous.

1                   Otherwise the findings would be the  
2 same as they have been in the past. However, I  
3 would also ask that as part of the resolution we  
4 require the Authority to submit a post retirement  
5 report-- I'm sorry, the post closure report or  
6 closing report, that's substantially similar to the  
7 report that's prepared by Monmouth County. That  
8 has the other material that I referenced earlier.  
9 Something that explains what was actually spent on  
10 the purchases that were financed and the other  
11 material discussed.

12                   I would also suggest that prior to  
13 closing that the municipalities be required to  
14 submit to this Board certification that I  
15 referenced earlier, that they've done some due  
16 diligence to shop around for what the best price  
17 would be for buying something.

18                   If they give us something certifying  
19 the cost estimates that they provided to the  
20 Authority which are triggering the amount of the  
21 financing are reasonable.

22                   I would also suggest that rather than  
23 approve the application as submitted for \$19.5  
24 million, that it be positive recommendations with  
25 respect to \$15.5 million, which is essentially the

1 amount of the application minus the amount for Old  
2 Bridge, since Old Bridge has indicated that they  
3 are backing out of this transaction.

4 That would be my motion. But, Ted, you  
5 have a motion--

6 MR. LIGHT: What was the amount on Old  
7 Bridge backing out, I missed that?

8 MR. NEFF: You guys know better than I  
9 do. It is approximately \$4 million. I think it  
10 may be a little bit more. But the suggestion is to  
11 reduce the amount--

12 MR. LIGHT: Whatever it was.

13 MR. CANTALUPO: The size of the  
14 financing is fine, it is good.

15 MS. RODRIGUEZ: Tom, I have a  
16 question. With the backing down of-- what was it,  
17 Old Bridge?

18 MR. LIGHT: Old Bridge.

19 MS. RODRIGUEZ: Does that change the  
20 issuance cost at all?

21 MR. CANTALUPO: No, it doesn't. It's  
22 always been the same. We have varying sizes to the  
23 program every year. Costs haven't changed at least  
24 in twelve years that I've been there. Sometimes  
25 it's a \$10 million pool, sometimes it's a \$17

1 million pool. It's pretty much the same amount of  
2 work we have to do.

3           The only thing that would change would  
4 be the underwriters per bond fee.

5           MR. INVERSO: The rating agencies.

6           MS. RODRIGUEZ: To be clear.

7           MR. NEFF: It wouldn't change what the  
8 Authority receives by way of fees. But it would  
9 change the prorata share of who's paying what. So  
10 under the old transaction, for instance, Carteret  
11 if they were part of it or South Amboy if they were  
12 part of it, they would be paying X dollars, but now  
13 because the portion that was going to be paid by  
14 Old Bridge is now going to be paid by them, their  
15 fee would go up; correct?

16           MR. CANTALUPO: Yes.

17           MR. NEFF: We have a motion on the  
18 floor.

19           MR. LIGHT: I would have no problem in  
20 amending the motion to include two and four of your  
21 findings. I have-- I think that we should question  
22 the County Counsel fees. I don't know that I want  
23 to put that in the motion. I would say a formal  
24 request would cover that rather than include it  
25 into the motion.

1                   The only other area I'm not sure of is  
2                   how you make the municipality do-- is that  
3                   something new that they are required to do some due  
4                   diligence in the past?

5                   MR. NEFF: They have not been required  
6                   to file anything as part of these lease  
7                   agreements. From the past, prior to my time, I  
8                   think Patty Mc Namara had indicated to me that the  
9                   CFO of every participating agency used to come to  
10                  the Board and testify to the Board that here is our  
11                  cost, here is what is reasonable and answer the  
12                  questions. We kind of got away from that.

13                  MR. LIGHT: Once you go to the  
14                  Authority you don't have that.

15                  MR. NEFF: It makes us a little crazy,  
16                  so we didn't do that.

17                  MR. LIGHT: Can we amend the motion to  
18                  include two and four of what you suggested and take  
19                  a look at how we would cover that number three?  
20                  I'm not sure how that would be covered without  
21                  having some time to take a look at that.

22                  MS. MC NAMARA: I don't have them  
23                  marked by numbers.

24                  MR. LIGHT: All right. The first one  
25                  were the fees of the County Counsel. Tom wanted

1 some justification on that. I think that should be  
2 done, but I don't know if I want it included in--

3 MR. NEFF: I guess what you are saying  
4 is, what you want is positive findings as to the  
5 fees for this project? All I'm suggesting is we  
6 give positive findings with respect to the fees,  
7 with the exception of the fees that are going  
8 directly to the Authority and directly to the  
9 County Counsel.

10 MR. LIGHT: Do you have any problem  
11 with that? Do you have any problem with that as an  
12 applicant? You don't know. I'm not sure I  
13 understand it, to be sure.

14 MS. MC NAMARA: Do you want to read the  
15 resolution? I know you didn't want to, but the  
16 resolution that we create does indicate that there  
17 are positive findings and it just ends there. So  
18 we would have to then say, except for this small  
19 portion of the total, which I have to articulate by  
20 title.

21 MR. LIGHT: What would that mean for  
22 the application as far as going through the  
23 projects, that's the thing? I have no problems  
24 when you are asking that, asking to provide that,  
25 but I don't want to hold up the project.

1 MS. RODRIGUEZ: I think that's  
2 administration.

3 MS. MC NAMARA: I think that's a  
4 question of the applicant.

5 MR. NEFF: I can read to you what I  
6 think the old findings used to be and what I think  
7 the new ones should at this point, if you want?

8 MR. LIGHT: Can you summarize it rather  
9 than read the whole thing?

10 MR. NEFF: The first finding is usually  
11 that the project costs are determined to be  
12 reasonable and accepted methods.

13 We would continue to say that the  
14 project costs have been determined to be reasonable  
15 and accepted the methods. Provided, however, prior  
16 to closing that the CFO of each participant files  
17 with the Authority and the Board, a certification  
18 explaining what alternative financings were  
19 explored, why the determination was made that the  
20 arrangement with the Authority was the least  
21 expensive for the taxpayers and documentation  
22 explaining the cost estimates for the project and  
23 why they are not unreasonable.

24 Which is generally what they would have  
25 been testifying to if they were here today.



1                   MR. LIGHT: You would require that of  
2 any Improvement Authority that comes in?

3                   MR. NEFF: Yes. I would be making an  
4 identical motion with respect to Monmouth County,  
5 which is later.

6                   MR. LIGHT: That, with the back out of  
7 Old Bridge, are the only changes that you would  
8 make then?

9                   MR. NEFF: That, backing out Old Bridge  
10 and further providing that we're not finding that  
11 the fees are reasonable with respect to the County  
12 Counsel and the Authority itself. And also  
13 requiring a post closing report substantially  
14 similar to Monmouth County's, but also has a little  
15 bit extra reporting in it that we discussed  
16 earlier.

17                   I would be making that same motion with  
18 respect to Monmouth, too, that they make up their  
19 own report to cover those things. So that we  
20 actually have information that can help us in  
21 determining whether the financings are reasonable.

22                   MR. LIGHT: As far as this application  
23 is concerned, though, the only fees that you were  
24 questioning were the fees for the County Counsel?

25                   MR. NEFF: County Counsel and the fees

1 that go to the Authority itself.

2 MS. RODRIGUEZ: The financing fee, is  
3 that what you're talking about?

4 MR. NEFF: The annual fee, the one time  
5 annual fees.

6 MR. AVERY: Which total \$60,000?

7 MR. NEFF: Which total \$60,000.

8 MR. AVERY: Mr. Chairman, just so I'm  
9 really clear, the Middlesex County Counsel is a  
10 full-time employee of the County? He's not an  
11 appointed counsel, he is a full-time employee?

12 MR. NEFF: He's a salaried pension  
13 employee.

14 MR. AVERY: He can't have it both ways.

15 MR. NEFF: That's my understanding.

16 MR. LIGHT: There will be some-- you're  
17 questioning the Authority's financing fee. There  
18 should be some financing there, so what are you  
19 suggesting?

20 MR. NEFF: I'm suggesting that an  
21 Authority that has so much money that it can pay  
22 the Executive Director \$210,000, \$400 a month for  
23 car allowance and has so much money to engage in  
24 fishing expeditions and require people to pull 300  
25 files. Then turnaround and bill attorneys \$135 an

1 hour to go through their fishing expedition, which  
2 has nothing to do with this application, as far as  
3 I can tell, or any other lawful responsibility of  
4 the Authority. No, they don't need the money.  
5 They can pay for it some other way.

6 MR. LIGHT: We are going to take away  
7 the fee from all the other--

8 MR. NEFF: We're not taking it away.  
9 We're not taking anything away. All we're doing is  
10 saying we can't, from our viewpoint, find that's a  
11 reasonable fee.

12 If they are able to move forward with  
13 this application one-way or the other, that finding  
14 won't jeopardize their ability to move forward. To  
15 me it's a matter of principle. I'm not the going  
16 to go on the record and vote for something that  
17 suggests that this Authority needs more fees for  
18 its administrative expenses, when it's apparently  
19 so flush with cash that it can flush it down the  
20 toilet.

21 MS. RODRIGUEZ: Tom, if I may? I just  
22 want to--for the sake of time, the administrative  
23 fee or financing fee has been an issue for this  
24 Board for a long time. Not only with-- not  
25 Middlesex, but for all the Improvement Authorities

1 throughout the State of New Jersey. It is not  
2 just--we're not single handily picking Middlesex  
3 County.

4                   Since I could remember, that's always  
5 been an issue here.

6                   MR. LIGHT: Looking at Burlington-- I  
7 don't see the list for Monmouth, but there are  
8 three before us today. But the one for Burlington  
9 is not as high as the one for Middlesex, but it's  
10 \$30,000.

11                   MR. NEFF: I do make differences  
12 between the Authorities. We started four months  
13 ago sort of piercing the veil, seeing what are  
14 those paying for? Prior to know what the fees were  
15 paying for, I think if you're looking at a \$30,000  
16 fee or \$60,000 fee and saying it's probably  
17 reasonable, absent knowing what it's being spent on  
18 now we know what it's being spent on and we have  
19 for the last few months.

20                   I raised this objection with the Union  
21 County Improvement Authority and I'm raising it  
22 with this one. I haven't raised it with others.  
23 The reason why I didn't raise it or I wouldn't  
24 raise for Monmouth County is, they didn't have an  
25 Executive Director. They don't have somebody

1 patrolling around with a \$400 a month car  
2 allowance, not spending crazy, running around on  
3 fishing expeditions. So I don't have an issue with  
4 it.

5 I reviewed the questionnaire in terms  
6 of how they are spending for the Burlington County  
7 Bridge Commission. They utilize, I believe, State  
8 Health Benefits there. Their Executive Director  
9 isn't coming close to \$210,000 a year. I didn't see  
10 things that jumped out that were like--admittedly  
11 to some extent it's a subjective test.

12 I'm not seeing expenses that are so out  
13 of line that they cause me to just be unwilling to  
14 just vote for more money to go into their coffers.

15 We can get testimony on that from  
16 Monmouth County when they get here. I don't think  
17 they have any staff. All they do is some leasing  
18 projects and things of that sort.

19 MR. NEFF: I don't know-- what was done  
20 in Union County? Was that completely eliminated?

21 MR. NEFF: We didn't eliminate  
22 anything. All we did was we refused to find  
23 positive findings with respect to the fee that was  
24 going to the Authority itself.

25 MR. LIGHT: What does that mean, I

1 don't understand what it means?

2 MR. NEFF: All it means is, we are not  
3 giving our stamp of approval or our stamp or our  
4 official concurrence that what they are charging  
5 fees for is somehow reasonable.

6 MR. LIGHT: I think they are still  
7 going to charge it, they just--

8 MR. NEFF: They might still well charge  
9 it. My guess is this Authority--

10 MR. LIGHT: Rather than hold it up. I  
11 think we are debating back and forth. I have no  
12 problem then with amending the motion that I made  
13 to include those-- I think there were three  
14 requirements.

15 MR. NEFF: I appreciate your  
16 willingness. I'll second it. Any other comments?

17 MR. PANNELLA: The only thing we would  
18 say is if the Attorney General's office is going to  
19 be looking at this and we want a talk to lawyers  
20 who have been looking at it forever, who are  
21 available, we'll be able to talk to you about it.

22 MR. PALUMBI: I'll take you up on it.

23 MR. PANNELLA: There are several other  
24 lawyers in New Jersey who have looked at as much as  
25 us.

1 MR. PALUMBI: I appreciate your offer.

2 Thank you.

3 MR. NEFF: If there are a couple of  
4 others that you want to recommend, include a small  
5 group. I know there is one right behind you.

6 MR. PANNELLA: Just not Ed.

7 MR. NEFF: He's definitely--

8 MR. PANNELLA: Actually, I was going to  
9 say, starting with Mr. Mc Manimon. I think he  
10 wrote the law.

11 MR. NEFF: With that we can take a vote  
12 on this.

13 MS. MC NAMARA: Mr. Neff?

14 MR. NEFF: Yes.

15 MS. MC NAMARA: Mr. Avery?

16 MR. AVERY: Yes.

17 MS. MC NAMARA: Ms. Rodriguez?

18 MS. RODRIGUEZ: Yes.

19 MS. MC NAMARA: Mr. Blee?

20 MR. BLEE: Yes.

21 MS. MC NAMARA: Mr. Light?

22 MR. LIGHT: Yes.

23 MR. PANNELLA: Thank you.

24 MR. NEFF: Why don't we take a five  
25 minute break?

1 (Whereupon, a recess takes place)

2 MR. NEFF: All right, we'll continue.

3 New Providence is withdrawn. The next item we have  
4 on the agenda is Little Falls.

5 (Gary Higgins, Joanne Bergen, being  
6 first duly sworn according to law by the Notary,  
7 testifies under oath as follows:

8 MR. MC MANIMON: For the record, Ed Mc  
9 Manimon from Mc Manimon, Scotland & Baumann, Bond  
10 Counsel to the Township of Little Falls.

11 Before we start, we just want to  
12 indicate that we're billing all of this time to the  
13 Middlesex County Improvement Authority.

14 MR. HIGGINS: We're getting continuing  
15 education here, too.

16 MR. MC MANIMON: The Township is  
17 requesting approval of a \$900,000 Tax Appeal  
18 Refunding Bond to fund the payment of settled tax  
19 appeals in the amount of \$860,225, one of which is  
20 \$709,000, which is the second largest taxpayer.

21 I wanted to ask Joanne Bergen, who is  
22 the administrator, to just briefly explain what  
23 they have done.

24 They were here for credits a couple of  
25 years ago. They had to comply with the rules that



1 you had, which they've done in spades. But I think  
2 it would help just brief the issue before you ask  
3 us any questions. I think it would explain why we  
4 are asking for this to be funded over a three year  
5 period, which has a greater than \$50 effect on the  
6 average home per year.

7 MS. BERGEN: Thank you. I thank you  
8 very much for having us today. We are greatly  
9 appreciative of the Local Finance Board approvals  
10 for PLs in the past. We took several steps to  
11 illustrate our appreciation of your approval, as  
12 well as fiscal diligence in preparing for  
13 unanticipated expenditures such as tax appeals.

14 Our budget this year for the first time  
15 included a funded line item to help us assist with  
16 the cost of the appeals which we had used as needed  
17 for some of the smaller ones. This was really  
18 appeals of such magnitude that it was not something  
19 that we were able to fully fund.

20 We also conducted a municipal wide  
21 reassessment to correct the high assessments that  
22 were creating the appeals. As a result, we went  
23 from 450 that were filed in 2012, to fifty, to less  
24 than fifty for this year. So that, obviously, had  
25 the impact that we were looking for. Which was to

1 stop this continuing trend of appealing assessments  
2 that were too high for-- that were just too high.

3 We have-- our employees recognize we  
4 are in a fiscal crisis and cutting every corner  
5 possible. So, again, again, we had a zero percent  
6 increase for any noncontractual employee.

7 We have enhanced the requirement that  
8 was given us to have a DCA contact person approve  
9 all of our staff changes. We've taken that from  
10 the simple checks and balances process to a really  
11 engaged partnership. Where our representative  
12 comes to town regularly and often. We talk about a  
13 multitude of issues that we're facing and financial  
14 concerns that we have. He'd been a great grid  
15 resource to us in terms of brainstorming and  
16 support.

17 We look at that as great new  
18 partnership that we didn't have prior to Local  
19 Finance Board approval the first time around.

20 We have a shared service agreement in  
21 place. We are continuing to pursue that as much as  
22 possible. It generates revenue for us with the  
23 Township of Parsippany. We have another agreement  
24 pending with a neighboring town for senior bus  
25 transportation and staffing.

1                   We have done some staff reductions. We  
2                   have less than twenty full-time employees that are  
3                   noncontractual. Of those, in our Clerk's office.  
4                   We went down from three full-time employees to  
5                   two. Are finance offices went from two full-time  
6                   employees to one and a half.

7                   So we've done what we feel is very  
8                   illustrative of and appreciative of your approval  
9                   in the past. And recognizing that we had to make  
10                  some tough fiscal changes in the way we do things  
11                  fiscally, so we would stop having to address these  
12                  issues by coming here. I hope we have illustrated  
13                  that.

14                  Without this Local Finance Board's  
15                  approval we will have to fully fund this in our  
16                  next year's budget. Which would significantly  
17                  impacts all of our residents to more than \$200 per  
18                  property.

19                  We are still recovering from Hurricane  
20                  Irene. Sandy we haven't gotten to yet. We are  
21                  still trying to recover from Irene.

22                  We have seventy-eight properties that  
23                  are being mitigated through elevation and  
24                  acquisition, a hundred percent grant funding for  
25                  that. With another fifty or so that had to be

1 mitigated.

2                   We are in-- there are a few dynamics  
3 that are occurring that are creating challenges for  
4 our residents and for us. So to have this be fully  
5 funded and not receive Local Finance Board approval  
6 would really be devastating to people that are  
7 barely holding on as it is now. We appreciate your  
8 consideration and thank you for hearing from us.

9                   MR. NEFF: Any questions on this one,  
10 comments?

11                   MR. BLEE: Motion to approve.

12                   MR. NEFF: I'll second it.

13                   MR. NEFF: Roll call.

14                   MS. MC NAMARA: Mr. Neff?

15                   MR. NEF: Yes.

16                   MS. MC NAMARA: Mr. Avery?

17                   MR. AVERY: Yes.

18                   MS. MC NAMARA: Ms. Rodriguez?

19                   MS. RODRIGUEZ: Yes.

20                   MS. MC NAMARA: Mr. Blee?

21                   MR. BLEE: Yes.

22                   MS. MC NAMARA: Mr. Light?

23                   MR. LIGHT: Yes.

24                   MS. BERGEN: Thank you so much, thank  
25 you.

1 MR. NEFF: Good job. East Hanover  
2 Township is deferred. Township is deferred. So  
3 that brings us to Wildwood City, USDA.

4 (Ernie Troiano, Susan Plaza, Robert  
5 Swartz, being first duly sworn according to law by  
6 the Notary).

7 MR. TROIANO: Ernie Troiano,  
8 T-r-o-i-a-n-o, Mayor.

9 MS. PLAZA: Susan Plaza.

10 MR. SWARTZ: Robert Swartz, S-w-a-r-t-z.

11 MR. MAYER: Good morning. I'm Bill  
12 Mayer with Decotiis, Fitzpatrick & Cole. This is an  
13 important project in the City of Wildwood. The  
14 Mayor sends his regards.

15 It is a \$3,720,000 sewer project with  
16 USDA financing, a \$1,484,000 grant, \$2,236,000 in  
17 bonds and notes. They are asking for a waiver of  
18 the down payment. It is in the sewer utility.  
19 They have instituted the rate increase. Hopefully  
20 we'll be self-liquidating by the end of the year.

21 It is also a request for a  
22 Nonconformity Maturity Schedule because of the USDA  
23 semi-annual payment requirements.

24 The Mayor tells me he doesn't need to  
25 address you, but if you want to say hello feel

1 free, Mayor.

2 MR. TROIANO: We appreciate the  
3 opportunity to come before you. Our sewer system in  
4 that regard is extremely dilapidated, terra-cotta  
5 and we have actually some sections with wood as our  
6 channels for our sewers. So it is very important.  
7 Some of these sewers haven't been touched in over a  
8 hundred years.

9 MR. NEFF: I appreciate you coming all  
10 the way up here for this. Ordinarily USDA projects  
11 are on as a consent item. The only reason we didn't  
12 have this on consent is just the past issues we had  
13 with the Wildwood budget. I understand you are  
14 moving forward with the budget.

15 MR. TROIANO: Actually, this is the  
16 first time it is in good shape. We heard everything  
17 and we're conforming.

18 MR. NEFF: You adopted already for  
19 2013?

20 MR. TROIANO: Yes.

21 MR. NEFF: Everything seems to be in  
22 already. That's really primarily what we were  
23 looking for. You said you have a recent increase  
24 in the utility to try and make it self-liquidating.

25 MR. TROIANO: We were short about

1       \$145,000.

2                   MR. MAYER:   \$155,774 short.   There was  
3       a rate increase February 27th.

4                   MR. SWARTZ: The budget for 2013 does  
5       not have a deficit in it, it is balanced.

6                   MR. NEFF:   Good.   It all sounds like  
7       things are going in a positive direction.

8                   I don't have any other questions,  
9       unless anybody else does?   I apologize for you  
10      coming all the way over here for two minutes.  
11      Hopefully you were entertained for the last hour.

12                  MR. TROIANO: We saw government in  
13      action.

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

15                  MS. RODRIGUEZ: I'll second it.

16                  MR. NEFF:   Take a roll call.

17                  MS. MC NAMARA: Mr. Neff?

18                  MR. NEFF: Yes.

19                  MS. MC NAMARA: Mr. Avery?

20                  MR. AVERY: Yes.

21                  MS. MC NAMARA: Ms. Rodriguez?

22                  MS. RODRIGUEZ: Yes.

23                  MS. MC NAMARA: Mr. Blee?

24                  MR. BLEE: Yes.

25                  MS. MC NAMARA: Mr. Light?

1 MR. LIGHT: Yes.

2 MR. NEFF: We appreciate all your hard  
3 work in getting your finances vastly improved.

4 MR. TROIANO: We appreciate it more  
5 ourselves, believe me. Thank you very much for  
6 your time.

7 MR. MAYER: Very appreciative.

8 MR. NEFF: Next up is old business,  
9 Irvington Township.

10 MR. MC MANIMON: Thank you. Ed Mc  
11 Manimon from Mc Manimon, Scotland & Baumann, Bond  
12 Counsel to the Township. I actually thought that  
13 Fahim Rahoof, who is the Chief Financial Officer of  
14 Irvington, would be here. Even though this  
15 application in exactly form that it is in, was  
16 previously approved last year in May.

17 When we got records on the ordinance,  
18 we discovered that they actually adopted the  
19 ordinance prior to when this approval occurred.  
20 Because they are a Qualified Bond Act community,  
21 the Bond Law requires that it be adopted after the  
22 approval of this matter.

23 They had scheduled it for the day after  
24 the hearing. The hearing was deferred by a month,  
25 so they kept it on schedule. Which is not an



1     excuse to doing it correctly, so we had them adopt  
2     the ordinance. In order to follow the process that  
3     re-adoption really has to be approved by this Board  
4     under the Qualified Bond Act.

5                     There is no change in the ordinance.  
6     There is no change in the issues that were raised  
7     at the time when the original application was  
8     before you. If that is okay because you had other  
9     issues with Irvington, then I would ask you to  
10    proof it if not I'd ask you to defer it.

11                    MR. NEFF: I don't have any other  
12    questions and issues.

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

14                    MS. RODRIGUEZ: Second.

15                    MR. NEFF: Roll call.

16                    MS. MC NAMARA: Mr. Neff?

17                    MR. NEFF: Yes.

18                    MS. MC NAMARA: Mr. Avery?

19                    MR. AVERY: Yes.

20                    MS. MC NAMARA: Ms. Rodriguez?

21                    MS. RODRIGUEZ: Yes.

22                    MS. MC NAMARA: Mr. Blee?

23                    MR. BLEE: Yes.

24                    MS. MC NAMARA: Mr. Light?

25                    MR. LIGHT: Yes.

1 MR. MC MANIMON: Thank you.

2 MR. NEFF: You are here for Lower  
3 Township also?

4 MR. MC MANIMON: I am, Lower MUA.

5 MR. NEFF: We're going to skip and do  
6 Lower, which will be quick and then we'll get to  
7 the next application.

8 MR. MC MANIMON: The Lower Township  
9 Municipal Utilities Authority is requesting  
10 approval or findings, because they are an  
11 Authority, in connection with a \$5,100,000  
12 refunding issue that meets all the requirements the  
13 Board; three percent present value savings, savings  
14 levelized across the board.

15 The Lower MUA was here last month on a  
16 different application for the NJEIT, so I didn't  
17 have to come. I think the reason this was not on  
18 the consent was because the resolution and  
19 certification were not presented to the Executive  
20 Secretary of this Board in time for the agenda.

21 But it otherwise meets the criteria  
22 that you would use, assuming that you put  
23 authorities on the consent agenda. I'm here happy  
24 to answer any question, but it has all the other  
25 requirements.

1 MS. RODRIGUEZ: I have a question. How  
2 does the general counsel differ here from the  
3 County Counsel, as to the issuance costs?

4 MR. NEFF: Is the counsel a paid  
5 employee and also receiving--

6 MS. RODRIGUEZ: That's my question.  
7 I'm wondering if the Utilities Authority has a  
8 regular full-time-- I don't know, maybe not.

9 MR. MC MANIMON: We probably-- again,  
10 we filled out this application, it was my partner  
11 Mike Jessup. We probably put this amount of money  
12 and it's \$5,000 just on the off chance he is  
13 charging for it. He may not. Generally they  
14 don't.

15 MS. RODRIGUEZ: I see what you are  
16 saying.

17 MR. MC MANIMON: When we filled out  
18 this application we put the--not that \$5,000 is  
19 minimal, but there is work for the Authority's  
20 attorney to do here. I don't know. I doubt that  
21 he is a full-time employee, not a County Counsel,  
22 if he gets paid extra for this. We wanted to make  
23 sure there is a minimal amount to cover that. But  
24 I will confirm that. If it is different than that  
25 I will identify that.

1                   MR. NEFF: We actually have that--do  
2 you have that questionnaire?

3                   MS. MC NAMARA: It is in the  
4 application.

5                   MR. MC MANIMON: The questionnaire is  
6 in the application.

7                   MR. NEFF: Let's take a real quick look.

8                   MS. RODRIGUEZ: I have a question, if  
9 he's full-time or not.

10                  MR. NEFF: Who is the counsel, do you  
11 know, Ed?

12                  MR. MC MANIMON: I don't know. The  
13 firm is Stefankowitz & Barnes. I don't know the  
14 individual person. It's a law firm. I believe  
15 they are paid to be the general counsel. They get  
16 paid for litigation, other things and probably  
17 this. They are not a salaried, pensioned position,  
18 if that's what you are asking.

19                  MR. NEFF: They are not?

20                  MS. RODRIGUEZ: That wouldn't apply to  
21 them.

22                  MR. NEFF: What's the name again.

23                  MR. MC MANIMON: It's Stefankowitz &  
24 Barnes, the firm. It is not a person, it is a law  
25 firm.

1           MR. NEFF: Okay, yeah. So it is--  
2           there is in nobody named Stefankowitz or Barnes on  
3           the payroll. There are probably fifteen or twenty  
4           people on their payroll that is--everybody on their  
5           payroll has, like, a technical title, secretary,  
6           laborer or sludge plant operator. They don't have  
7           the same issue as Middlesex, as far as I can tell.

8           Take a motion.

9           MS. RODRIGUEZ: I'll make a motion.

10          MR. BLEE: Second.

11          MR. NEFF: Have a roll call.

12          MS. MC NAMARA: Mr. Neff?

13          MR. NEFF: Yes.

14          MS. MC NAMARA: Mr. Avery?

15          MR. AVERY: Yes.

16          MS. MC NAMARA: Ms. Rodriguez?

17          MS. RODRIGUEZ: Yes.

18          MS. MC NAMARA: Mr. Blee?

19          MR. BLEE: Yes.

20          MS. MC NAMARA: Mr. Light?

21          MR. LIGHT: Yes.

22          MR. NEFF: Newark, Refund Emergency

23          Notes.

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

1                   MR. EISMEIER: Timothy Eismeier,  
2                   E-i-s-m-e-i-e-r, NW Financial Group, Financial  
3                   Advisor.

4                   MR. FEARON: Jim Fearon, Gluck, Walrath,  
5                   Bond Counsel to the City of Newark.

6                   MR. NEFF: Good afternoon. Jim Fearon,  
7                   from Gluck, Walrath, City of Newark Bond Counsel.

8                   So in December of last year the City  
9                   issued \$6,470,000 of emergency notes to fund an  
10                  emergency appropriation relating to expenses for  
11                  Hurricane Sandy. These were expenses of the nature  
12                  that would not have been eligible for special  
13                  emergency notes. So the option that was chosen was  
14                  to have emergency appropriations as one of the  
15                  choices in the Local Finance notice that was issued  
16                  at the time.

17                  The emergency notes have to be retired  
18                  in full in the subsequent fiscal year, which is  
19                  this year, unless they refunded. The Local Bond Law  
20                  permits the issuance of refunding bonds to refund  
21                  emergency appropriations.

22                  Our request is to basically impose a  
23                  five year amortization schedule, which is akin to  
24                  that of the special emergency notes. Where  
25                  four-fifth's of the principal would be spread out

1 over the next four years. We have included  
2 one-fifth of the principal already in this year's  
3 budget. And the request is to issue refunding  
4 notes payable one-fourth each year for the next  
5 four years.

6 MR. NEFF: Presumably all of these  
7 costs are things that you expect to get reimbursed  
8 by FEMA?

9 MR. FEARON: Yes. We did note in the  
10 application that we have not received any funds  
11 from FEMA yet. The notes are in anticipation of  
12 that, which would be reduced to the extent FEMA  
13 funds are received.

14 MR. NEFF: Are these costs like  
15 operating costs?

16 MR. FEARON: These are overtime, almost  
17 entirely overtime.

18 MR. NEFF: You haven't referred  
19 anything from FEMA?

20 MR. FEARON: My understanding is that  
21 we received nothing at this point.

22 MR. NEFF: I don't have a problem with  
23 this application at the end the day. Because it  
24 mostly presumably is going to be reimbursed by FEMA  
25 anyway and then the not gets retired.

1                   What troubles me is you don't have  
2 anything from FEMA yet. Especially because the  
3 City has done all of its paperwork. Then the State  
4 has a policy of essentially fronting fifty percent  
5 of the costs that they would otherwise be entitled  
6 to from FEMA. With a requirement that later the  
7 State Police will sort of check against that before  
8 they issue additional checks. But you should have  
9 gotten a big chunk of change so far.

10                   I would encourage you to go back. If  
11 it's the case that Newark has done it paperwork and  
12 then sitting around waiting for its money, just  
13 call me and let me know. I'll call somebody at the  
14 State Police and say look, where is their check?

15                   Of all places, it's a place that has  
16 got some distress in its budget, so get them their  
17 money. Just let us know.

18                   MR. FEARON: Thank you very much.

19                   MR. NEFF: Any other issues, questions  
20 on this one?

21                   MR. LIGHT: I just heard a municipality  
22 has been waiting for FEMA money that they have been  
23 sitting on.

24                   MR. NEFF: There are some cases. It is  
25 worth taking two seconds to mention it. There are



1 a lot of people here, but there is this policy  
2 which didn't exist in the past, to try to get  
3 municipalities money quicker so they don't have to  
4 go out and do notes like this.

5                   Sometimes a number of things happen.  
6 Sometimes we find out that a municipality hasn't  
7 been doing what it is supposed to. If that's the  
8 case, we're going to want to know, because Newark  
9 is under supervision. We kind of prod Newark a  
10 little bit.

11                   Sometimes it is the case when-- the  
12 State Police was actually cutting checks so fast at  
13 one point in the beginning, that they were actually  
14 sending checks without a letter or anything  
15 explaining what the money was for. The  
16 municipalities were receiving money and depositing  
17 it. Then they were saying we didn't get our money  
18 yet. We found out you actually deposited it. It  
19 came so fast you didn't even know it.

20                   So then the final thing is sometimes it  
21 gets stuck, for whatever reason, at State Police.  
22 We try to help the towns that are distressed get  
23 their money quicker. Let us know. Shoot us an  
24 e-mail and let us know what the issue is and we'll  
25 clear something up.

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

2 MR. NEFF: I'll second it.

3 MS. MC NAMARA: Mr. Neff?

4 MR. NEFF: Yes.

5 MS. MC NAMARA: Mr. Avery?

6 MR. AVERY: Yes.

7 MS. MC NAMARA: Ms. Rodriguez?

8 MR. RODRIGUEZ: Yes.

9 MS. MC NAMARA: Mr. Blee?

10 MR. BLEE: Yes.

11 MS. MC NAMARA: Mr. Light?

12 MR. LIGHT: Yes.

13 MR. FEARON: Thank you.

14 MR. NEFF: Next up is Burlington County  
15 Bridge Commission.

16 (Jerome Sheehan, Christine Nociti,  
17 Jennifer Edwards, being first duly sworn according  
18 to law by the Notary).

19 MR. SHEEHAN: Jerome Sheehan, Rutgers  
20 Solid Waste Program.

21 MS. NOCITI: Christine Nociti, CFO,  
22 N-o-c-i-t-i, Burlington County Bridge Commission.

23 MR. HASTIE: Tom Hastie from Capehart,  
24 Bond Counsel.

25 MS. EDWARDS: Jennifer Edwards, with

1 Acacia Financial. We are seeking approval pursuant  
2 to 40A:5A-6, of \$32,502,000 Solid Waste Project  
3 Bonds.

4 This is an existing note that the  
5 Bridge Commission has been rolling since 2008, for  
6 the completion of the landfill expansion project.

7 We're looking to take it out  
8 permanently this year. The Maturity Schedule will  
9 not exceed the life of the landfill, so the  
10 maturity will go out to 2027.

11 We'll take any questions. This is an  
12 existing project. Notes have been rolled since  
13 2008. We've been building up the project for  
14 completion. Now the project is substantially  
15 complete. We are looking to permanently finance  
16 it.

17 MR. NEFF: I just have a couple of  
18 comments, questions. I know in the questionnaire  
19 that contracts hadn't been submitted to PERC for  
20 collective bargaining employees. Do you have  
21 collective bargaining employees or not.

22 MS. NOCITI: The Burlington County  
23 Bridge Commission?

24 MR. NEFF: Yes.

25 MS. NOCITI: We do. We actually settled

1 that with the police and currently are under  
2 negotiations for the toll department and  
3 maintenance.

4 MR. NEFF: I would just asked, that you  
5 get those contracts when they are done to PERC.  
6 It's a statutory requirement to file them. The  
7 questionnaire just said no, we didn't file it.  
8 There is no explanation or indication when you  
9 would be filing it. I thought it is kind of a  
10 strange answer on the questionnaire.

11 Also there is no mention in the  
12 application-- one of the things we asked is what  
13 the cost of health benefits are and how they  
14 compare to the HSBP? The answer was that the  
15 Authority didn't know whether or not their health  
16 benefits were more or less than expensive than the  
17 HSBP. They didn't have that material.

18 I'm not going to suggest we withhold  
19 the findings based on that alone. I would ask that  
20 prior to issuance that you have something to  
21 discuss what the cost of health benefits are there  
22 and how they compare to the HSBP.

23 Finally, I would just note that there  
24 were some holiday dinners on your bill. I hate to  
25 knit-pick. Everybody gets mad at me when I

1 knit-pick, but I would be remiss if I didn't do it  
2 here. I mentioned it for other authorities.

3 I would strongly suggest that to  
4 municipalities and other government agencies that  
5 are engaging in things like holiday parties-- I  
6 hate to sound like a grinch, but maybe folks can  
7 either do that in the office or pay for it  
8 themselves. That's my being the grinch in August.

9 MS. NOCITI: We had them all bring  
10 their own holiday--we did, like, a pot lock there  
11 for a couple of years. That went over terrible, as  
12 a result of that last year. So I think we're going  
13 to have to go back to that. Maybe we'll bring in  
14 like the sponsored singers, from the employee  
15 group.

16 MR. NEFF: That's all I have. What  
17 have you paid down by way of payment of notes?

18 MS. EDWARDS: There have been no  
19 pay-downs on the notes.

20 MR. NEFF: No pay-down at all. When is  
21 the first payment going to come due?

22 MS. EDWARDS: Calendar '14 will come  
23 due April, the first payment. Actually, the first  
24 principal payment will be October 1st. The first  
25 interest payment will be April 1st.

1 MR. NEFF: Your budget is adopted for  
2 2013?

3 MS. EDWARDS: Right. They will  
4 incorporate that in the solid waste budget for '14.

5 MR. LIGHT: Move the application.

6 MR. NEFF: Take a second.

7 MR. BLEE: Second.

8 MR. NEFF: Roll call.

9 MS. MC NAMARA: Mr. Neff?

10 MR. NEFF: Yes.

11 MS. MC NAMARA: Mr. Avery?

12 MR. AVERY: Yes.

13 MS. MC NAMARA: Ms. Rodriguez?

14 MS. RODRIGUEZ: Yes.

15 MS. MC NAMARA: Mr. Blee?

16 MR. BLEE: Yes.

17 MS. MC NAMARA: Mr. Light?

18 MR. LIGHT: Yes.

19 MS. EDWARDS: Thank you.

20 MR. NEFF: I guess I won't be getting  
21 an invitation to your Christmas party.

22 MS. NOCITI: You can bring something.

23 MR. NEFF: Carteret Redevelopment  
24 Agency.

25 (Eric Chubenko, Anthony Neibert,

1 Jennifer Edwards, being first duly sworn according  
2 to law by the Notary).

3 MR. CHUBENKO: Eric Chubenko,  
4 C-h-u-b-e-n-k-o.

5 MR. NEIBERT: Anthony Neibert,  
6 N-e-i-b-e-r-t.

7 MR. MC MANIMON: Good afternoon, Kevin  
8 Mc Manimon, from Mc Manimon, Scotland & Baumann,  
9 Bond Counsel to the Redevelopment Agency.

10 You just heard from Mr. Neibert and Mr.  
11 Chubenko. Mr. Neibert is the Chairman of the  
12 Carteret Redevelopment Agency. Mr. Chubenko is the  
13 Executive Director. Seated to my left is Jennifer  
14 Edwards from Acacia, Financial Advisor to the  
15 Authority.

16 In this application the agency is  
17 seeking positive findings from the Board pursuant  
18 to 40A:5A-6 and approval from the Board pursuant to  
19 40A:5A-24, in connection with the issuance of  
20 project notes, in the total amount of not to exceed  
21 \$2.1 million.

22 The Agency will use the proceeds of the  
23 note to renew project notes that were issued in  
24 2012. The notes there then were split between the  
25 taxable and the tax exempt pieces, in the total

1 amount of \$2.25 million.

2                   So the agency intends to make a  
3 pay-down in the amount of \$150,000. The financing  
4 was originally approved in 2009. The Agency then  
5 rolled-- \$2.5 million in notes were issued. The  
6 Agency rolled them over the last couple of years.  
7 Last year they made a pay-down and issued the notes  
8 I just mentioned in the total amount of \$2.25  
9 million.

10                   We plan now to issue two notes, one tax  
11 exempt and one taxable on a one year basis, in the  
12 total amount not to exceed \$2.1 million. We're  
13 asking for flexibility to issue the notes on a two  
14 year basis, depending upon market conditions at the  
15 time of sale. And we may allocate more of the note  
16 proceeds to a taxable piece rather than a tax  
17 exempt piece, depending on the requirements of the  
18 Internal Revenue Code.

19                   We also plan to do a competitive sale,  
20 but we may negotiate with an underwriter to do a  
21 private placement. That will depend on market  
22 conditions at the time of issuance. Obviously,  
23 we'll consult with our financial advisor at that  
24 time.

25                   The notes will be secured by the



1 Agency's general revenues and a subsidy agreement  
2 between the agency and the Borough. The Agency  
3 initially used the proceeds of the 2009 notes to  
4 finance the acquisition of a number of properties.

5           The Agency's goal is to position these  
6 properties for redevelopment, then either sell or  
7 lease them to redevelopers. The Agency will use the  
8 proceeds of the sale or lease to either pay down  
9 principal on the notes and/or structure a bond  
10 financing.

11           We intend to roll those notes over now  
12 until such time as we are in a position to better  
13 know whether we can pay down more principal and  
14 notes or simply structure a bond financing that  
15 will probably be driven by the lease structures, if  
16 that's the way we go.

17           So unless you have any questions,  
18 again, we are asking for positive findings and  
19 approval in connection with the renewal of the  
20 project note.

21           MR. NEFF: I don't have any questions.  
22 I would be fine with a two year option, provided  
23 that there is a similar \$150,000 pay down of the  
24 note in the second year-- each year.

25           MR. MC MANIMON: Very well.

1 MR. NEFF: So on that note, any other  
2 questions on this?

3 (No response).

4 No.

5 MR. BLEE: Motion to approve.

6 MR. LIGHT: Second.

7 MR. NEFF: Roll call.

8 MS. MC NAMARA: Mr. Neff?

9 MR. NEFF: Yes.

10 MS. MC NAMARA: Mr. Avery?

11 MR. AVERY: Yes.

12 MS. MC NAMARA: Ms. Rodriguez?

13 MS. RODRIGUEZ: Yes.

14 MS. MC NAMARA: Mr. Blee?

15 MR. BLEE: Yes.

16 MS. MC NAMARA: Mr. Light?

17 MR. LIGHT: Yes.

18 MR. MC MANIMON: Monmouth County. Why  
19 don't we do the wastewater project first for  
20 Monmouth County.

21 (Matthew Rutkowski, Arie Kremen, being  
22 first duly sworn according to law by the Notary).

23 MR. RUTKOWSKI: Matthew Rutkowski,  
24 R-u-t-k-o-w-s-k-i.

25 MR. KREMEN: Arie Kremen, A-r-i-e,

1 K-r-e-m-e-n.

2 MR. SAPIR: Good afternoon. My name is  
3 Eric Sapir, Hawkins, Delafield & Wood. We are  
4 Special Counsel to Monmouth County.

5 We're here today to seek favorable  
6 approval of a service contract for the design,  
7 construction and operation of a leachate treatment  
8 facility at the Monmouth County Reclamation  
9 Center. The contract was procured pursuant to the  
10 New Jersey Wastewater Treatment Private Contracting  
11 Act.

12 The Act provides that a public entity  
13 that intends to enter into a contract for the  
14 provision of wastewater treatment services procured  
15 under that Act, must submit an application for  
16 approval to the Division of Local Government  
17 Services.

18 Pursuant to the service that was  
19 negotiated, Applied Water Management, Inc. will  
20 design, build, operate, maintain and manage a  
21 leachate treatment facility at the Monmouth County  
22 Reclamation Center. The initial term of the service  
23 contract is for fifteen years, and the County has  
24 the option to renew for five additional years.

25 Pursuant to the act, the County held a

1 public hearing on the contract. There was no  
2 public comment provided. They kept the record  
3 opening following the public hearing as required by  
4 the Act and no public comment was received.

5           There is no concession fee associated  
6 with this project. The project will be owned by  
7 the County. Currently the County hires private  
8 contractors to haul away landfill leachate for  
9 disposal.

10           Previously, historically, it used to  
11 put the waste leachate treatment into the local  
12 wastewater collection system. But the treatment  
13 facility that was receiving it stopped the County  
14 from doing that, because the nature of the leachate  
15 was harming the biological treatment at the  
16 treatment facility.

17           So for several years the County has  
18 been trucking away, hauling away the leachate and  
19 it's become very expensive.

20           This contract will allow the County to  
21 pre-treat the leachate on-site and introduce the  
22 leachate into the collection system. It will avoid  
23 truck traffic and associated negative environmental  
24 impacts.

25           It will avoid the volatility of fuel

1 pricing that the County has been facing. It will  
2 create a significant monetary savings to the  
3 County. So we are hoping that we can get your  
4 favorable approval today.

5 MR. NEFF: Our staff member Jason  
6 Martucci had spent a lot of time looking at the  
7 report, the application and cross-referencing of  
8 the statute, to make sure the statutory terms of  
9 the proposal are met and they were. He had no  
10 issues of concern. I think he discussed some  
11 things with counsel's office to make sure things  
12 were okay. There were no issues.

13 His staff saw nothing of concern. I  
14 like it there is no concession fee. It is one of  
15 my pet peeves that there is a giant concession fee,  
16 but that's not here. Anybody want to move it?

17 MR. BLEE: Motion to approve.

18 MS. RODRIGUEZ: Second.

19 MR. NEFF: Roll call.

20 MS. MC NAMARA: Mr. Neff?

21 MR. NEFF: Yes.

22 MS. MC NAMARA: Mr. Avery?

23 MR. AVERY: Yes.

24 MS. MC NAMARA: Ms. Rodriguez?

25 MS. RODRIGUEZ: Yes.

1 MS. MC NAMARA: Mr. Blee?

2 MR. BLEE: Yes.

3 MS. MC NAMARA: Mr. Light?

4 MR. LIGHT: Yes.

5 MR. NEFF: Thank you.

6 MR. SAPIR: Thank you.

7 MR. NEFF: Next up is the Improvement  
8 Authority lease program.

9 (Heather Litzebauer, being first duly  
10 sworn according to law by the Notary).

11 MS. LITZEBAUER: Heather Litzebauer,  
12 Financial Advisor to the Monmouth County  
13 Improvement Authority.

14 MR. DRAIKIWICZ: John Draikiwicz, Bond  
15 Counsel with Gibbons, Bond Counsel to the  
16 Improvement Authority.

17 MR. NEFF: The Monmouth County  
18 Improvement Authority proposes to issue in an  
19 amount not to exceed \$44 million of its revenue  
20 bonds, in which an amount not to exceed \$22 million  
21 will be issued to the public. The proceeds of which  
22 will be used to acquire, in an amount not to exceed  
23 \$22 million of the Authority's revenue bonds, which  
24 will be used to finance equipment for various  
25 municipalities, school boards and one fire

1 district.

2           The equipment purchased will be  
3 amortized over the life of each particular piece of  
4 equipment. Which amortization will start in 2014  
5 for each piece of equipment. The program will last  
6 no longer than ten years.

7           So certain equipment that has fifteen  
8 years of life, will be financed with a reduced  
9 amortization of ten years.

10           So we have a little rapid amortization  
11 schedule for certain types of equipment. Police  
12 cars in this program are being financed over three  
13 years.

14           The Monmouth County Improvement  
15 Authority will be secured by either a general  
16 obligation lease of certain municipalities or  
17 subject to an appropriation lease for School Boards  
18 and fire districts. Which bonds will be secured by  
19 a guarantee by each of the host municipality, and  
20 also certain leases of municipalities for police  
21 cars, which are subject to the tax levy cap.

22           Those bonds will also be secured by a  
23 municipal guarantee by its host municipality.

24           The Improvement Authority's bonds will  
25 also be secured by a guarantee from Monmouth

1 County.

2 We hereby respectfully ask for positive  
3 findings with respect to the project financing as  
4 well as the municipal and county guarantees. We  
5 also welcome to entertain any questions that you  
6 may have.

7 MR. NEFF: I would ask-- you know,  
8 before I get to my legal questions about the  
9 transaction, the pledges, the statutory  
10 requirements for the pledge why some things get a  
11 guarantee and other things don't. When I get into  
12 that it may make somebody drop dead of boredom.

13 Anybody else have substantive  
14 questions, concerns, issues?

15 MR. LIGHT: I just wanted to get an  
16 idea. The largest one is the Howell Board of  
17 Education for \$7 million. Can you give us a rough  
18 idea what that amount is for? It is supposed to be  
19 equipment.

20 MR. DRAIKIWICZ: As she looks it up,  
21 Commissioner, it is primarily for computers.  
22 She'll go into that a little more.

23 MS. LITZEBAUER: Computers, a truck  
24 with a plow, three fifty-four passenger buses,  
25 three twenty passenger buses, security technology



1 equipment, technology upgrades and then computer  
2 and technology equipment.

3 MR. LIGHT: Of the \$7 million, roughly  
4 how much of it is for the technology, computers and  
5 technology?

6 MS. LITZEBAUER: Approximately \$6  
7 million.

8 MR. NEFF: Wow, \$6 million for  
9 computers. You are buying a computer for every  
10 student?

11 MS. LITZEBAUER: Yes. They are looking  
12 at that option.

13 MR. NEFF: They won't belong to the  
14 students. They are purchasing or leasing computers  
15 that will still belong to the school for use by the  
16 students?

17 MS. LITZEBAUER: Correct.

18 MR. NEFF: What's the purchase price  
19 for the computers or you don't--

20 MS. LITZEBAUER: I don't have that in  
21 here.

22 MR. NEFF: \$6 million for computers is  
23 a lot.

24 MR. DRAIKIWICZ: Commissioner, I  
25 believe-- I haven't had the conversation with

1       them. I believe what they stated to others in the  
2       group was that they are beginning a computer  
3       rollout program for their students, in terms of  
4       phasing rolling out computers for educating their  
5       children. They feel it is a necessary item for  
6       their education. That's what their thought process  
7       is.

8                       The amount that was set forth is a not  
9       to exceed amount. They were still having to fine  
10      tune their discussion as to whether they are going  
11      to down-size that amount to a lesser amount. As of  
12      a week or so ago we did not know whether they were  
13      going make it a little less. It's definitely the  
14      first phase of a computer rollout program for the  
15      students.

16                     MR. NEFF: Okay.

17                     MR. LIGHT: Do you have any idea what  
18      the estimated useful life is for the equipment? The  
19      computers can't be too long.

20                     MR. DRAIKIWICZ: We said five  
21      years--there is a five year payback. All school  
22      financings done on this program are five years or  
23      less.

24                     MR. NEFF: I have the same question  
25      when I looked. I think Middlesex had the same

1 thing, computers for five.

2 MR. LIGHT: \$5 million was it?

3 MR. NEFF: No, no.

4 MR. LIGHT: Five years?

5 MR. NEFF: Five years.

6 MR. LIGHT: Five years for computers.

7 MS. RODRIGUEZ: Can I interject? When  
8 you keep computers-- I don't want to answer for  
9 you, but my brother-in-law is the technical head of  
10 technology in Paterson. To us five years is a long  
11 time. But if they have it in-house technology,  
12 technical support. They do upgrades every year on  
13 the computers. And also one of the things we don't  
14 take into account that we think of, the hardware.

15 But there is also, you know, the  
16 programing and all of that stuff that goes into an  
17 item like this, that you probably don't have a  
18 break down of. I'm just saying, he works for the  
19 district.

20 MR. DRAIKIWICZ: We based it on the  
21 Local Bond Law. The bond ordinance was done. The  
22 five years is the amount set forth in the bond  
23 ordinance. We try to parallel those useful lives  
24 into what we can.

25 MR. NEFF: I actually had one question

1 about the useful life issue. I noticed in the  
2 material-- I'm trying to find an example. The  
3 Holmdel Township School District. There is \$1.3  
4 million or something worth of-- it's not quite that  
5 much--\$764,000 worth of equipment, I think.

6           If you look at the sheet and the  
7 application that lists all the equipment, there is  
8 a column that says "allowable financing term under  
9 the program". Some things say five and that's  
10 maybe--there are seven things out of a list of  
11 twenty items. Why does some say five and the rest  
12 don't have anything next to it? Does that mean  
13 that those things aren't to be financed or they are  
14 going to be financed?

15           MR. DRAIKIWICZ: The reason it was put  
16 together that way, it was modified, it is down to  
17 five. If it hasn't been modified, it still is  
18 five. The reason for that is even though those  
19 other lives have fifteen year useful lives, due to  
20 school law limitations that you can only go out to  
21 five years on your leases.

22           So anything that has been more than  
23 five years has been down graded for useful life  
24 calculations for the debt, to a five year life.

25           MR. NEFF: So anything that doesn't

1 have a number under the column that says "allowable  
2 financing term under the program", will be financed  
3 for a five year period?

4 MR. DRAIKIWICZ: Correct.

5 MR. NEFF: They are going to be  
6 financed?

7 MR. DRAIKIWICZ: Correct. There are  
8 other places that have the same type of  
9 modifications. Only it's been reduced, it is down  
10 to five.

11 MR. NEFF: Any other questions on this  
12 one? I would suggest the same generic terms that we  
13 put on the resolution for Middlesex be applicable  
14 here with respect to reporting. So we'll need to  
15 see, prior to closing, some sort of simple  
16 certified statement from the CFO explaining what  
17 did they do to shop around, how did they determine  
18 the reasonableness of the price for their level of  
19 participation in the program?

20 MR. DRAIKIWICZ: If we're talking about  
21 price, let me just clarify, regarding the interest  
22 cost element versus the cost of the--

23 MR. NEFF: The price of the product  
24 itself. If somebody has said there is \$6 million  
25 worth of computers to be purchased, what does that

1 mean? What's the cost per computer? How many years  
2 are they buying it for, that sort of thing?

3 MR. DRAIKIWICZ: It's not the interest  
4 component, it's really--

5 MR. NEFF: It's not the interest  
6 component. However--

7 MR. DRAIKIWICZ: It's the product.

8 MR. NEFF: However, in terms of the  
9 balance of what they need to be certifying to, is  
10 that they shopped around for what is the best price  
11 for financing? What else did they consider? Why  
12 essentially at the end of the day they chose to go  
13 to the Authority?

14 I think in most cases it is going to be  
15 a low bar, both in Middlesex and in Monmouth.  
16 You've got a couple of AAA municipalities on here,  
17 like Holmdel, that you would think would be able to  
18 go out to market themselves directly and get just  
19 as good as a rate.

20 MR. DRAIKIWICZ: No one is AAA.

21 MR. NEFF: No one is AAA?

22 MR. DRAIKIWICZ: No town is AAA under  
23 this application.

24 MR. NEFF: It was at one time. Holmdel  
25 is not AAA?

1 MS. LITZEBAUER: I think they are AA2.

2 MR. NEFF: Rumson is not AAA?

3 MS. LITZEBAUER: Rumson is not part of  
4 this. None of the current participants are AAA.

5 MR. NEFF: I really do-- for the  
6 record, the report that NW puts together in  
7 Monmouth to explain-- I guess actually James  
8 Associates, Raymond James puts it together through  
9 you guys, does a really excellent report that  
10 explains after the fact what happened, how much was  
11 the cost.

12 But the only things that I would add be  
13 asked in that report going forward are something  
14 that actually says what was the actual price that  
15 the municipality paid, or the school district paid,  
16 for the products that they procured.

17 So maybe they are borrowing \$100,000  
18 for the financing, but I want to know what did they  
19 really pay for the product?

20 MR. DRAIKIWICZ: If I may address that  
21 to some degree, why it be may be difficult to do  
22 that in a fashion you may be thinking. A lot of  
23 times when the schools or towns put together the  
24 list, the item might not be around on the date of  
25 closing. The money might be in the acquisition fund

1 for six months, nine months before they actually  
2 purchase that time.

3                   The Monmouth County Improvement  
4 Authority only does this program for two years. So  
5 it's not a repeat. This particular program doesn't  
6 come back every year. So sometimes their items  
7 that they are putting down on the list they are  
8 forecasted items, perhaps for later in the year or  
9 earlier next year. So you may not have-- we won't  
10 be able to post in the report, which is usually  
11 done within two months of closing, saying what the  
12 costs are.

13                   MR. NEFF: So maybe for that portion of  
14 what we're asking for, if you can just give it to  
15 us before you come back for another round.

16                   That's an important thing to know. If  
17 somebody is going out and borrowing money an extra  
18 year earlier that doesn't need it, that's one more  
19 reason why we want to know what we're doing is a  
20 smart thing or not. That's something I want to  
21 know.

22                   It is a good point. I'm sure we can  
23 write the resolution in a manner, such that as soon  
24 as they know what the real purchase price was for  
25 the person that may need to report it, if they



1 don't have it all, then tell us as they go on, when  
2 they broke it down.

3 MR. DRAIKIWICZ: That can be done.  
4 Obviously, on every requisition there is an invoice  
5 that is delivered to the bond trustee. Nothing is  
6 paid-- let me take a step back. When the bond deal  
7 closes, at least on this program, we do not give  
8 the money to the town, school or fire district the  
9 day of closing.

10 The bond trust of the Monmouth County  
11 Improvement Authority program keeps the monies  
12 until they are requisitioned. So if the monies  
13 aren't requisitioned or they are less than the  
14 dollar amount, we need to go to debt service under  
15 the bond, basically is what would happen.

16 Yes, we would be able to get from the  
17 bond trust the invoices to put together for you.  
18 Although that's not the only item. There are a lot  
19 of items of equipment that are part of this  
20 program. It could be a little bit of an effort for  
21 them to put it together. If that's your request we  
22 will do it, again, there are a lot of items that  
23 are a part of the program.

24 MR. NEFF: We can figure out a way to  
25 ask for it in a way that's reasonable and put it in

1 the resolution.

2 MR. DRAIKIWICZ: We have a trail for  
3 that, because it is requisitioned from our bond  
4 trustee.

5 What we can also offer is perhaps a  
6 report by the bond trustee every six months or  
7 quarter, year, whatever it might be, to show you  
8 how much money has been spent under the program.  
9 You can sort of see what money has been spent for  
10 items that were being requested.

11 Also, one other thing I want to note,  
12 under this program anyway, when each town or  
13 guarantor does their ordinance, the particular  
14 items of equipment are specifically listed under  
15 the ordinance.

16 So their estimated costs that are set  
17 forth in this application are included in the  
18 ordinance that's been adopted. Those are  
19 definitely not to exceed amounts that are part of  
20 the ordinance. So that's, I guess, one of the  
21 limitations that we have in the program, that they  
22 would have those items listed under the ordinance  
23 just as information for the Local Finance Board.

24 Again, it was trying to figure out the  
25 best way to give the individual break down on each

1 piece. It will be a cost I guess imposed upon  
2 either the participant or the bond trustee. Maybe  
3 we can figure out a way to do it that would be less  
4 burdensome for the towns.

5 I would want to say for the record,  
6 too, there is no difference than if they do their  
7 own bond ordinance too, because the bond ordinance  
8 is usually the same process. There is an estimated  
9 cost of the bond ordinance. What they actually  
10 spend on that bond ordinance, we don't know. When  
11 the bond ordinance is prepared it may be \$500,000  
12 for a fire truck. If it costs \$425,000, \$450,000,  
13 \$475,000, it's really the same comparison.

14 We're doing a lease ordinance. We don't  
15 know what the actual cost is going to be when we  
16 adopt the ordinance. In a bond ordinance, you don't  
17 know what the actual costs are going to be under  
18 the bond ordinance.

19 In both situations the items are  
20 listed. I'm not sure how we differentiate  
21 reporting under a lease ordinance or a bond  
22 ordinance. Isn't it the same?

23 So I'm wondering whether it is a  
24 condition that is totally necessary. I'm only  
25 saying that only because of the work involved with

1 others, not of us, either the participant or the  
2 bond trustee. That's something they would need to  
3 do if they did a bond ordinance.

4 MR. NEFF: Well, we have a little bit  
5 of time to work-out what the language of the  
6 reporting requirement is, the specifics of it.  
7 Whatever we do for Middlesex we will do for  
8 Monmouth and we will do for Bergen, everybody will  
9 do the same, whatever makes sense at the end of the  
10 day.

11 MR. DRAIKIWICZ: If you want any input  
12 during that process, we'll be happy to talk about  
13 it, too, with the Board.

14 MR. NEFF: I'll make the motion.

15 MS. RODRIGUEZ: I'll second it.

16 MR. NEFF: Roll call.

17 MS. MC NAMARA: Mr. Neff?

18 MR. NEFF: Yep.

19 MS. MC NAMARA: Mr. Avery?

20 MR. AVERY: Yes.

21 MS. MC NAMARA: Ms. Rodriguez?

22 MS. RODRIGUEZ: Yes.

23 MS. MC NAMARA: Mr. Blee?

24 MR. BLEE: Yes.

25 MS. MC NAMARA: Mr. Light?

1                   MR. LIGHT: I'm reluctant to go along,  
2 but I appreciate what the Director has said. What  
3 concerns me if we've got \$10 million worth between  
4 the communities, almost \$10 million worth of  
5 computers, I don't know that that process has been  
6 fully thought through. You are going to request  
7 some feedback so I'll vote for it, but I wanted to  
8 express that concern.

9                   MR. NEFF: What's your closing date?

10                   MS. LITZEBAUER: October 1st.

11                   MR. NEFF: I actually would like-- I  
12 will have them come in at the next meeting just to  
13 explain what this is. I think it is worth it.

14                   MR. LIGHT: As long as they give  
15 information to the chair, I'd appreciate it.

16                   MS. RODRIGUEZ: They probably just  
17 didn't include it.

18                   MR. NEFF: We need to do the vote.

19                   MS. MC NAMARA: We did the vote.

20                   MR. NEFF: We can still bring them in  
21 and say what you are sending the money on?

22                   MR. DRAIKIWICZ: If I may may add,  
23 though, the bond sale is scheduled for mid  
24 September, September 18th. So the POS will  
25 probably be mailed probably September 19th.

1 MR. NEFF: If we do August, if we meet--

2 MS. RODRIGUEZ: They can probably just  
3 send it. I'll bet you have it. They just can't put  
4 in an arbitrary number. I know from the vendors  
5 that it just doesn't say computers.

6 MS. MC NAMARA: You want a break down,  
7 Ted?

8 MR. LIGHT: I just want to express my  
9 concerns. The Chair has asked for some additional  
10 information that they agreed that they'd give, so I  
11 did vote for it. I wanted to express for the  
12 record that I had a concern that \$10 million,  
13 almost \$10 million worth of computers between two  
14 communities seemed to be an awful lot of money to  
15 me. Maybe because I'm as aged as I am, but they  
16 didn't even have computers when I went to school.  
17 So I did vote for it, but I just wanted to make  
18 that clear.

19 MR. DRAIKIWICZ: Commissioners, for my  
20 information, Howell had \$1.6 million and what was  
21 that other entity?

22 MR. LIGHT: \$6 million in West Long  
23 Branch and there is \$1.3 million in Howell, also  
24 another--\$800--the Township of Howell is \$1.3  
25 million and \$866,000 in the District of Howell.

1 And I assume that the District of Howell--

2 MR. DRAIKIWICZ: If I may, as far as the  
3 details, Howell is in there for \$6 million, \$6  
4 million as stated.

5 MR. LIGHT: The items are, though, I  
6 said there is a total close to \$10 million.

7 MR. AVERY: Also there are school  
8 buses.

9 MR. LIGHT: \$700,000 for equipment,  
10 though. If it is \$700,000 for equipment, you still  
11 have \$600,000--

12 MR. NEFF: We are asking--as part of the  
13 resolution we are asking for, prior to the closing  
14 what the costs--what the actual costs of this  
15 equipment that's being purchased, to see if they  
16 can tell us what's the basis for which-- where do  
17 these numbers come from?

18 MR. DRAIKIWICZ: Most of it could be  
19 estimates. They won't be actual costs.

20 MR. NEFF: I understand they may be  
21 estimates. But somebody is going to have 4,000  
22 computers.

23 MS. RODRIGUEZ: They have to have a  
24 break down. They don't put the numbers in  
25 arbitrarily. There is a break down. I'm sure they

1 have it.

2 MR. DRAIKIWICZ: We'll be more than  
3 happy to supply it to you over the next couple of  
4 days.

5 MR. NEFF: For those-- if you can give  
6 it to us quickly rather than later, we'll circulate  
7 them to Ted and the rest of the Board. If somebody  
8 wants to itemize one, we'll tell them to come in on  
9 the 29th, just to come in and explain, if anybody  
10 has any questions, because it is a big number.

11 MR. DRAIKIWICZ: You are referring now  
12 to the Howell Board of Education, is that what you  
13 are referring to? Well get all the information on  
14 Howell.

15 MR. NEFF: In particular. That's the  
16 one that sort of has this unusual \$6 million.

17 MR. LIGHT: I'd like to look at Holmdel  
18 also, whether there is anything significant.

19 MR. DRAIKIWICZ: Howell and Holmdel,  
20 we'll get additional information on those items.

21 MR. NEFF: Please let the CFO know. It  
22 should be at a level of with specificity, so we  
23 don't have to come back and ask fifteen other  
24 questions.

25 MR. DRAIKIWICZ: If I may add one other



1 thing? I know you didn't ask, but I want to sort  
2 of put on the record as far as how Monmouth  
3 County's program is legally structured. I'll be  
4 very brief, because you had asked questions earlier  
5 in the Middlesex application.

6 Ours is similar but not exactly the  
7 same as that expressed by the Wilentz' law firm.  
8 We're in-- under Section-- our opinion is that  
9 under Section 78 of the Improvement Authorities  
10 Law, there is independent authorization under that  
11 law for a participant, meaning the town, school or  
12 fire district, to undertake a lease under a general  
13 obligation structure.

14 If you look at the language in the  
15 lease where it talks about with or without  
16 consideration for any duration of time, a valid and  
17 binding obligation, many of your firms, including  
18 Wilentz, are of the opinion that language is  
19 equivalent of a general obligation.

20 Just as an analogy, although I don't  
21 have the statutes right in front of me, I believe  
22 if you take a look at the Municipal Utilities  
23 Authorities Law and the Sewerage Authorities Law,  
24 when those authorities enter service contracts with  
25 their participants, the language is relatively

1 similar.

2                   So there is no "Bond Law language"  
3 that's quote, unquote, in those sections. Those  
4 have been interpreted for bond counsel to opine  
5 that the service contract is a general obligation  
6 of the municipality and a general obligation under  
7 the Improvement Authorities Law, under Section 78,  
8 of the municipality that's one independent thought,  
9 independent authorization.

10                   Section 80 which was represented  
11 earlier, under the Improvement Authorities Law, we  
12 view that as the third party entry into the fray.  
13 Meaning that does not pertain to the town as the  
14 user of the equipment entering into the lease or  
15 school district.

16                   But if the third party comes in and  
17 wants to enters into it, it needs to issue a  
18 guarantee under that particular section of the.  
19 Improvement Authorities Law. Where it is quite  
20 clear that if a third party comes in, that third  
21 party must give a guarantee and follow the Local  
22 Bond Law procedures that are set forth under that  
23 section of the law.

24                   MR. NEFF: What do you mean by third  
25 party?

1                   MR. DRAIKIWICZ: Meaning the County of  
2 Monmouth guaranteeing the Authority and/or  
3 the town's debt in a sense, or a municipality  
4 guaranteeing the School Board's debt portion that's  
5 related to its--the third party meaning the  
6 municipal governing body that comes in.

7                   MR. NEFF: Doesn't your normal  
8 municipal guarantee for vehicle purchases, isn't  
9 that guarantee being issued by the municipality,  
10 which is otherwise procuring products, it is not  
11 the third party?

12                   MR. DRAIKIWICZ: Not in that particular  
13 instance; correct, but there are other instances.  
14 Typically speaking there is a third party entity  
15 guaranteeing that debt.

16                   The reason why only under the--only for  
17 police cars now, the municipality is guaranteeing  
18 that piece of the debt, is because--and this could  
19 be thought about in terms of your conversations,  
20 the view is that police cars-- people have a  
21 different view of it, should be financed for three  
22 years versus five.

23                   If it is viewed over three years, those  
24 aren't-- pursuant to the Local Finance Board notice  
25 that was done in 2011, aren't five year items. If

1 they are not five year items they are not  
2 considered capital. Therefore, they are not  
3 excluded from the tax levy cap.

4 If they are not excluded from the tax  
5 levy cap, we need a guarantee to bring that lease  
6 which is subject to the tax levy cap, in a sense  
7 out of tax levy cap from the bond holders community  
8 prospective. Because that's a guarantee. We need  
9 that guarantee to make it a GL, because of the  
10 three year view of the lease with this police car.

11 As part of your conversation we believe  
12 that police cars can be done over five years.

13 MR. NEFF: So really the only reason  
14 you are doing the municipal guarantee for the three  
15 year vehicles--three year life vehicles, is to get  
16 around the cap issue?

17 MR. DRAIKIWICZ: Correct. We view that  
18 as a five year--

19 MR. NEFF: I appreciate your frankness.

20 MR. DRAIKIWICZ: If viewed over five,  
21 then under your notice it says five years, but it  
22 would be less. If we view it as five we can get rid  
23 of one piece of paper that we'd rather not have to  
24 do.

25 That's the analysis I wanted to put on

1 the record.

2 MR. LIGHT: Do we have anything else?

3 MR. NEFF: One really simple thing, if  
4 we can really have a quick vote. It is a  
5 procedural thing vote.

6 I'm sorry, for Monmouth, we're good,  
7 thank you.

8 MR. DRAIKIWICZ: So we have a proposal  
9 to delay the introduction and adoption deadlines  
10 for fiscal year municipalities who are otherwise  
11 applying for transitional aid. There are only,  
12 like, four, Trenton, Camden, Paterson and Union  
13 City.

14 We've told those four municipalities  
15 that they really can't introduces a budget until  
16 they get information from us about how the  
17 transitional aid program will work. We haven't  
18 given them an application yet, which should be  
19 coming up by the end of next week.

20 So what we'd like to do is allow them  
21 to introduce their budgets no later than say  
22 September 30th. Whereas the original introduction  
23 was August 10th. For the adoption date we would  
24 push it from September 20th, back a month as well  
25 to November 12th. Do we go back that much?

1 MS. MC NAMARA: It's supposed to be a  
2 month. It is a forty day time period prior to  
3 introduction and adoption.

4 MR. NEFF: November 12th.

5 MS. MC NAMARA: November 10th would be  
6 a weekend. Monday is the holiday.

7 MR. NEFF: Okay. We're just pushing  
8 back the deadline.

9 MR. LIGHT: I make a motion to approve  
10 that.

11 MS. RODRIGUEZ: I'll second it.

12 MR. NEFF: Roll call.

13 MS. MC NAMARA: Mr. Neff?

14 MR. NEFF: Yep.

15 MS. MC NAMARA: Mr. Avery?

16 MR. AVERY: Yes.

17 MS. MC NAMARA: Ms. Rodriguez?

18 MS. RODRIGUEZ: Yes.

19 MS. MC NAMARA: Mr. Blee?

20 MR. BLEE: Yes.

21 MS. MC NAMARA: Mr. Light?

22 MR. LIGHT: Yes.

23 MR. NEFF: So for the 29th we're  
24 tentatively looking at ten o'clock. I'm not a  
25 hundred percent sure we're coming back on the 29th.

1 Is there a motion to adjourn?

2 MR. AVERY: So moved.

3 MS. RODRIGUEZ: Second.

4 MR. NEFF: All in favor?

5 (Unanimous affirmative response).

6 MR. NEFF: We're adjourned.

7 (Whereupon, the meeting concludes at

8 1:35 p.m.).

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## 1 C E R T I F I C A T E

2

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

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

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

20

21

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23

24

25 CHARLES R. SENDERS, CSR NO. 596  
DATED: August 29, 2013

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