

SOUTH AMBOY REDEVELOPMENT AGENCY

MINUTES OF THE JUNE 4, 2015 MEETING

Public Session

Chairman Kevin Meszaros called the meeting to order and led the Agency Commissioners, professionals and attending public in the Salute to the Flag. He then certified that this meeting had been advertised as prescribed by law.

ROLL CALL: Kevin Meszaros, Benjamin Block, Zusette Dato, Tony Gonsalves, John O'Connell, William Schwarick, Camille Tooker

Also in attendance: Eric Chubenko, Executive Director
Craig Coughlin, Esq.

Eric Chubenko noted that there was no escrow bull list for this meeting.

A Motion to approve the SARA Accounts bill list was made by William Schwarick. Zusette Dato seconded the motion.

ROLL CALL: Block – yes, Meszaros – yes, Dato – yes, Gonsalves – yes, O'Connell – yes, Schwarick – yes, Tooker – yes

A Motion to approve the May 7, 2015 Agency Meeting Minutes (*Agenda item no. 12. A.*) as amended was made by Camille Tooker. William Schwarick seconded the motion.

ROLL CALL: Block – yes, Meszaros – yes, Dato – abstain, Gonsalves – yes, O'Connell – yes, Schwarick – yes, Tooker – yes

Kevin Meszaros introduced a resolution authorizing interagency transfer for cash flow purposes. (*Please refer to item no. 7. A., 1*)

Eric Chubenko explained that the City on an annual basis issues tax anticipation notes or bonds and realizes the majority of its revenue in the second half of the year from taxes. For budgetary purposes they have to borrow temporarily throughout the year from a credit facility to make bills until that revenue comes in more towards the end of the year. Camille Tooker clarified that it's the energy receipts revenue that come in the second half of the year. That is quite a large amount so the City does a TAN where it borrows money until that revenue comes in then they pay it back. Eric Chubenko continued saying that the fees associated with the TAN are interest on the short term loan and issuances which are typically geared toward the amount of those loans. The Agency has a substantial sum of money sitting in the bank at this point which we are currently working through trying to figure out the best mechanism for that money be it how much to pay down on our long term notes with the YMCA, how much to hold in reserves, etc.

While we are doing that on a short term basis, Camille and the CFO came up with an idea to allow a certain amount of money to be used on a short term basis to lower that TAN. This would help the City to

avoid paying certain fees. As a whole, it helps the tax payers which we should be doing as an Agency. The City has floated money for us when our situation was not very good. This is something we have done in the past and never by resolution. It was simply a short term financing thing. Like when the Agency had payroll, the City would cover our payroll for six months and the Agency would then reimburse them for that. It is the same concept, just larger sum of money.

Being that we have never done this type of resolution before, Craig Coughlin worked with Terry O'Neill to craft something that would authorize this formally to fulfill any possible auditing requirements.

Craig Coughlin confirmed that he worked with Terry and the auditor to make sure that the proper verbiage was used in terms of what it's called and how it's designated for municipal purposes. This would give Terry the authority to make the transfer if this happens again without having to come back to the Agency for another resolution. It is a practical consideration going forward to be able to do it on short notice if necessary. The goal is to save money. It is a short term note that will come back to the Agency.

Camille Tooker said that the City normally makes their TAN loan prior to the second half of the year depending on its cash flow situation. TAN usually will float for about \$4 million. FI

William Schwarick said that since the Agency is doing this by resolution, it should include the loan amount, when the loan would be paid back and parameters for when and how the Agency releases funds to the City.

Camille Tooker commented that over the past 10 to 12 years, the Agency has had an interlocal agreement with the City which allowed funds to be transferred between the City and the Agency. It allowed the City to do work for the Agency and bill the Agency. At that point, it was mostly the City doing for the Agency because the Agency didn't have money. Now, it's a cost saving option for the residents. Everything has to be settled out by the end of the year. We already work together. The other agreement is more open ended than the resolution currently proposed.

Craig Coughlin clarified that an interlocal agreement sets out a reimbursement from the Agency to the City for services that the City is provided on behalf of the agency such as accounting services, bid services, and insurance allocations for the building because the Agency uses it. There's any number of things. The Agency used it as a vehicle to get money over to the City that did not come back to the Agency. The goal of the Agency to have funds is not so the Agency has money it is so that we get it over at the City side where we are really able to make the impact. We need have the money necessary to continue the Agency and do the development we want to do.

Benjamin Block asked why SARA couldn't make this like an internal Tax Anticipation Note with no interest and no fees and it comes back at the end of the year. Craig Coughlin and John O'Connell agreed that the Agency is not qualified to issue a TAN.

Craig Coughlin said that this accomplishes the goal and has been vetted by the CFO and auditor. He said that the reason there is no amount listed goes to the time to time. The language used was purposeful. If we are going to have cash on the Agency side, the notion was to be in a position to do this on a regular basis without the necessity of coming back to the Agency for a resolution each and every time.

Eric Chubenko added that the Agency should always have at least \$1 million in reserve for purposes of cash flow that the Agency needed. While O'Neill is in place paying the \$15,000 per month which they have been, the Agency has revenue that will exceed expenses for the time being. Including reserve funds, the Agency's current status shows just shy of approximately \$3.4 million in the bank.

In light of the \$4 million needed for the TAN, William Schwarick inquired if \$1 million would make that much of a difference. Eric Chubenko said that interest on a TAN could be 1 or 2 percent depending upon what the short term note rate is plus associated issuance costs. The cost savings could be at least tens of thousands of dollars on average on an annual basis if they're using short term money. So there is definitely a savings. It probably also helps with the City's overall credit rating because there is less of an outstanding note at any given time.

Craig Coughlin suggested that a cap could be included not to exceed \$2 million and make the resolution contingent upon agreement of the City to repay the amount. He reiterated that the simple goal was to get the money over to the City so that the City doesn't have to borrow as much, save some money and be able to use that on an open ended basis which is why the time to time language was used.

Eric Chubenko added that this shows that the Agency is doing something to benefit the City versus the other way around which is a nice thing too.

John O'Connell asked if it was urgent that the resolution be passed tonight. Eric Chubenko said that there is no July meeting and the next meeting will be in August. The City may very well need to apply for the funds in that timeframe which is why this came up now.

Benjamin Block said that there needs to be a cap in place so that the Agency has money to pay down the \$1.5 million note. Eric Chubenko said that the Agency would always retain in excess of \$1 million as a cap reserve for the agency. He agreed that the Agency should not loan \$3 million in the short term if it has to pay down other debts.

Kevin Meszaros said that the big concern is that when the financial advisors come back and give the Agency their plan that we're able to act on it immediately. Eric Chubenko said that he thought that would be this meeting but it may be the next meeting.

Eric Chubenko continued the Agency was trying to have the City no longer guaranteeing its bonds and taking more of the burden of the credit rating that the City has by making the Agency self-sufficient from the lenders perspective. We found out recently that, because still of the size of the note, despite a large cash position and the Agency is looking to pay off a large portion of that and retain a large portion of that, they still didn't feel that the YMCA lease alone was enough because that's what was used at the revenue source. The benefit would not outweigh the increase in the overall interest rate for the outstanding debt.

The whole idea was to balance whatever we paid down to attempt to make the YMCA annual rate cover the outstanding debt. By paying that amount down and retaining the remaining portion, will allow the agency to have adequate reserves.

Terry O'Neill was brought into the meeting via telephone. He explained that the City's cash flow in July is very tight usually because we don't have taxes and our state aid doesn't come in until August so this would be a temporary use of the funds for probably 4-6 weeks. He further clarified that this would be just

this one time. He said he guessed the amount might be about \$1 million but it might be nothing depending on the status of the cash in the city in the month of July and if there is a delay in sending out the tax bills because the Governor doesn't allow us to send out our tax bills on time for the past several years. He said it's probably 4-6 weeks once a year and it would be done and the funds would be returned.

Craig Coughlin amended the resolution to reflect a period commencing June 1, 2015 through May 31, 2016, a cap of \$1 million cumulative amount of all transfers and a repayment deadline within 180 days of the transfer. The amended resolution was then read aloud for the board prior to a vote.

John O'Connell made a Motion to adopt the resolution as ready by the Agency's counsel. Tony Gonsalves seconded the Motion.

ROLL CALL: Block – yes, Dato – yes, Gonsalves – yes, Meszaros – yes, O'Connell – yes, Schwarick – yes, Tooker – yes

Kevin Meszaros then introduced a resolution regarding the 2016 temporary budget. (*Please refer to item no. 7. A., 2*)

Eric Chubenko said that the Agency budget is normally adopted 60 days prior to the start of our fiscal year which would have been the May board meeting. There is a brand new budget package, questionnaires and various other requirements that have to be performed this year. In accordance with the regulations, we are passing a temporary budget until we formalize our introduction of the Agency budget which probably will be at our next meeting. This is a temporary budget to allow the Agency to operate until such time as our introduction comes to the board.

Benjamin Block made a Motion to accept the temporary budget as proposed. Camille Tooker seconded the Motion.

ROLL CALL: Block – yes, Dato – yes, Gonsalves – yes, Meszaros – yes, O'Connell – yes, Schwarick – yes, Tooker – yes

Eric Chubenko then reminded all commissioners to complete their Financial Disclosure forms if they haven't already done so. He then announced that on Monday he received a notice from the Venetian regarding a Housewarming Open House on Wednesday, June 10 from 10:30 a.m. – 12:30 p.m. and commented that it is a beautiful, state-of-the-art facility.

Mr. Chubenko said that the YMCA now was paying the additional square footage lease and the initial one they had so the Agency is realizing an additional \$36,000/year in revenue as countersigned by Scott Lewis, CEO of the YMCA. He said the last part is getting the plaque up which hopefully will be there soon.

Mr. Chubenko announced a major victory with the NRG Genon case where the judge found fully in our favor including having the plaintiff pay for legal fees. The final motion was filed yesterday dictating the payment structure which must be made within 30 days, we must get our 3 acres within 30 days and they must pay all of our legal fees within 30 days. They do have the right to appeal but Eric noted that the judge really sided with the Agency and it was worth the fight. Camille said there are discussions regarding the decision on legal fees.

Benjamin Block requested a status regarding the Woodmont property. Camille Tooker said that they were unsure as to how they should proceed. She said the City has had a few meetings with them to try to get the project resurrected. Eric Chubenko confirmed that there have two meetings within the last month and a half trying to get to some form of resolution on what would work for them that is within the scope of the redevelopment plan and if it doesn't what would need to be amended. He noted that they are nowhere near being able to come back to the board with that just yet. Conversations continue.

Camille Tooker said that the last communication on the ferry, the City had sent in a revised RFP for the professionals needed to move forward and there was a portion that the DOT deemed needed to be put up for bid for the removal of soil. The whole process there was a SHPO memorandum with the historic preservation office that says that while they're working down there, an archaeologist needs to be on site in case something is found. Frank Farrell went to DOT with the RFP to inquire exactly what needs to be revised. They said they weren't sure but they would let him know what those revisions are. It took them about six weeks and they finally responded about two weeks ago. And they gave him a list of what needed to be revised. Once revised, the City needs to send it back and hopefully that will be the end and they will be able to start the rest of that work. If the City doesn't hear from the DOT once we send it back the responses, we have people who will reach out to DOT Chairman, Jamie Fox, because at this point it's too much.

Eric Chubenko then provided an overview of Carteret's recent ferry operation. Zusette Dato asked if John Wisniewski had been contacted and Camille Tooker said that he has been involved and has done his best to help facilitate. She said that the operator still is eager to get the project going.

Zusette Dato requested an escrow fund statement and Mr. Chubenko noted that this month there is no new statement from last month. He believed it was \$51,000 negative as of last month and Manhattan Beach Club has been sent a notice from the last two months to bring that account back up. They cannot move forward with any other project while their accounts are in arrears. Everyone else is fine with their accounts.

John O'Connell referenced that the SARA section of the City's website needed updating and Eric Chubenko noted that the site was being updated per regulations surrounding budget approval by the State.

Ms. Tooker commented that something needs to be done about the old bike shop building near Poochie Doo on Broadway. She said there is a big hole behind the fence and that she would find out what was going on through Code Enforcement.

The Firpo and Joe Smokes sites are in ongoing negotiations. There was no new information on the 35 Northbound site.

Chairman Meszaros opened the meeting to the public. With no public in attendance, Chairman Meszaros closed the public portion of the meeting and requested a Motion to adjourn this meeting.

A Motion to adjourn was made by Benjamin Block. Suzette Dato seconded the motion.

Voice vote taken: all in favor.

Meeting adjourned.

Submitted by:

Stacey Kennedy