

**MONMOUTH COUNTY IMPROVEMENT AUTHORITY  
REGULAR MEETING MINUTES  
NOVEMBER 7, 2019**

Meeting called to order at 9:00 by Chairman Gatto.

**PLEDGE OF ALLEGIANCE**

**OPENING STATEMENT**

This meeting is being held in compliance with the provisions of Chapter 231, P.L. 1975 known as the Open Public Meetings Act. Notice of this meeting was furnished in the County newspaper and posted in the Hall of Records.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Gatto were in attendance. Commissioner Also in attendance were John Draikiwicz, Dennis Collins, Douglas Bacher, Heather Litzebauer, Amanda DelBene, and Marion Masnick. Also in attendance was Craig Marshall, CFO and Chris Marion, Asst. Adm.

**MISCELLANEOUS BILLS**

Motion by Commissioner Nicastro, seconded by Commissioner Melnick to adopt Resolution 19-51, "Payment of Miscellaneous Bills in the amount of \$3,202.98.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative.

**POOLED GOVERNMENTAL LOAN 2019B**

Douglas Bacher explained the financing saying this is the largest financing the MCIA has done. Total amount \$155,000,000. Local Finance Board meeting is next Wednesday.

Motion by Commissioner Melnick, seconded by Commissioner Barham to adopt Resolution 29-52, "2019B Governmental Pooled Loan Revenue Bond Resolution not to exceed \$155,344,478."

John Draikiwicz explained that these are the bonds sold to the public.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative.

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-53, "2019B Governmental Loan Revenue Bond Resolution (Aberdeen Project) in an amount not to exceed \$26,432,970.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-54, "2019B Governmental Loan Revenue Bond Resolution (Asbury Park Project) in an amount not to exceed \$5,147,697.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-55, "2019B Governmental Loan Revenue Bond Resolution (Belmar Project) in an amount not to exceed \$29,849,914.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-56, "2019B Governmental Loan Revenue Bond Resolution (Keansburg Project) in an amount not to exceed \$13,060,404.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-57, "2019B Governmental Loan Revenue Bond Resolution (Eatontown Project) in an amount not to exceed \$7,769,024.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-58, "2019B Governmental Loan Revenue Bond Resolution (Eatontown Sewerage Authority Project) in an amount not to exceed \$525,000.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-59, "2019B Governmental Loan Revenue Bond Resolution (Freehold Borough Project) in an amount not to exceed \$21,547,800.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-60, "2019B Governmental Loan Revenue Bond Resolution (Middletown Project) in an amount not to exceed \$9,725,000.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-61, "2019B Governmental Loan Revenue Bond Resolution (Red Bank Project) in an amount not to exceed \$2,685,000.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-62, "2019B Governmental Loan Revenue Bond Resolution (Oceanport Project) in an amount not to exceed \$3,607,669.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-63, "2019B Governmental Loan Revenue Bond Resolution (Ocean Twp. Sewerage Authority Project) in an amount not to exceed \$750,000.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-64, "2019B Governmental Loan Revenue Bond Resolution (Spring Lake Project) in an amount not to exceed \$10,425,000.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chm. Gatto voted in the affirmative

Motion by Commissioner Barham, seconded by Commissioner Nicastro to adopt Resolution 19-65, "2019B Governmental Loan Revenue Bond Resolution (Wall Project) in an amount not to exceed \$10,425,000.

**DELEGATION RESOLUTION**

Motion by Commissioner Melnick, seconded by Commissioner Buontempo to adopt Resolution 19-66, "A Resolution of the Monmouth County Improvement Authority approving the form and authorizing the execution and delivery of a Contract of Purchase, County Guaranty Agreements, Bond Purchase Agreements and a Continuing Disclosure Agreement, all in connection with the issuance and sale of the Authority's Governmental Pooled Loan Revenue Bonds Series 2019B; approving the form of a Preliminary Official Statement, approving the distribution thereof and further authorizing the execution of a Final Official Statement in connection therewith; appointing a Trustee, Bond Registrar and Paying Agent; and authorizing the authorized officers of the Authority to do all other things deemed necessary or advisable in connection with the issuance, sale and delivery of such bonds.

**ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chmn. Gatto voted in the affirmative

**MINUTES**

Motion by Commissioner Barham, seconded by Commissioner Melnick to accept the Regular Meeting Minutes of September 12, 2019 and October 10, 2019.

## **ROLL CALL**

Commissioners Nicastro, Barham, Melnick, Buontempo and Chmn. Gatto voted in the affirmative

## **GENERAL COUNSEL**

Dennis Collins said the Chairman received on Monday a request from FMERA a request to take down half of the \$5 million loan they got. As you know we negotiated the loan agreement. The Note, of course, is the direction given by the Authority. We are awaiting additional information that we are attaching to the Note which is the form recording documents. We asked Mr. Nuse from FMERA to also provide us the financial information need for consent. The Chairman will guide us on that process. You will get a report before the meeting. We will try to give you a synopsis of what they submit in a timely manner which is required by the Note. You should also be aware, not that it means much of anything, but FMERA did go out on a scope of work seeking to retain financial advisors to find alternative means of funding towards the end of the term of our bond. I'm not aware of what they received but it seems the EDA may not be available to them and now they are looking for creative funding sources at the end of 2021.

John Draikiwicz – This is, in our opinion, is a direct reaction to the oversight that has been generated this year which is a good thing. The Freeholders and the Authority wanted to impress upon them and we made such an impression that they would take us out if they could. Funding may be difficult to achieve but they definitely have been reacting to our more strenuous oversight of their project and sales. The one item that is often stated was, in terms of additional information that we need, we have requested an updated projection report and one of the items that is going to be distributed prior to your meeting in December is an updated pro-forma to see what has changed. Remember, some of the thought processes here is to get additional information to see what sales have occurred so we'll have a better idea from August through December 5<sup>th</sup> as what may have been updated in that time frame. That will be a good item for the financial people to look over.

Collins – that will also include a separate project status report. What we are going to attach to the documents for the Loan Agreement itself is going to be blank. It's just going to be the formatting. We'll see the actual information included in the bulk of those spread sheets.

Chairman – There are 3 issues – the spread sheets which in layman terms is the project description that is detailed. The spread sheet indicated that two closings would occur in October and obviously they haven't. That's a way for us to monitor it. We have a preliminary one that had issues on both sides. The first question is what happened to those two properties. That goes back to address a property that probably started this. They were in it for 2 and a half years then you wouldn't (FMERA) give them a 30 day extension. We're not judging whether what was proper or not there just has to be more accountability, The second thing is it's come to light that

they've basically maxed out their equity, by their representation by about 87%. While it's not a direct concern to us it takes them to Phase II which is us and they already have a \$5 million loan with the EDA and they've taken another \$2.5 million and want another \$2.5 million draw. The other problem with that is assuming you can place whatever time line you want that is someone were to come today and enter a contract you're looking probably 2 to 4 years to close that deal. By their representation and their actions they have a cash burn of \$400,000/month. I'm beginning to wonder if that's the correct number or not. We've asked for the financial documents to try to ascertain that and no other relationship other than the bank would ask for your financials if you were applying for any type of loan. As time goes along you're burning \$5 million a year and there's another part that you guys can explain better that we had tried, maybe to your concern, can we get a faster pay down either from Phase I or Phase II. The numbers are so tight they don't even have the leverage – they just about have the ability to honor their Phase I commitments. There is no way to speed up or accelerate payments back to the Authority outside of the 2 interest payments.

Collins – Effectively the debt that's owed to the Federal Government on Phase I and remember they've taken two \$5 million loans from the EDA which are all secured by Phase I that they are under the best case scenario not a conservative scenario there's no ability to generate cash to give us either an accelerated pay down or even meet their day to day obligations. It's really not good over there. I think once we get those financials the financial advisors will give you a clear picture of where they sit.

Comm. Melnick – do you know how many employees they have?

Collins. They won't tell us. We've been asking. (several people talking at once)

Chm. Gatto – We will get some kind of financial statements from them. If there is any confidential reason why not they will have to let us know. To your question maybe not individual salaries but there should be a line item. I had a brief conversation with John this morning and he's hopeful. How hopeful are you. We've been talking about this since August. I don't mean to criticize you I mean their actions.

Draikiwicz – Hopeful in terms of getting 2 things. For the closing that's coming up on Wednesday we need the format of the real estate schedule and we need the pro forma schedule as well. I'm hopeful that we will get those 2 schedules. I'm not about any additional information that we may want in terms of making your decision on December 5<sup>th</sup>. Besides the real estate projects status besides the updated pro forma is there any other additional information that the financial team thinks the Authority may need in order to provide an approval for their loan on December 5<sup>th</sup>.

Collins – Can I just make a point as you ponder that. Understand that their presentation will probably be based upon the vagaries of the market, the difficulty in contracts and unexpected

conditions on the property. All their projects have been delayed far beyond the representative time we entered in to this agreement. Effectively they're going to tell you and I think they're going to show you that because they were supposed to be a self sustaining system, they are not and they are going to show you that their cash flow is non-existent but their on-going obligations are and there is not sufficient monies in their bank account to stay open. That's going to be their presentation. What kind of information does the Authority want

Comm. Melnick – the building they are in do they own that building?

Collins – the whole Fort is a weird type of ownership. Phase I the government still has an ownership interest. In Phase II which I believe this building is in that was part of our loan to purchase the property

Comm. Melnick – So are they paying rent?

Collins – I do not know.

Comm. Melnick – That's important to know

Chmn. Gatto – We want a copy of the audited financial statements

Heather Litzebauer – I think it's a monthly budget of what their expenses are.

Chmn. Gatto – Do you agree that the cash burn is about \$400,000/month or you can't tell from the documents. (someone talking cannot hear). Somebody can look at it and update the financial statements as of September 30.

Collins – We want that information early enough to get it to everyone.

Comm. Nicastro – We have a pretty good scenario of how it's looking which is pretty bleak. For me personally I don't understand why we need all this information. What's the information going to change. If they're looking at a financial advisor what options in your opinion do they have and is there an option that maybe the County can get out of this or is there a scenario with another entity that they're playing this like listen they know they can't fail because the states involved, the county is involved. Are they looking at this possibly that someone is going to bail them out other than the county?

Collins – There's 3 options probably. Just like any construction loan either they're going to finance with their existing lender at the time it comes due which is the county; they're going to find a different lender or they are going to enter, I believe, a quasi-private partnership to try to get things done.

Chmn. Gatto – In my opinion the county made a commitment, without speaking for the county, for a 5 year deal, that 5 years is up in 2021. It's my intent to prepare for the Executive Session and to go to the Freeholders and lay out our concerns. The Freeholders have to give us direction. We want to lay out a picture for the Freeholders of what we've ascertained over the last 6 months. Personally I don't think there is anyone else out there for them. I think it's going to be hard. I'm confident that if the EDA could have done it it would have happened already.

Comm. Melnick – It's unlikely they can find cheaper money.

Chairman Gatto – Get cheaper money, I don't think they can get any money.

Comm. Buontempo – the spread sheet you're talking about, is that updated monthly?

Chmn. Gatto – That was the idea. I don't know about monthly but it would be updated at least quarterly when they came to us so that if there was a property "X" that they represented was supposed to close in October, we could say when you were here last property "X" was supposed to close some time in October and hear it is December 5<sup>th</sup>, where are you at? Prior explanations have been what Dennis mentioned earlier. Let's just accept all of it is true from a pure financial standpoint what is going to change between 5 years and 8 years. Is it a management change they need there? Is it an incentive to say great idea but is it better to bring one developer in and they manage the project and they keep what they want and sell off the rest. That's not our decision. I think we need guidance on that. Or we're stuck and do the best you can with it.

Comm. Barham – the problem is going to be when this loan is redone they can't bet any alternative funding to make us happy, then what are you going to do? It's beyond me. They're still having infrastructure problems. If you ran into them in the past, why haven't you taken the means and methods to identify what they are and correct them or put it in the RFPS that the person knows what awaits. There are two flaws there. Management changes and the next, I'd like to boil it down to the lowest common denominator and that would be why are they even doing this anymore. Why haven't they got some national real estate firms that deal the disposition of such properties and they can do it in a timely manner. These folks, in my opinion are just pushing the wagon down the road because we're all happy and no one has any heat on them.

Chmn. Gatto – I think the point is we're going to meet with the Freeholders in an Executive Session on Dec. 2<sup>nd</sup>. We'll have a plan. We'll try to share as much as we can. Again, I still think it's a philosophical call from the Freeholders. We made progress and to your point we spent the last 6 months to get to this line and we've gotten what we can get. We are starting the year out that whatever happens in 2020 when we have to redo the Note which will expire in 2021. We can all agree, I think, it's never going end by the time 2021 comes so we're trying to prepare a year out. What is that scenario in 2021 and you guys can fill in the blanks. You or the Freeholders can fill in the blanks.



Comm. Barham – You're going to boil it down to 2 issues – they can provide the necessary means that they prove to us they are worthy of the loan and if not, the property gets turned over to the County.

Chmn. Gatto – I don't disagree with you but I don't think all the Freeholders will be on that same page. (several people talking at once)

Counsel Collins – It would go through several years of foreclosures.

Craig Marshall – We just don't get ownership of the property.

Chmn. Gatto – There's also the effect on the towns in Phase II whichever those towns are. It may affect Phase I. It's not as simply as foreclosing on the house and we'll take it. I think it would so much easier if someone came in and gave them the \$30 million and they would be on the hook.

#### **BOND COUNSEL**

No further report.

#### **FINANCIAL ADVISOR**

No further report

#### **UNDERWRITER**

Amanda DelBene report on the upcoming closing. \$23.56 million in Notes. Rated at the highest level based on the County Guaranty. Low interest rate 1.92%. One year Note.

#### **PUBLIC PORTION**

None

#### **ADJOURNMENT**

Motion to adjourn at 9:34am by Commissioner Melnick, seconded by Commissioner Buontempo. All in favor.

Respectfully submitted,



Marion Masnick, Secretary