

## **FLORENCE TOWNSHIP COUNCIL EXECUTIVE SESSION**

**October 13, 2010**

**8:00PM**

### **CALL TO ORDER & FLAG SALUTE**

Council President O'Hara called the meeting to order and led the Salute to the Flag.

### **SUNSHINE STATEMENT**

The Opening Statement was read: Notice of this meeting has been given in accordance with the Open Public Meetings Act. Notice was published in the Burlington County Times on January 10, 2010; given to the Register News for information; posted on the municipal bulletin board.

### **ROLL CALL**

Present: Frank Baldorossi, Sean Ryan, Jerry Sandusky, David Woolston, Dennis O'Hara

Also Present: Mayor William Berry; Richard A. Brook, Township Administrator; Thomas Sahol, Assistant Municipal Administrator; Dante Guzzi, Township Engineer; Russell Trice, Township Water and Sewer Engineer; William John Kearns, Jr., Township Solicitor; Joy M. Weiler, Township Clerk

### **PUBLIC COMMENT**

Nothing at this time.

All residents having an opportunity to be heard, MOTION by Ryan; seconded by Sandusky to close the public portion of the meeting. All ayes - motion carried.

### **PERMANENT DEBT FINANCING: DISCUSSION**

Administrator Brook explained that when municipalities go out to do large projects, they do what is called Bond Anticipation Notes (BAN), which is borrowing with the eventual intention of paying it back on a permanent basis with a permanent debt service schedule. Florence Township can continue to keep borrowing short term; eventually the funds have to be paid back. What no one knows is what is going to happen with interest rates in the future. Right now the interest rates are very low, especially for municipalities. One option is to take advantage of the market now; go out and do permanent financing; go to the Local Finance Board and seek a schedule that can wrap around the existing debt that the township has now. The township had a bit of a break in 2010, but in 2011 the debt service goes back up and stays steady from 2011 through 2015 and drops off significantly in 2016. The best thing for Florence Township to do is to try and limit the amount that has to be paid between 2011 and 2015, and then in 2016 begin to concentrate on principal payments. That minimizes the impact on the residents and with the tax cap levy that is imposed; it is a much better way to go forward.

Two (2) charts were provided to Mayor and Council. One chart dealt with the General Capital Fund (Current Fund) and shows that the township has debt service in the amount of \$5,121,000 that is ready to go to permanent bonding. In the Water & Sewer Capital Fund they have \$992,500 and another Water Assessment Trust, which is approximately \$270,000.

Administrator Brook has met with David Thompson, Chief Executive Officer, Phoenix Advisors, LLC, over the past several months to review the options of various debt service schedules. He introduced Mr. Thompson, who took Mayor and Council through the analysis.

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Mr. Thompson explained that this is a seize the moment type of market. The important thing to look at is where rates have been, where they are now and where they might be. Mr. Thompson explained that these are projections at this point; he would come back with a more formal presentation if Council decided to move forward.

Mr. Thompson showed a projected \$5.1 million bond issue going out 13 years where interest on notes would be paid and a principal reduction on short term notes in 2011, if the township were to roll the notes, which would be neutral from a tax standpoint in 2011. It does go up modestly in 2012. The Local Finance Board would have to approve this plan, which is called a non-conforming debt service schedule, where less is being paid in the front part of the loan and more in the back. Mr. Thompson explained that the State of NJ has been hard on municipalities that have asked for a non-conforming debt service schedule, which pushes off the principal until a later year, burdening future taxpayers to ease the way for today's taxpayers. That is the case for many but he stated it is not the case for Florence Township because of the significant drop off and the soundness of capturing today's historically low interest rates opposed to running the risk of higher rates later.

Mr. Thompson stated that the projected total interest the township would be paying on \$5.1 million over the term of the projected bond issue is just about \$1.3 million. If interest rates moved up one (1) full percentage point it would cost the township an additional \$500,000 in interest.

Administrator Brook explained that they are trying to save the taxpayers money; it is easier to keep doing short term notes and making payments but the point will come where the town has to go to permanent financing and if the rates are high, administration has not done justice to the taxpayers and to what they are supposed to be doing which is to advise the governing body.

Administrator Brook stated that Mr. Thompson did provide scenarios where even in the current fund debt service was stretched out longer then the schedule in front of Mayor and Council, but the downside was the public would be paying more interest then it has to. Mr. Thompson explained that the longer the payments are stretched out, the higher the interest rate. He also believes the Local Finance Board will be more likely to approve the shorter-term, non-conforming schedule.

Mr. Thompson cannot say for sure what is going to happen with interest rates but they are so low they cannot go too much lower but they can go higher. Discussion followed regarding what could happen with interest rates in the future.

Administrator Brook stated that this is about taking advantage of the market or waiting and seeing what happens in a couple of years, but sooner or later the short term notes have to be paid down. He stated that this is sound financial planning.

Mr. Thompson explained that short-term notes can only be rolled for a certain period of time; they must be permanently financed within 10 years but payments have to be made on short-term notes after three years. So the payments have to be made even if Florence Township stays on short-term notes, so there will be an impact on the budget.

Administrator Brook explained that the positive with the short-term interest notes is that the township is getting low rates; the downside is when it begins time to make the principal payments or go out and do permanent financing, they do not know what the rates will be. The township will be stuck with whatever the rates are. This is about trying to plan over the next 10 – 15 years with

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knowing what the debt service will be. The money has been borrowed and has to be paid back. He believes the interest rates will stay low next year but no one knows for sure where long term bond interest rates will be. He believes they will go up towards the middle or end of next year; he does not believe the interest rates can continue to stay this low. Eventually, the township has to go out for permanent bonding and these are very good rates. The only way the rate can be impacted at this time is the bond rating.

Council Member Ryan asked the difference between the rate the township would be getting doing permanent financing now versus the rate they are paying for the short term? Mr. Thompson stated that the township is paying 1.25% on short-term notes and would be paying just over 3% on a long-term bond. He explained that it is higher to lock in the interest rate. It is the concept of locking in the interest rate and taking the risk off of the table at a point when long term interest rates are as low as they have been in history. Sandra Blacker, Chief Financial Officer, explained that with the BAN the township is not paying back as much principal each year, so the township does still have that debt and is continuing to pay interest on that debt.

Council President O'Hara asked if doing this would help with the 2011 budget? Administrator Brook stated that it would be a minimal impact on the debt service in 2011.

Mr. Thompson explained bond rating. All municipalities across the country are under stress, New Jersey probably more so than other parts of the country. The incurrent wealth levels in New Jersey from a bond-rating standpoint are much higher than other parts of the country. Relatively speaking, New Jersey's credits are strong and he believes Florence Township will end up in an AA bond category, more than likely in the lower tier of AA, which will give the township access to good interest rates. The first step is to go through the bond rating process. If it turns out that Florence Township is not in the AA category, then the best option would be to go through the Burlington County Bridge Commission Pool Financing, where the township would get the county credit as an overlay. So long as Florence Township is in the AA category, they are better off doing it on their own, on their own credit and keeping the cost of issuance at a minimum. The figures Mr. Thompson provided are based on an AA rating.

Administrator Brook stated that the choice is up to the governing body and offered to answer any questions. He stated that a decision does not have to be made this evening but they wanted to give enough information, if Council wants to move forward, they can begin preparing for early November.

Mr. Thompson noted that the Burlington County Bridge Commission Pool Financing is a strong AA and Florence Township has the ability to participate in their pool if the township does not carry the AA bond rating on their own. The Bridge Commission only goes out once a year in the late summer or early fall.

Mr. Thompson noted that there is no obligation for the township to move forward with any of the steps along the way until they actually sell the bonds. There are certain resolutions that will have to take place to get to the Local Finance Board to get approval for the schedule. There are preliminary steps of putting together a package of information for the rating agency. They will rate the township based on their existing situation; there is a fee of \$6,000 - \$7,000, which is included in the bond issue and is paid for as part of the debt service.

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Mr. Thompson reviewed the steps:

- Authorize the Local Finance Board Application
- Prepare a package for the rating agency
- Once the bond rating is known, then move forward with packaging the bond sale
- The rating will tell us if the township should package and go on their own or wait for the Burlington County Bridge Commission (if the township is an A category, he suggests going with the county; if the township is an AA category, they do not need to and will have their own timing flexibility and control of their own costs)

Mr. Thompson explained that the municipality would sell their bonds through a competitive sale; the county sells through a negotiated sale where they select an underwriter.

Council President O'Hara questioned the Local Finance Board being strict with non-conforming debt service schedules. Mr. Thompson stated that they have been strict in the past few months since the new director has been appointed. Administrator Brook explained that it is because municipalities are playing games as to why they are going in to get that approval; they are asking for non-conforming to minimize today's tax impact at the expense of future tax payers. Mr. Thompson stated that if the township did not have that drop off, he would not be suggesting a non-conforming; he is trying to fit it into the dramatic drop in 2016, which makes great sense and is the right thing to do. Administrator Brook feels that the only reason to do this is to take advantage of the low interest rates today.

Administrator Brook explained that if nothing is done now, eventually the \$5.1 million has to be paid back, no matter what the interest is at the time. By looking at the schedule Mr. Thompson provided, the township would be locking in the interest rate and controlling the payment schedule once DCA approval is received. Administrator Brook stated that short-term notes will look very attractive next year but after that no body knows what will happen, but eventually Florence Township has to go to permanent financing and now is a good time to take advantage of the low interest rates.

Council Member Ryan asked if permanent financing could be refinanced? Mr. Thompson stated that the loan could be refinanced; there are certain perimeters that have to be met from the Local Finance Board standpoint and certain limitations on being able to call the bonds from the existing owners. He stated that Advance Refunding can only be done once; Current Refunding can be done as often as economically feasible.

In response to Council Member Ryan, Mr. Thompson stated that under the tax law the 2004 bonds cannot be called until 2014 because the bonds were already an Advance Refunding.

Mr. Thompson explained that interest rates tend to go up when there is economic growth and inflation. Inflation drives long-term interest rates; the Federal Reserve drives short-term interest rates. It is very difficult for the Federal Reserve to impact long-term interest rates except by some of the very unusual activities they have undertaken in the past couple of years where they have bought long-term bonds.

Council President O'Hara asked Ms. Blacker, Florence Township Chief Financial Officer, if she thought it was a smart move for the township to move forward with permanent financing? Ms. Blacker thinks it is a very smart move; the township is still going to have the debt no matter what.

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Even if the township continues to pay on the short-term notes, they will eventually have to go to permanent bond financing.

Mr. Thompson will prepare and provide some analysis for the governing body to review:

- Ageing of the existing Ordinances and show the required principal payments
- Build in an escalator in the interest rate for the rollover of short term notes (he does not believe it will stay at 1% over the next several years)

Administrator Brook noted that if they decide to move forward, it is a lengthy process.

Mr. Thompson stated that the first step would be to have Bond Counsel prepare a Resolution authorizing the Local Finance Board application. He reiterated that until it gets to the sale of the bonds, Florence Township could reconsider and stop the process.

Council President O'Hara asked what the initial investment to the township would be? Mr. Thompson stated that he does not charge anything, he does the bond deal. Bond Counsel should be a minor fee. Mr. Thompson stated that he prepares the application to the Local Finance Board, which is not billed until the end.

Administrator Brook will get back to the governing body on which November Council Meeting Mr. Thompson will report back.

Mayor and Council thanked Mr. Thompson and Sandra Blacker for attending the meeting.

### **TOWNSHIP WATER AND SEWER ENGINEER**

#### **Albax: Performance Bond Reduction Request**

Russell Trice, Water & Sewer Engineer, reviewed and recommended the Performance Bond reduction request. A Resolution will be prepared for next week's meeting.

#### **Estates at Crossroads: Bond Release Request**

Mr. Trice explained that this started out as a Bond release request. Mr. Trice had prepared a punch list some time ago that the contractor had never completed. Once the contractor realized this they contacted Mr. Trice's office and asked that they hold off on the inspection and recommendation to Council. This was a verbal request; Mr. Trice did not receive the request in writing. Administrator Brook would like the request in writing.

#### **The Manor at Crossroads, Phase I & II: Deny Release of Performance Bonds**

Mr. Trice reviewed and recommended denying the Performance Bond Release Request due to a lengthy punch list. A Resolution will be prepared for next week's meeting.

#### **Sludge Belt Filter Press: Update and Current Estimate No. 3**

Mr. Trice stated that the contractor has been working steadily and the job is approximately 80% - 90% complete. He explained that on Tuesday they had to shut down the existing belt press in order to make some piping modifications, extend the existing conveyor, and put in another pump. The contractor has been working constantly and is hoping to have the existing belt press back on line by Friday. There is still electrical work to be done to complete the installation of the new belt filter

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press. The contractor has been working very well and coordinating with the Water & Sewer Department.

Mr. Trice reviewed and recommended payment of Current Estimate No. 3. A Resolution will be prepared for next week's meeting.

**TOWNSHIP ENGINEER**

**Hunter Industries, NWL Transformers: Maintenance Bond Release**

Dan Guzzi, Township Engineer, reviewed and recommended the Maintenance Bond Release. A Resolution will be prepared for next week's meeting.

**Burlington Assembly of God, Gymnasium: Performance Bond Release**

Mr. Guzzi reviewed and recommended denying the Performance Bond Release until the punch list item (installation of a stop sign) is complete and the Maintenance Bond has been posted. Administrator Brook will call to see when they will be installing the sign before denying the request.

**Thomas J. Fallon: Release Performance Bond**

Mr. Guzzi reviewed and recommended releasing the Performance Bond conditioned upon posting of the required Maintenance Bond. A Resolution will be prepared for next week's meeting.

**Platinum Developers, LLC: Reduce Performance Bonds I & II**

Mr. Guzzi explained that the developer asked for a release of the Performance Bonds but there is still outstanding work to be done. He recommended a reduction in the Performance Bonds for both Phase I and Phase II. A Resolution will be prepared for next week's meeting.

**Roma Bank: Maintenance Bond**

Mr. Guzzi reviewed and recommended denying the release of the Maintenance Bond due to outstanding punch list items. A Resolution will be prepared for next week's meeting.

**Parish of Sts. Francis & Clare, Parking Lot: Reduce Performance Bond**

Mr. Guzzi explained that this was a request to release the Performance Bond but there is still outstanding work to be done. He recommended reducing the Performance Bond or holding until November to see if the work has been completed. Administrator Brook will call to see if they think they will be ready for November, if not a Resolution reducing the Performance Bond will be prepared for next week.

**2009 Bikeway: Current Estimate No. 2 and Change Order No. 1**

Mr. Guzzi reviewed and recommended approval of Change Order No. 1 and payment of Current Estimate No. 2. A Resolution will be prepared for next week's meeting.

**2010 Road Program: Current Estimate No. 3 and Change Order No. 1**

Mr. Guzzi reviewed and recommended approval of Change Order No.1 and payment of Current Estimate No. 3. He explained that the Asphalt Index Adjustment Law went into effect earlier this year and due to that the township received a credit. A Resolution will be prepared for next week's meeting.

**ASSISTANT MUNICIPAL ADMINISTRATOR**

**Recreation Grant Application to Burlington County Board of Chosen Freeholders**

Assistant Administrator Sahol explained that he received approval from Council by Resolution No. 2010-210 to apply for a grant in the amount of \$250,000. He asked if the Resolution could be amended to apply for \$275,000. He believes, because the township is meeting at least three (3) of the goals, they have a good chance of receiving the grant.

It was on the MOTION of Sandusky, seconded by Ryan to amend Resolution No. 2010-210 to read \$275,000 opposed to \$250,000.

**On the Question**

Nothing at this time.

Upon roll call Council voted as follows

YEAS: Baldorossi, Ryan, Sandusky, Woolston, O'Hara

NOES: None

ABSENT: None

Unanimous approval.

**ABC RENEWAL: PAGLIONE**

Joy Weiler, Township Clerk, advised that Mr. Paglione received a Special Ruling from the State of New Jersey for two (2) terms. Council previously approved receiving Mr. Paglione's ABC renewal for 2010-2011 term; he paid all of his fees, but they could not formally approve the license at the time because he needed to apply to the State for a Special Ruling, which he has received. A Resolution will be prepared for next week's meeting.

In response to a request from Council Member Sandusky, Clerk Weiler advised that there are several licenses that are inactive (the establishments are closed) and there are two (2) pocket licenses (licenses held with no location).

Council Member Sandusky stated that NJ State Statute permits one consumption license per a population of 3,000. Florence Township currently has 10 consumption licenses, with a population of 10,746 (Florence Township was grand-fathered-in); four are active and six are inactive. He asked if Council did not renew the inactive licenses, would the township still have ten licenses? Clerk Weiler stated that if the township lost those licenses, they would be completely gone and the town could not get them back until the population permitted. Clerk Weiler explained that the township receives the renewal fees for the inactive licenses each year and very little is done for those licenses because there is no establishment for the police to receive complaints about and/or to check and there is very little paperwork to do for those licenses.

Council Member Sandusky expressed concern for the four active licenses, which are small businesses, if large chains purchase the inactive licenses and may put the small businesses out of business.

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### VOTING LOCATIONS: WARDS AND DISTRICTS

Clerk Weiler brought the issue of Wards and Districts to Council's attention because of the large number of voters in Ward 1. Council could wait until they are able to look at the Ward lines after the 2010 Census Data is available. The town did get past the Presidential Election, which was a massive turnout of voters. Ward 1 has a large number of voters due to the new construction of residential homes in that Ward.

Clerk Weiler stated that it is difficult finding voting locations that are handicapped assessable and have adequate parking for everyone.

After further discussion, due to the parking problems, it was decided to move the **School Board Election** from the Main Street Community Center to the Florence Township Library in the Pensioners Room on Hornberger Avenue. Council Members were in favor of keeping the other Districts as is for now.

### ROEBLING STEEL PLANT

Administrator Brook stated that an issue arose with negotiations on the Roebbling Steel Plant. He asked to go into Closed Session and to go back into Regular Session to take confirming action.

### RECYCLE CENTER

Administrator Brook was contacted by Council Member Woolston regarding the Recycle Center. The township no longer allows contractors to use the Recycle Center, which is a good policy because it was becoming a "mini landfill". It was costing the township money to load the non-recyclable material that was being left there and take to the landfill. One of the issues that has arisen from this change in policy is that residents using their commercial vehicles to take recyclable materials from their own home are being turned away. With Council's approval, Administrator Brook will advise the employee manning the Recycle Center to use reasonable discretion and allow residents with commercial vehicles that are bringing recyclables from their home to use the Recycle Center. Council Members are in agreement for Administrator Brook to advise the employee to use his discretion.

### CHRISTMAS EVENT WITH SANTA

Administrator Brook stated that the "Christmas Event with Santa" will be held on Friday, December 3, 2010 in the evening.

### CITIZENS CAMPAIGN

Administrator Brook wanted to set up a date for the Citizens Campaign meeting. In talking with Rene Koubiadis, South Jersey Coordinator for Citizens Campaign, they are looking at holding the meeting in early December. Administrator Brook asked if Mayor and Council would rather hold it on a Wednesday evening before the Council Meeting or another evening? Council Members were in agreement to hold the meeting before their Council Meeting, Wednesday, December 8, 2010.

### ROEBLING MUSEUM GRANT

Administrator Brook noted that Burlington County is still working on the Roebbling Museum Grant. Unfortunately, when the township did a reassessment, which was required to do, it impacted the dollar amount of the grant and decreased it. The Roebbling Museum requested that the County move forward, if with the lower amount. They would rather know for sure then look in future years to seek

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the additional ground as part of the Heritage Trail. The grant would come to the municipality and Council would establish general perimeters regarding its use.

**ADJOURN TO CLOSED SESSION**

10:00PM MOTION by Ryan, seconded by Sandusky to adjourn to Closed Session. Roll call vote - all ayes.

**RESUME REGULAR SESSION**

10:47PM MOTION by Sandusky, seconded by Baldorossi to adjourn Closed Session and return to Regular Session. Roll call vote – all ayes.

**ROEBLING STEEL PLANT: COMMISSION AGREEMENT**

Administrator Brook explained that there needs to be a **MOTION** that supplements the **MOTION** that was done at October 6, 2010 meeting and authorizes the **Commission Agreement with KOR Commercial Real Estate**. It will be memorialized through a formal Resolution at an upcoming Council Meeting.

It was on the MOTION of Woolston, seconded by Sandusky to supplement the MOTION from October 6, 2010 and authorize the Commission Agreement with KOR Commercial Real Estate, which will be memorialized through a formal Resolution at an upcoming Council Meeting with concurrence with Solicitor Kearns.

On the Question

Nothing at this time.

Upon roll call Council voted as follows

YEAS: Baldorossi, Ryan, Sandusky, Woolston, O’Hara  
NOES: None  
ABSENT: None

Unanimous approval.

10:50PM MOTION by Sandusky, seconded by Baldorossi to adjourn the meeting. Roll call vote – all ayes.

**ADJOURNMENT**

10:50PM: Meeting adjourned.

Respectfully submitted,

JOY M. WEILER, RMC/MMC  
Township Clerk

/mab