

PASSAIC VALLEY WATER COMMISSION SPECIAL MEETING OF
MAY 11, 2022

(OPEN SESSION)

C O M M I S S I O N E R S P R E S E N T :

RIGO SANCHEZ, President

GERALD G. FRIEND, Vice President

CARMEN DEPADUA, Treasurer

RUBY COTTON, Secretary

JEFFREY LEVINE

RONALD VAN RENSALIER

JOSEPH KOLODZIEJ

A L S O P R E S E N T :

JAMES MUELLER, Executive Director

LOUIS AMODIO, Interim Business
Adminstrator/Administrative Secretary

YAACOV BRISMAN, General Counsel

YITZ WEISS, Comptroller

1 PRESIDENT SANCHEZ: I guess we have a
2 quorum.

3 MR. AMODIO: On the roll.

4
5 (Roll call was taken, all Commissioners
6 present respond in the affirmative. Commissioner
7 Levine is not present yet)

8
9 MR. AMODIO: Time is 9:35 a.m.

10 You have a quorum.

11 All of the requirements of the Open Public
12 Meetings Act have been met. Notices have been
13 furnished to all Commissioners; City Clerks of
14 Paterson, Passaic, and Clifton; North Jersey
15 Herald News; The Record - Passaic County edition
16 and the Commission's Executive Staff with a copy
17 posted at the main bulletin board at the Clifton
18 facility. Pledge an allegiance.

19 PRESIDENT SANCHEZ: And who's the
20 gentleman seated at the end please? Will you
21 state your name?

22 MR. FEARON: I'm Jim Fearon from Gluck
23 Walrath.

24 PRESIDENT SANCHEZ: Do we need him in open
25 or closed?

1 MR. BRISMAN: We need him for closed, but
2 he can stay in open because it's open.

3 PRESIDENT SANCHEZ: I know, but I'm saying
4 we need him in the closed.

5 Do we have anything for open?

6 MR. BRISMAN: We have public comments.

7 PRESIDENT SANCHEZ: And the budget.

8 Can we start?

9 MR. WEISS: So you have in front of you
10 the budget for 2022. The budget should have been
11 done months ago. It's late. I'm not going to
12 make excuses. We'll make sure it's not going to
13 happen again.

14 You have an extensive narrative. I'll
15 give you highlights:

16 \$106 million in revenue that we're
17 expecting. \$96 million in expenditures. \$50
18 million in capital and of that \$18 million will be
19 paid out of cash, the rest of it will be financed
20 either through the IBank or through other debts.

21 Thankfully, we were able to keep to our
22 five-year plan that our rate increase for this
23 year is only 2 percent. I know that was said at
24 the beginning of the year. Again, I'm reiterating
25 that again.

1 Our operating reserve, we're maintaining
2 at 65 days of working capital, which is \$14.44
3 million for this year and our extension reserve
4 we're maintaining at \$4 million.

5 We've got a required 1.1 minimum set
6 coverage ratio based on our bond resolution and
7 for 2022 we're projecting a 1.6 debt coverage
8 ratio.

9 PRESIDENT SANCHEZ: Go ahead, I'm sorry.

10 MR. WEISS: There are two resolutions.
11 There's a budget approval resolution, which is
12 what we need to start the process and we'll adopt
13 it at the meeting in June.

14 After we do the budget approval
15 resolution, we'll do the submission resolution.

16 PRESIDENT SANCHEZ: I think 2 percent is
17 one of the lower increase throughout the industry
18 in New Jersey I think is my belief.

19 MR. WEISS: It's very low.

20 PRESIDENT SANCHEZ: The rates increase is
21 like the lowest in the State of New Jersey and
22 that's good for people to know that 2 percent is
23 really low according to the industry standard.
24 And revenue are up 5 percent I think.

25 MR. WEISS: Revenues are up by about 5

1 percent.

2 PRESIDENT SANCHEZ: Any other questions?

3 COMMISSIONER FRIEND: I have some
4 questions, Rigo.

5 PRESIDENT SANCHEZ: Go ahead.

6 COMMISSIONER FRIEND: Number one, every
7 year I've been asking when we do get the budget
8 prepared that it should show the current year or
9 the previous year 2021 what was proposed; 2021
10 what was expended. Then what's proposed for 2022
11 so that we can see and make a comparison in terms
12 of what areas are going up and what areas are
13 going down.

14 Looking at the budget that's been
15 presented today, again, you can't tell anything
16 other than what numbers are proposed for 2022.
17 So, you know, I find it heart to vote on the
18 budget that says it takes into consideration
19 promotions and new positions and we don't know
20 what those promotions and new positions are
21 proposed to be, how much money is in the budget
22 for promotions and new positions that we haven't
23 already approved. That's my first.

24 PRESIDENT SANCHEZ: I asked the controller
25 for the allocations and I think that's something

1 that the E.D. can deal with it.

2 Do you have the allocation of the budget,
3 yet, Jim? Do you have them?

4 MR. MUELLER: We do, we do have that.

5 PRESIDENT SANCHEZ: Will you forward that
6 to Commissioner Friend and everyone else?

7 MR. MUELLER: Yes.

8 PRESIDENT SANCHEZ: I think he's been
9 asking for awhile now. Can we make that part of
10 the --

11 MR. MUELLER: Sure.

12 COMMISSIONER FRIEND: Then in going
13 through the budget, there are certain other
14 expenses that I have a question on.

15 Number one is, it says credit card fees
16 \$500,000. I thought we just approved a contract
17 for somewhere in the \$300,000, why does the budget
18 say \$500,000?

19 MR. WEISS: I have to look.

20 COMMISSIONER COTTON: That was what we
21 voted last time.

22 MR. WEISS: The credit card contract is a
23 one-year contract --

24 COMMISSIONER FRIEND: I can't hear you.

25 MR. WEISS: The credit card contract is

1 one-year contract. There were expenditures up
2 until the point of that new contract. So the
3 \$500,000 is because we're expecting, year over
4 year we're expecting our credit card profits to
5 increase because that's what happens generally
6 every year.

7 COMMISSIONER FRIEND: Does the budget
8 match --

9 MR. WEISS: The budget, I'm sorry? One
10 more time.

11 COMMISSIONER FRIEND: Does the budget
12 number of \$500,000 match the contract that we
13 awarded at the last meeting I think it was?

14 MR. WEISS: No, the budget is a calendar
15 year and the award was not a calendar year award.
16 So there were expenditures that happened before
17 that.

18 COMMISSIONER FRIEND: That's why it's
19 important to have a budget from last year to show
20 if we over expended last year then that would take
21 into account my question now. Without seeing how
22 much was proposed and how much was actually spent
23 last year we can't make that determination. So
24 can you get us that information before we adopt
25 the budget finally in terms of -- in other words,

1 how did you arrive at the \$500,000 figure?

2 MR. WEISS: Yes, I can get you that
3 information.

4 \$500,000 is based on what we actually
5 spent last year and projected to what we're going
6 to spend.

7 PRESIDENT SANCHEZ: Are we voting on the
8 budget today, Yitz?

9 MR. WEISS: We're approving the budget
10 today; we're not adopting it until the end of
11 June.

12 COMMISSIONER FRIEND: How much --

13 PRESIDENT SANCHEZ: Jerry, before --

14 COMMISSIONER FRIEND: Go ahead.

15 PRESIDENT SANCHEZ: I'm sorry, Jerry. Go
16 ahead.

17 COMMISSIONER FRIEND: Okay. How much was
18 proposed in the budget last year, Yitz, for credit
19 card expenses?

20 MR. WEISS: I don't have that figure in
21 front of me.

22 COMMISSIONER FRIEND: Okay. The bank
23 charge is a hundred thousand dollars. Why do we
24 have bank charges of a hundred thousand dollars?

25 MR. WEISS: We always have bank charges

1 because the bank's doing processing for us. They
2 are lockbox processing, that's most of the costs.
3 Some is lockbox processing, some has just the
4 regular fees for our corporate...

5 COMMISSIONER FRIEND: Okay. Can we get a
6 list of the banks and how much each one is being
7 paid that come up to the hundred thousand dollars.

8 MR. WEISS: Sure.

9 PRESIDENT SANCHEZ: Jerry, why don't you
10 do me a favor, why don't you put a list of
11 questions, email them to Yitz and he'll give you.

12 COMMISSIONER FRIEND: Today's the meeting
13 to discuss the budget whether or not we're going
14 to introduce it, I can't vote for a budget even to
15 introduce it if I don't have answers to the
16 question.

17 Yitz, I've been asking right along how
18 much is our Medicare. I don't see the Medicare
19 reimbursement that we make to the retirees
20 anywhere in the budget. Where is that?

21 MR. WEISS: It's definitely there. If you
22 look under Insurance, it's not a separate. It's
23 listed under Insurance.

24 COMMISSIONER FRIEND: I'm sorry, where is
25 it shown?

1 MR. WEISS: It's listed under Insurance
2 and Taxes. It's included in one of the line
3 items.

4 PRESIDENT SANCHEZ: What page is that,
5 Yitz?

6 MR. WEISS: It's on page 13.

7 COMMISSIONER FRIEND: I'm looking under
8 Health Benefits and I don't see a line item there
9 for that.

10 MR. WEISS: It's not a separate line item
11 for that. It's included in the Other Medical
12 Expenses.

13 COMMISSIONER FRIEND: Which line item is
14 that?

15 I see the numbers here are the numbers
16 we're paying to the insurance carrier, not to our
17 employees or past employees.

18 MR. WEISS: So the answer is it's
19 definitely included. I don't have it in front of
20 me right now.

21 COMMISSIONER FRIEND: Okay. I wish we
22 were... Okay.

23 My other comment while I'm looking for...
24 Let's see. Okay. If you go through the budget in
25 every department there's a line item for

1 conferences and seminars. Comes to over \$218,000
2 throughout the budget. I think that's excessive
3 for an organization of our size. How did we come
4 up with \$218,000 in proposed conferences and
5 seminars for our employees?

6 MR. WEISS: So when we create the budget
7 we sit down with every one of the department heads
8 and based on each department, whatever their needs
9 are for training and for development to come up
10 with that budget. Every one of them is done
11 separate by department.

12 COMMISSIONER FRIEND: How much did we
13 spend last year on conferences and seminars? I
14 know last year we probably didn't have any because
15 of the pandemic. Okay.

16 MR. WEISS: Correct.

17 COMMISSIONER FRIEND: What about the last
18 year that we did do before the pandemic, what did
19 we spend?

20 MR. WEISS: I don't have that number off
21 the top of my head, but I'm happy to get it for
22 you.

23 COMMISSIONER FRIEND: And I personally
24 feel that there should be a line item in the
25 executive director's budget administration for a

1 total for whatever conferences are going to be and
2 he should have to approve each and every request
3 to go on the conference or, you know, seminar. A
4 seminar I presume may be local, I'm not sure, but
5 a conference, you know. Have our employees been
6 traveling to Las Vegas and Miami and all over in
7 conferences and I think that has to be limited
8 when we're dealing with people who can't afford to
9 pay their water bills right now.

10 MR. WEISS: So that's part of the process.
11 Any employees that are attending any type of
12 seminars, that gets signed off on by the executive
13 director. It has to be signed off on in order to
14 get reimbursed.

15 COMMISSIONER FRIEND: Well, okay. When
16 you put the budget together, do you get a proposal
17 from each of the department heads in terms of what
18 they're looking for in their budget?

19 MR. WEISS: Yes.

20 COMMISSIONER FRIEND: Do they give you,
21 you know, based on last year's budget what their
22 proposed increase is and requests are?

23 MR. WEISS: Yes, we sit down and go line
24 by line.

25 COMMISSIONER FRIEND: Okay. The general

1 liability for \$800,000. Is that the JIF?

2 MR. WEISS: That's not just the JIF, but
3 yes, that's in there.

4 COMMISSIONER FRIEND: That's in there.
5 Okay.

6 MR. WEISS: Yes.

7 COMMISSIONER FRIEND: Looking at the
8 budget, I got to be honest, it's just a bunch of
9 numbers that really don't mean anything to me
10 because you can't tell if we spent \$700,000 on
11 insurance last year and now we're increasing it to
12 800 and what's the basis for that. Was it 900 and
13 we're going down to 800. It's just, you know,
14 like I say, without the prior year's proposal,
15 it's impossible to look at this budget and make an
16 intelligent decision as a commissioner.

17 I have other questions but I'll submit
18 them in writing to Yitz because I don't want to
19 take up the whole meeting. I'm sure other
20 commissioners must have questions.

21 When does this have to be introduced by?

22 MR. WEISS: We're late, so the sooner the
23 better. The idea was to introduce it now and
24 we're going to be adopting at the end of June, so
25 we should have plenty of time to be able to review

1 it in the finance committee over the next two
2 months.

3 COMMISSIONER FRIEND: Okay. Like I say, I
4 have a problem with it as it's presented and, you
5 know, and I don't think it actually reflects the,
6 how shall I say it, the expenses that are being
7 made if there's no line item for Medicare
8 reimbursement to employees and you can't even tell
9 me where it is or how much it is, I don't know how
10 I can vote to even introduce the budget, but I'm
11 only one.

12 COMMISSIONER COTTON: The question I have
13 is, like Commissioner Friend said, you could show
14 2021 what was actually spent. I believe last year
15 I think we had money left over. We didn't spend
16 all the money in the budget.

17 MR. WEISS: Right. That's correct.

18 COMMISSIONER COTTON: My question is what
19 happened to that money? I think you said you
20 carry to next year.

21 MR. WEISS: So we don't work like a
22 municipality. A municipality, when they
23 appropriate money in the budget it gets carried
24 over and gets used for the next year. We don't
25 work that way.

1 COMMISSIONER COTTON: You put it in the
2 bank.

3 MR. WEISS: Right. Exactly.

4 COMMISSIONER COTTON: It goes back in the
5 bank.

6 MR. WEISS: Exactly. We budget from zero
7 every year and whatever we spend --

8 COMMISSIONER COTTON: I think what
9 Commissioner Friend is looking, and I think we all
10 need to see it, what you actually spent in 2021
11 and what you got earmarked for 2022 and if it
12 increases a hundred thousand, 200,000 you could
13 say to us, well, I need this because we
14 anticipated, because what I find is that because
15 of 2021, the pandemic, we didn't spend as much,
16 not to say we didn't spend as much, we didn't
17 allocate the money because we were in a pandemic.
18 Now going forward for 2022, we are going to use it
19 because we're getting into the flow.

20 MR. WEISS: Right.

21 COMMISSIONER COTTON: So I think separate
22 it: This was 2021. This is what we need for
23 2022.

24 MR. WEISS: Okay.

25 COMMISSIONER COTTON: The reason why we

1 did that for 2022 now we're getting back into the
2 flow of life. I think we didn't spend as much
3 because of the pandemic.

4 COMMISSIONER DEPADUA: So is it fair to
5 say that even this year, remember prices are sky
6 high with everything so a lot of things are going
7 to go way up.

8 COMMISSIONER COTTON: No, I understand
9 that. Yeah. Everything is like more than like
10 double.

11 PRESIDENT SANCHEZ: I guess what the
12 commissioners are asking for is a more detailed
13 budget proposal. I guess by the end before June
14 we should get all that information moving forward.
15 Next year, moving forward, I guess everybody
16 should get that information on time and just have
17 time to go over and compare numbers to previous
18 years to the present years. So please do that.

19 COMMISSIONER DEPADUA: It's important that
20 we adopt it today and move on from there. That's
21 why we're here, right.

22 PRESIDENT SANCHEZ: Yeah, this will be the
23 last year that we do it this way.

24 COMMISSIONER COTTON: We're going to
25 approve this?

1 PRESIDENT SANCHEZ: Yes, before June I
2 guess we should have that information. All right.

3 Thank you, Yitz.

4 MR. WEISS: Sure.

5 PRESIDENT SANCHEZ: All right. Moving on.
6 Anybody else has a question?

7 COMMISSIONER COTTON: I'm not sure if last
8 year the budget it showed for the years?

9 MR. WEISS: This is the same way it was
10 presented last year.

11 COMMISSIONER COTTON: You separated it?
12 We had money left over. I remember asking about
13 what happened to the money.

14 MR. WEISS: We had that conversation, yes.

15 PRESIDENT SANCHEZ: What else?

16 MR. AMODIO: Is there a motion?

17 COMMISSIONER DEPADUA: Motion.

18 MR. AMODIO: By Commissioner Depadua.

19 PRESIDENT SANCHEZ: Second?

20 COMMISSIONER KOLODZIEJ: Second.

21 MR. AMODIO: By Commissioner Kolodziej.

22 On the roll.

23 COMMISSIONER FRIEND: This the motion to
24 introduce the budget?

25 PRESIDENT SANCHEZ: Yes.

1 COMMISSIONER FRIEND: I'm going to
2 abstain.

3 COMMISSIONER VAN RENSALIER: Yes, to the
4 introduction. Yes.

5 COMMISSIONER KOLODZIEJ: Yes, to
6 introduce.

7
8 (Roll call was taken, all Commissioners
9 respond in the affirmative. Commissioner Levine
10 is not present yet. Commissioner Friend
11 abstained)

12
13 PRESIDENT SANCHEZ: Another resolution?
14 How can we --

15 COMMISSIONER KOLODZIEJ: You need a
16 resolution to submit it to the State.

17 So moved.

18 COMMISSIONER DEPADUA: Second.

19 MR. AMODIO: On the roll.

20 COMMISSIONER FRIEND: I got a question.
21 Are we limited in terms of what changes can be
22 made to the budget percentage wise after we submit
23 it to the State?

24 MR. WEISS: No.

25 COMMISSIONER KOLODZIEJ: We can amend it

1 any way we want.

2 COMMISSIONER FRIEND: So the motion right
3 now is?

4 PRESIDENT SANCHEZ: To submit it to the
5 State.

6 COMMISSIONER FRIEND: Abstain.

7 COMMISSIONER KOLODZIEJ: Submitting to the
8 State gives them an opportunity to review and make
9 sure there's not any errors in the budget or to
10 make any recommendation to us about changes that
11 would be need to be made in addition to what we
12 want to do, so, yes, a second set of eyes is
13 welcome. I vote yes.

14

15 (Roll call was taken, all Commissioners
16 respond in the affirmative. Commissioner Levine
17 is not present yet. Commissioner Friend
18 abstained)

19

20 MR. AMODIO: Motion for closed.

21 COMMISSIONER DEPADUA: Motion.

22 COMMISSIONER COTTON: Second.

23 PRESIDENT SANCHEZ: Anything else for
24 open?

25 MR. BRISMAN: Just so it's clear, when we

1 go into closed, you're going to come back out into
2 open to vote.

3 PRESIDENT SANCHEZ: You need to announce
4 what you're going to discuss in public or no, just
5 for the record?

6 MR. FEARON: There are four resolutions
7 relating to the lead service line project. One of
8 them is to award the construction bid bond and one
9 has to do with borrowing for financing the
10 project.

11 PRESIDENT SANCHEZ: Thank you, sir. We
12 needed that on the record before we go into
13 closed.

14 COMMISSIONER KOLODZIEJ: Motion to go into
15 the closed.

16 PRESIDENT SANCHEZ: Carmen seconded.
17 Close the doors.

18 COMMISSIONER KOLODZIEJ: All in favor.
19 The board attorney asked if there's any
20 objections.

21

22

23

24

MR. AMODIO: Time is 10:15.

25

You have a quorum.

1 The first resolution, do you want to do
2 them all at once?

3 PRESIDENT SANCHEZ: Can we do that,
4 please?

5 MR. AMODIO: Whatever you'd like to do.

6 Mr. Fearon, if you'd like to just address
7 the board.

8 MR. FEARON: Hello, all.

9 So what you were just discussing was the
10 contract award. That I am not discussing.

11 I'm here for the next three on your
12 agenda.

13 22-050 is a \$40 million project note
14 resolution. I'll explain that in a second.

15 22-051 is the \$40 million permanent bond
16 resolution. The same project, I'll explain why in
17 a second.

18 The final is 22-052. It's what tax
19 lawyers in the municipal bond world call a
20 reimbursement.

21 So the project that you are proceeding
22 with just approved a contract I believe has a base
23 price of \$26 million and change. There's also the
24 CDM contract which I believe has already been
25 entered into and that has \$7.5 million cost. Then

1 the New Jersey Infrastructure Bank allows you to
2 borrow a certain amount, a certain percentage for
3 administrative percent expenses, a certain
4 percentage for engineering expenses, a certain
5 percentage for contingency expenses.

6 For CDM, the recommendation is that we
7 should authorize debt in the amount of \$40
8 million. That is an outside.

9 The way that the IBank program works is
10 this: You authorize debt and issue a draw down
11 note to the IBank. That's the temporary
12 financing. Basically it's like a line of credit.
13 You have the maximum drawn out of whatever they
14 approve. We think they'll approve somewhere
15 between \$36 and \$40 million, we're asking for 40.
16 The reason that that dollar amount is important
17 has a part to do with loan forgiveness, which I'll
18 get to in a second. But the way the mechanic
19 works is you close on construction loans at
20 maximum dollar amount. You then spend the next
21 two or three years building a project, bidding for
22 payment and then these resolutions all get,
23 basically they're loans that are made out of the
24 project note. The project note bears interest.
25 It bears interest typically at some fraction of

1 you get to the permanent bond stage you would have
2 50 percent of the loan roughly be interest bearing
3 at market rates because it's aggregated with all
4 the other borrowers and it's the IBank's bond
5 issue that bears triple A rating and market based
6 rate. That's for half of the loan. The other
7 half of the loan is typically zero percent loan.
8 Pay back the principal, but you don't pay any
9 interest. For the loan forgiveness, it takes out
10 the zero percent loan. So both loans get a zero
11 percent off the balance.

12 So at the end of the day what should
13 happen here is you'll spend somewhere between \$36
14 and \$38 million on the project. You should get
15 \$18 million of it written off in two years and
16 then the vast bulk of the remainder will be an
17 IBank transaction that will bear interest at
18 triple A rates. A small portion of it will
19 probably still be zero percent because the
20 differential between half of the cost and
21 \$32 million. That's basically the program.

22 The resolutions that you have in front of
23 you, there are three of them, as I mentioned. One
24 of them is a project note resolution. That is to
25 do this temporary financing. It's done under

1 subordinate project note resolution. We do that
2 because there are strictures in your personal and
3 general bond resolution that we won't like to
4 give. We don't want to have to plug the reserve
5 fund for it. We don't want pass additional bond.
6 The IBank is okay with that. So as you have done
7 in all of your previous IBank transactions, when
8 you do a construction loan you do it on
9 subordinate basis with a standalone project note
10 resolution. That's why that's separate.

11 The second document that you have is the
12 permanent bond authorization. You're not going to
13 actually utilize that for three years, but having
14 it authorized is an important step in convincing
15 the IBank that you're ready to do this program and
16 that everything is under control. There are no
17 contingencies, there are no political
18 contingencies at least, in terms of the issuance
19 of your permanent bonds after the project is
20 complete. But they cover exactly the same project
21 and, yes, I could downsize the dollar amount, but
22 I don't want to. It's a \$40 million project.
23 We're not doing the bonds yet. You have three
24 years to figure out what the total amount of that
25 bond issue is.

1 Then the final resolution is what I had
2 mentioned is the reimbursement resolution. The
3 permanent tax bonds are not going to be issued
4 until three years from now. The IBank is going to
5 issue its bond to the public on a tax basis. It's
6 taxed by your bonds. The Federal tax requires
7 that if you issue bonds at a given point and you
8 use the money to reimburse yourself for expenses
9 that are previously been paid, that you had
10 preceded all of that by a declaration that you
11 intend to issue bonds. So basically this is a tax
12 driven thing that basically says: I'm starting a
13 project now. Give me \$40 million. I may spend
14 things before the permanent bonds are issued.
15 This locks in my ability on the tax basis to
16 reimburse. It's just a mechanical, technical
17 resolution but something we do with all of our
18 bond issues.

19 So bottom line is this is the bond
20 authorization and the note authorization to enter
21 into the IBank's defined project note bond
22 construction financing to permanent financing
23 program and I am out of breath so I'll stop.

24 PRESIDENT SANCHEZ: Quick question for you
25 guys. I don't know who answers this. But dealing

1 with governments and grants stuff, is any of that
2 money from the grants being held anywhere? Two,
3 three years from now, we finish the project, oh,
4 that budget's done, we spend that money. Forget
5 it. You're too late on the wagon. How do we make
6 sure that that money's going to be there?

7 COMMISSIONER COTTON: You're talking about
8 the \$18 million?

9 MR. FEARON: This isn't a grant. The New
10 Jersey Infrastructure Bank administers Federal --

11 PRESIDENT SANCHEZ: Excuse me, I'm sorry.
12 They're going to forgive it. They're not going to
13 give us the money. They're going to forgive.

14 MR. FEARON: You will have accumulated \$36
15 to \$38 million worth of debt on this construction
16 loan. They will then forgive 18 of that and you
17 will go permanent on the balance of \$20 to \$22
18 million.

19 PRESIDENT SANCHEZ: That makes me feel
20 more comfortable. They're not going to hold any
21 money for anybody.

22 MR. FEARON: Now, having said that, you
23 promise a forgiveness exists as a provision of
24 their intended use plan, which is the document
25 that they filed with the Federal Government and in

1 sense it's a bond. It's their program and you
2 have every expectation that they're going to
3 follow through on it as they always do, but you
4 don't have a contract. It's just a heavy, heavy
5 thoroughly sanctioned state approved program that
6 provides this and that's how the IBank operates.

7 PRESIDENT SANCHEZ: I wanted to clarify
8 that because if that doesn't work out and we need
9 to go out and come up with the money, the
10 ratepayers should know that because it is
11 basically a hundred percent in our control.

12 MR. FEARON: It's as good as their word as
13 the entity that's been doing this for 25 years.
14 But I can't tell you it's a promise.

15 COMMISSIONER COTTON: So, in other words,
16 you've seen in the last 25 years that they have
17 not forgiven.

18 MR. FEARON: Oh, no, I've never seen that
19 happen.

20 COMMISSIONER COTTON: You've never seen
21 that happen that they have not forgiven.

22 MR. FEARON: No, in theory they have been
23 all over us.

24 COMMISSIONER COTTON: Okay.

25 MR. FEARON: To confirm that we are ready

1 to go because they are ready and willing to
2 allocate our loan forgiveness to somebody else if
3 we're not ready to go.

4 COMMISSIONER COTTON: Okay.

5 MR. FEARON: And that to me suggests that
6 they are reserving, earmarking, whatever
7 accounting term you wish to use, this loan
8 forgiveness. It's not like they're unaware of it.
9 But it's in the contract; no. It's their program.

10 COMMISSIONER COTTON: I think that what
11 Commissioner Sanchez is thinking maybe somebody in
12 Washington, D.C. might decide they want to change
13 something and say oh, no, we're not forgiving no
14 more.

15 MR. FEARON: In theory, if I understand
16 it, the Federal Government shared Federal
17 infrastructure money with the State of New Jersey.
18 The State of New Jersey was asked to prepare this
19 thing called an Intended Use Plan. And that
20 Intended Use Plan provides for this long process.
21 They defer the loan forgiveness until project
22 completion because that's how the IBank does it
23 its project. But it is, for all I know, it is a
24 commitment by the IBank to the Federal Government
25 that this is how we're going to run our program.

1 COMMISSIONER VAN RENSALIER: With respect
2 to the calculations on the \$36 to \$40 million
3 cost, the \$18 million subsidy, the bond conversion
4 at the end, can any of those calculations change
5 based on the interest rates or inflation rates
6 currently or in the future?

7 MR. FEARON: Sure. What will happen is
8 the total cost to the commission won't be known
9 until the debt service is known. The debt service
10 won't be known until the IBank sells its bonds.
11 That is absolutely the case. But that's how their
12 subsidized financing program works. They
13 basically don't let you lock in rates before you
14 build a project. They make you complete the
15 project before you lock in rates. And they do
16 that for everybody. They don't allow any
17 exceptions to it. And it's because of the
18 administrator. They're administering literally
19 dozens of these loans every six months and they
20 want to know when the current permanent bond that
21 the cost has been determined. Right now we don't
22 know what our total cost is. We know what the
23 contract provides. We don't know how it's going
24 to play out over three years and they don't want
25 that headache. They just want to know when we

1 issue our bonds.

2 So, yes, we're taking a degree of interest
3 rate risk that when we do the permanent bonds in
4 three years, whatever the bond rate is in three
5 years.

6 COMMISSIONER VAN RENSALIER: And you said
7 the \$18 million is not a grant.

8 MR. FEARON: It's not really a grant.
9 It's total forgiveness. It's tantamount to a
10 grant. But technically they're not giving the
11 money to you, you're borrowing the money and then
12 they're writing off a loan.

13 COMMISSIONER VAN RENSALIER: Is there a
14 percentage for the \$18 million that could be used
15 for administrative costs?

16 MR. FEARON: Yes.

17 COMMISSIONER VAN RENSALIER: Who gets to
18 use that percentage?

19 MR. FEARON: The loan amount -- what
20 you're allowed to spend on the project is based on
21 the construction contract and then percentage
22 multipliers off of that for certain things.
23 There's I believe a three percent allowance of the
24 size of the construction contract that could be
25 used for administrative expenses. There is I

1 believe a 5 percent allowance that can be used for
2 contingencies. There's I believe a 12 percent
3 allowance that can be used for engineering. And
4 CDM Smith has put all those numbers together and
5 came up with their crystal ball saying we think we
6 should apply for 40, which I like because I
7 certainly don't want to apply for less than 36
8 because we're leaving forgiveness on the table.

9 As for specific questions of what
10 qualifies as an administrative expense, I can't
11 give you that answer right now. I can tell you if
12 you have a specific question we can run them by --

13 COMMISSIONER VAN RENSALIER: In the future
14 I'd like to see maybe a list of the administrative
15 costs associated with the \$18 million how that was
16 expended, who actually controls that use, you
17 know, clarification, transparency.

18 MR. FEARON: I think it would probably
19 fall into --

20 COMMISSIONER VAN RENSALIER: I'd like to
21 see that because three percent of \$18 million is a
22 lot of money.

23 MR. FEARON: I agree with that. I just
24 would ask differently. What you're really saying
25 is you would like to know of the \$36 million

1 project or \$38 million project, how much of that
2 is administratively because really that's the
3 number you care about. The fact that half is paid
4 off by the State --

5 COMMISSIONER VAN RENSALIER: Exactly.

6 COMMISSIONER COTTON: Now, the amount,
7 nothing comes out of that 18 million, it's in that
8 \$36 million your fee and whatever other fee. So
9 if they're going to give us \$18 million, they're
10 giving us \$18 million. They're not taking off no,
11 they're just going to give us the \$18 million.

12 MR. FEARON: They're going to write down
13 our loan.

14 COMMISSIONER COTTON: Right. So that
15 other stuff, the other things, his fee and
16 whatever comes out of that \$36 million.

17 MR. FEARON: Yes, \$36 million again --

18 COMMISSIONER VAN RENSALIER:
19 Administrative costs.

20 MR. FEARON: -- in order to currently put
21 enough of the loan application out there when the
22 IBank reviews it, they don't knock us below 36.
23 We want to make sure, to the extent our project
24 actually costs \$36 million, we want to get the
25 full 18.

1 Here's the nuance. We have to close our
2 construction loan by June 30th in order to lock
3 any of this in because the Intended Use Plan that
4 I referenced, the thing that provides for this
5 loan forgiveness expires on June 30th, the end of
6 the state fiscal year. And the next state fiscal
7 year Intended Use Plan probably has some loan
8 forgiveness that probably has significantly lower
9 caps, maybe \$5 or \$6 million and simply a matter
10 of trying to get in and seize the opportunity.

11 Now, I will remind everybody that we were
12 here in June or July of last year when we thought
13 we were losing all of this, there was like a
14 \$20 million cap of loan forgiveness that was
15 available then and a lot of finger pointing about
16 whose fault it was that things weren't ready yet.
17 But the fact is that the commission through its
18 lobbyist and staff, basically, the IBank continued
19 the program for an extra year, although at a
20 reduced, maximum 18. As it turns out, you know,
21 because your bids came in low, you may not
22 actually get the full 18. You may come out with a
23 project that only cost \$34 million, which means
24 you only get 17, 50 percent cap.

25 COMMISSIONER VAN RENSALIER: Do you

1 foresee any impediment of us not being able to
2 close before June 30th?

3 MR. FEARON: Not if you vote yes.

4 COMMISSIONER COTTON: I just want to say,
5 like Commissioner Van Rensalier, I want to see the
6 percentage of what's allowed that we can pay out
7 of the \$36 million to whoever we need to pay to.

8 MR. FEARON: Sure.

9 COMMISSIONER COTTON: Because I know with
10 the HUD they gave you percentage.

11 COMMISSIONER VAN RENSALIER: What the
12 eligible expenses are.

13 MR. FEARON: CDM Smith, your consultant on
14 this, ran the numbers and is interfacing with the
15 IBank. So they're the ones who could probably --

16 COMMISSIONER VAN RENSALIER: Thank you.

17 MR. WEISS: We do have that break down.

18 COMMISSIONER VAN RENSALIER: Okay.

19 MR. WEISS: It's all documented.

20 COMMISSIONER COTTON: Can you send it to
21 us?

22 MR. WEISS: Sure.

23 MR. FEARON: The process -- let me just
24 fill in that. The process is we are applying for
25 a loan. We are giving them information. We are

1 still giving them information. This step of debt
2 authorization is an important part of it. Some
3 time between now, we're scheduled actually the
4 week of June 6 to actually close on the
5 construction loan. The IBank has to take our
6 information and then say, here's what we approve
7 as your maximum loan amount and that's the draw
8 down loan that we would close on. It won't be
9 more than \$40 million. It'll be whatever they
10 approved up to that number.

11 COMMISSIONER COTTON: All the documents
12 are done, it comes from Yaacov office the
13 contract? Who makes the contract with Pacific?

14 MR. FEARON: That's the other item. I'm
15 not really dealing with the contract.

16 MR. BRISMAN: We have outside counsel who
17 does that.

18 COMMISSIONER COTTON: Okay.

19 MR. BRISMAN: He moves fast and I'll
20 review it.

21 PRESIDENT SANCHEZ: Commissioner
22 Kolodziej.

23 COMMISSIONER KOLODZIEJ: Yes, if I could,
24 Mr. President.

25 This is a good opportunity for a learning

1 experience.

2 As you pointed out, last year we were
3 lined up for \$20 million 50 percent of and it
4 didn't work out for us and we managed to lobby and
5 keep it open, so I'm assuming by voting yes today
6 we essentially are locking in the \$18 million.

7 MR. FEARON: We're locking in 50 percent
8 of the up to.

9 COMMISSIONER KOLODZIEJ: Right up to.

10 Had we done it last year, it would've been
11 50 percent of the \$40 million, but given, as you
12 pointed out, given the bids that we brought in, we
13 may not even make it to the \$18 million mark, but
14 obviously one way or the other, we're looking at
15 50 percent loan forgiveness and that's certainly
16 helpful.

17 From the useful life perspective, what is
18 our debt service going to look like on this?

19 MR. FEARON: Well, we had discussed this
20 with Yitz last year and we were working with a 20
21 year amortization. You could probably pick a
22 number that's somewhat higher than that. Useful
23 life it's clearly in excess of 20 years. So 20
24 years starting three years from now.

25 COMMISSIONER KOLODZIEJ: I'm trying to

1 understand the impact on an operating budget for
2 the next two decades how we're going to be paying
3 this back.

4 I guess the only other question that I
5 have is obviously we vote yes, we move forward, we
6 lock in our paperwork, the IBank's all squared
7 away and now we find out that through ARP money or
8 whatever we are eligible to get \$7 million worth
9 of grants to do this project as well, would we be
10 able to utilize that grant money to then pay down
11 what we have going on with the IBanks so then
12 ultimately we get 50 percent forgiveness, \$7
13 million comes off what we need to do, and now from
14 a useful perspective we're doing \$13 million
15 instead of \$20 million over 20 years?

16 MR. FEARON: I do not know, but my
17 suspicion is that the Federal programs probably
18 have a no double dipping privilege and which one
19 you can elect into and which one you could waive,
20 I couldn't tell you.

21 PRESIDENT SANCHEZ: Question for Yitz.
22 Does this change our bond rating?

23 MR. WEISS: No, it shouldn't change our
24 bond rating.

25 COMMISSIONER LEVINE: Let me ask you a

1 question. When you say double dipping, we use it
2 for two different aspects of \$13 million or we use
3 \$7 million for something else. Then it won't be
4 double dipping if we're not using it.

5 MR. FEARON: I think the principal
6 forgiveness --

7 COMMISSIONER LEVINE: Right, right.

8 MR. FEARON: The question's whether you
9 can go to the IBank and get a 50 percent grant and
10 then go to the Feds with a different program and
11 knock down the rest of it. It strikes me that --

12 COMMISSIONER LEVINE: I'm saying not knock
13 it down, utilize it for something else.

14 MR. FEARON: Use it for something else.
15 You get a grant for another purpose. Depends on
16 what --

17 COMMISSIONER LEVINE: I got you.

18 MR. FEARON: -- it was.

19 COMMISSIONER KOLODZIEJ: It was more a
20 curiosity and academic question than anything
21 else. In theory, we have \$7 million coming our
22 way, we use it for industrial loop on the
23 reservoir, spear off the whole project. We found
24 someone that will give us a hundred percent of the
25 money instead of 50 percent. So like I said, I

1 was just curious as to once we enter into the
2 contract with IBank how flexible it is in terms of
3 changing the amount that we're committed to
4 borrowing from them.

5 MR. FEARON: Well, you can always borrow
6 less because it's a draw down loan. However, if
7 you don't draw it down, you don't get 50 percent.

8 PRESIDENT SANCHEZ: All right. Anything
9 else?

10 COMMISSIONER COTTON: I just want to say I
11 think that, I remember when the President signed
12 the infrastructure bill and I think that
13 Commissioner Friend saying, I mean, I was thinking
14 it too, when they sign all this money, that
15 Passaic Valley would get this money. That's not
16 the way it works.

17 MR. FEARON: Well, I don't know the answer
18 to that, but I can tell you that any loan
19 forgiveness that we were getting from the IBank is
20 said to be coming from the Federal Government.

21 COMMISSIONER COTTON: Okay.

22 MR. FEARON: Because the IBank, as a
23 normal course before this infrastructure, before
24 COVID, would be getting federal money for
25 infrastructure or water systems and what the IBank

1 then has to do is say here's how we plan to spend.
2 They make policy judgments about how much could be
3 subsidized loans and how much is going to be loan
4 forgiveness. They made this policy judgment with
5 this fiscal year. I truly imagine that if the
6 Federal Government is going to administer COVID,
7 they would do the same thing, they would give to
8 the IBank and the IBank would simply put it in a
9 program.

10 COMMISSIONER COTTON: Okay. Right,
11 individually, they're not giving it to individual
12 authorities to do what they want with it.

13 COMMISSIONER LEVINE: Is David Pascrell
14 involved?

15 MR. FEARON: Well, he is.

16 COMMISSIONER COTTON: See the thing is --

17 COMMISSIONER LEVINE: I'm saying a lot of
18 these questions are aimed at him I would think.

19 COMMISSIONER COTTON: But I think that
20 they thought that we were going to get the money,
21 Passaic Valley Water.

22 MR. FEARON: Again, just as an outsider
23 looking in, I think it's so much easier for the
24 Federal Government to say, New Jersey you got an
25 entity, take the money.

1 MR. MUELLER: They typically put it
2 through state, nationally and those funds are just
3 distribution. They don't want to deal with
4 municipality by municipality.

5 COMMISSIONER COTTON: I can see that. I
6 can understand that.

7 MR. FEARON: They want to go away from
8 earmarks.

9 COMMISSIONER COTTON: Right.

10 PRESIDENT SANCHEZ: All right. Thank you,
11 guys.

12 Anything else?

13 Do we need to...

14 MR. AMODIO: We can do one motion for all
15 of them?

16 MR. FEARON: I think you should vote
17 separately.

18 MR. AMODIO: You want to vote separately?

19 MR. FEARON: Yes.

20 PRESIDENT SANCHEZ: Those three we could
21 do them together?

22 MR. FEARON: I'd like you to do them
23 separately.

24 PRESIDENT SANCHEZ: Okay.

25 COMMISSIONER KOLODZIEJ: So to keep it

1 clean, we'll start with the first resolution.
2 22-049. I'll make the motion to approve that.

3 COMMISSIONER COTTON: Second.

4 PRESIDENT SANCHEZ: Roll call.

5 MR. AMODIO: On the roll.

6 COMMISSIONER KOLODZIEJ: The Passaic
7 Valley Water Commission \$26 million worth of lead
8 pipes that are going to come out of ground, yes.

9 PRESIDENT SANCHEZ: I'd like to say this
10 has been work in progress. I feel like we've
11 taken a brick over our head or something, but it's
12 a great day. Thank you. Yes.

13

14 (Roll call was taken, all Commissioners
15 respond in the affirmative)

16

17 (Whereupon, Resolution 22-049: Award
18 Contract No. 22-B-8 "Lead Service Line Replacement
19 in the Main System" It is recommended that PVWC
20 Award to Pacific Construction, LLC of Whitehouse
21 Station, NJ in the amount of \$26,033,994.00 was
22 approved)

23

24 MR. AMODIO: Next, Resolution 22-050.

25 COMMISSIONER KOLODZIEJ: Move it.

1 COMMISSIONER DEPADUA: Second.

2 MR. AMODIO: On the roll.

3

4 (Roll call was taken, all Commissioners
5 respond in the affirmative)

6

7 (Whereupon, Resolution 22-050: Resolution
8 of the Passaic Valley Water Commission Authorizing
9 the Issuance and Sale of not to Exceed
10 \$40,000,000.00 Principal Amount of Project Notes
11 Relating to the Water Bank Construction Financing
12 Program of the New Jersey Infrastructure Bank and
13 Determining Various Matter Pertaining Thereto was
14 approved)

15

16 MR. AMODIO: Resolution 22-051.

17 COMMISSIONER KOLODZIEJ: Move it.

18 COMMISSIONER DEPADUA: Second.

19 MR. AMODIO: On the roll.

20

21 (Roll call was taken, all Commissioners
22 respond in the affirmative)

23

24 (Whereupon, Resolution 22-051: Series 2022
25 Supplemental Resolution No. 1 Supplementing the

1 Passaic Valley Water Commission's General Bond
2 Resolution Daly Adopted May 27, 1992, as Amended
3 and Supplemented and Providing for the Issuance
4 and Sale of not to Exceed \$40,000,000.00 Principal
5 Amount of Water Supply System Revenue Bonds,
6 Series 2022 in One Or More Series of the
7 Commission and Determining Various Matters
8 Pertaining Thereto was approved)

9
10 MR. AMODIO: Next, Resolution 22-052.

11 COMMISSIONER KOLODZIEJ: Move it.

12 COMMISSIONER COTTON: Second.

13 On the roll.

14 COMMISSIONER KOLODZIEJ: These three
15 resolutions are going to give us the ability to
16 pay for getting lead pipes out of the ground and
17 it's going to be able to allow us to do it at 50
18 cents on the dollar, so yes.

19 (Roll call was taken, all Commissioners
20 respond in the affirmative)

21
22 (Whereupon, Resolution 22-052: Resolution
23 of the Passaic Valley Water Commission Declaring
24 its Official Intent to Reimburse Expenditures for
25 Project Costs from the Proceeds of Debt

1 Obligations of the Commission, Including in
2 Connection with its Participation in the New
3 Jersey Infrastructure Bank Financing Program was
4 approved)

5
6 MR. AMODIO: Finally, we have Resolution
7 22-53.

8 Do I have a motion?

9 COMMISSIONER DEPADUA: Move it.

10 COMMISSIONER KOLODZIEJ: Second.

11 MR. AMODIO: On the roll.

12 COMMISSIONER KOLODZIEJ: The first
13 necessary step in order to get the tank, so I vote
14 yes as well.

15
16 (Roll call was taken, all Commissioners
17 respond in the affirmative)

18
19 (Whereupon, Resolution 22-053: Contract
20 No. 22-B-7 "Water Transmission Main Improvements
21 to the Industrial Loop" It is recommended that
22 PVWC Award to Grade Construction of Paterson, NJ
23 in the amount of \$6,199,555.39 was approved)

24
25 MR. AMODIO: If there's nothing else,

1 motion to close.

2 COMMISSIONER VAN RENSALIER: Move it.

3 COMMISSIONER DEPADUA: Second.

4 MR. AMODIO: On the roll.

5

6 (Roll call was taken, all Commissioners
7 respond in the affirmative)

8

9 MR. AMODIO: Time is 10:44.

10 Next meeting is scheduled for Wednesday,
11 May 25th at 9:30 a.m.

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C E R T I F I C A T E

I, LYNANN DRAGONE, License No. XIO1388, a
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