

Mayor Nolan offered the following Resolution and moved on its adoption:

R-14-62

**RESOLUTION OF THE BOROUGH OF HIGHLANDS, IN THE
COUNTY OF MONMOUTH, STATE OF NEW JERSEY,
MAKING CERTAIN DETERMINATIONS IN CONNECTION
WITH THE ASSUMPTION OF CERTAIN OUTSTANDING
OBLIGATIONS OF THE ATLANTIC HIGHLANDS -
HIGHLANDS REGIONAL SEWERAGE AUTHORITY**

WHEREAS, the governing body of the Borough of Highlands, in the County of Monmouth, New Jersey ("Highlands"), by ordinance duly adopted by Highlands on May 21, 1968, and the governing body of the Borough of Atlantic Highlands, in the County of Monmouth, New Jersey ("Atlantic Highlands"), by ordinance duly adopted by Atlantic Highlands on March 26, 1968 jointly created the Atlantic Highlands - Highlands Regional Sewerage Authority (the "Authority"), in accordance with the "Sewerage Authorities Law", constituting Chapter 138 of the Pamphlet Laws of 1946 of the State (codified at N.J.S.A. 40:14A-1 et seq.), as the same may from time to time be amended and supplemented (the "Act"); and

WHEREAS, the Authority is responsible for the ownership, operation and maintenance of two pump stations, one in each of Highlands and Atlantic Highlands, force mains between the two pump stations and force mains from the pump station in Atlantic Highlands to the discharge point at the Township of Middletown Sewerage Authority ("TOMSA") trunkline (collectively, the "System"); and

WHEREAS, the collection systems located in Highlands and Atlantic Highlands are owned by each of Highlands and Atlantic Highlands, respectively; and

WHEREAS, in order to fund various capital improvements to the System, or refund outstanding bonds originally issued to fund such various capital improvements, the Authority has previously issued the following outstanding debt:

1. \$741,673.76 outstanding principal amount of Sewer Revenue Bonds, Series 2010, consisting of \$195,000 outstanding principal amount of Sewer Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), issued to the New Jersey Environmental Infrastructure Trust (the "NJEIT") and \$546,673.76 outstanding principal amount of Sewer Revenue Bonds, Series 2010B (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Series 2010 Bonds"), issued to the State of New Jersey, Acting by and through the Department of Environmental Protection;
2. \$7,140,000 outstanding principal amount of Sewer Revenue Refunding Bonds, Series 2011, dated and issued on or about January 24, 2011 and maturing on January 15 in each of the years 2015 through 2032, inclusive (the "Series 2011 Bonds"), issued to the Monmouth County Improvement Authority County-Guaranteed Pooled Loan Program; and

3. \$2,833,082 New Jersey Environmental Infrastructure Trust Interim Financing Note, dated and issued on August 22, 2013 to the NJEIT, maturing on May 21, 2014, and bearing interest at a rate of zero per centum (0.00%) per annum (the "Interim Note" and, together with the Series 2010 Bonds and the Series 2011 Bonds, the "Authority Debt"); and

WHEREAS, the Authority Debt is secured by, among other things, Revenues (as defined in the Authority's resolution adopted October 2, 1986, as amended and supplemented (the "General Bond Resolution")), and a Service Contract dated October 6, 1970, as amended and supplemented (the "Service Contract"), by and among Highlands, Atlantic Highlands and the Authority, which Service Contract requires each of Highlands and Atlantic Highlands to make certain payments to the Authority from any available funds, including from the levy of *ad valorem* taxes upon all the taxable real property within Highlands and Atlantic Highlands, respectively; and

WHEREAS, Highlands, after a careful examination and analysis, has determined that it is in the best interests of the residents of Highlands to dissolve the Authority; and

WHEREAS, Atlantic Highlands, after a careful examination and analysis, has determined that it is in the best interests of the residents of Atlantic Highlands to dissolve the Authority; and

WHEREAS, Highlands has determined that dissolving the Authority will provide substantial annual operating savings to Highlands and will allow Highlands full control of the portion of the System that services the residents of Highlands (the "Highlands System"); and

WHEREAS, Highlands has further determined that dissolving the Authority will not materially impact the residents of Highlands nor the financial operations of Highlands, as Highlands has previously created a separate sewer utility within its municipal budget and has always collected service fees from residents through the utility and paid Highlands obligations to the Authority through such utility; and

WHEREAS, section 20 of the Local Authorities Fiscal Control Law (the "Fiscal Control Law") grants to a municipality the power to dissolve an authority, by ordinance, provided that the ordinance makes adequate provision for the payment of all creditors or obligees of the authority and further makes adequate provision for the assumption of services provided by the authority which are necessary for the health, safety and welfare of the recipients of such services; and

WHEREAS, by ordinance of Highlands, entitled, "AN ORDINANCE OF THE BOROUGH OF HIGHLANDS, IN THE COUNTY OF MONMOUTH, NEW JERSEY, DISSOLVING THE ATLANTIC HIGHLANDS - HIGHLANDS REGIONAL SEWERAGE AUTHORITY PURSUANT TO N.J.S.A. N.J.S.A. 40A:5A-20" (the "Highlands Dissolution Ordinance"), and by a parallel ordinance of Atlantic Highlands, entitled, "AN ORDINANCE OF THE BOROUGH OF ATLANTIC HIGHLANDS, IN THE COUNTY OF MONMOUTH, NEW JERSEY, DISSOLVING THE ATLANTIC HIGHLANDS - HIGHLANDS REGIONAL SEWERAGE AUTHORITY PURSUANT TO N.J.S.A. N.J.S.A. 40A:5A-20" (the "Atlantic Highlands Dissolution Ordinance"), Highlands and Atlantic Highlands have dissolved the Authority, subject to the terms

and conditions of the Highlands Dissolution Ordinance and the Atlantic Highlands Dissolution Ordinance; and

WHEREAS, by bond ordinance of Highlands, entitled, "BOND ORDINANCE OF THE BOROUGH OF HIGHLANDS, IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY, IN FURTHERANCE OF THE DISSOLUTION OF THE ATLANTIC HIGHLANDS - HIGHLANDS REGIONAL SEWERAGE AUTHORITY, APPROPRIATING \$5,731,272 THEREFOR AND AUTHORIZING NOT TO EXCEED \$5,731,272 PRINCIPAL AMOUNT OF BONDS OR NOTES IN CONNECTION THEREWITH" (the "Dissolution Bond Ordinance"), Highlands has initially assumed the responsibility for and payment of fifty-two percent (52%) of the Authority Debt payment obligations, as calculated and shown in Exhibit A attached hereto (the "Highlands Debt"); and

WHEREAS, pursuant to N.J.S.A. 40A:5A-20, Highlands's initial assumption of the Highlands Debt is not effective until (i) Highlands determines, by resolution of the Borough Council of Highlands setting forth facts that constitute the basis for the determination, that such assumption will be a cost effective means of meeting the obligations as compared with the issuance of obligations of Highlands and (ii) Highlands transmits a certified copy of such resolution to the Local Finance Board in the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Local Finance Board"); and

WHEREAS, Highlands believes that, at this time, the assumption of the Authority Debt is the most cost effective means of meeting these debt obligations, versus the cost of issuing new debt obligations of Highlands, as (i) the Series 2010 Bonds have been issued through the low-interest New Jersey Environmental Infrastructure Trust Financing Program, pursuant to which the Series 2010B Bonds bear interest at a rate of 0.00 per centum (0.00%) per annum and the Series 2010A Bonds bear interest at "triple-A" interest rates ranging from 3.00% to 5.00%, all of which are lower interest rates than Highlands would achieve if it issued its own Highlands bonds; further, such Series 2010 Bonds are not subject to optional redemption in the near term and, accordingly, if Highlands issued its own bonds today to refund the Series 2010 Bonds, the transaction would result in a significant net present value loss, (ii) the Series 2011 Bonds have been issued through the County of Monmouth Guaranteed Monmouth County Improvement Authority Pooled Loan Program, pursuant to which the Series 2011 Bonds bear interest at "triple-A" interest rates ranging from 2.00% to 5.00%, which interest rates are lower than Highlands would achieve if it issued its own Highlands bonds; further, such Series 2011 Bonds are not subject to optional redemption in the near term and, accordingly, if Highlands issued its own bonds today to refund the Series 2011 Bonds, the transaction would result in a significant net present value loss, and (iii) the Interim Note is not currently subject to redemption and, upon its maturity, will be currently refunded with bonds issued directly by Highlands pursuant to the Dissolution Bond Ordinance; and

WHEREAS, based on the above-stated facts, Highlands has determined that the initial assumption of the Authority Debt is a cost effective means of meeting such debt obligations as compared with the issuance of obligations of Highlands.

NOW, THEREFORE, BE IT RESOLVED, by the Borough Council of the Borough of Highlands, in the County of Monmouth, New Jersey, as follows

Section 1. The recitals of this resolution are incorporated herein as if set forth in full herein.

Section 2. Highlands hereby determines, based on the above-stated facts, that the initial assumption by Highlands of the Highlands Debt is a cost effective means of meeting such debt obligations as compared with the issuance of obligations of Highlands.

Section 3. The Chief Financial Officer of Highlands is hereby authorized and directed to make payment of all outstanding invoices and payment obligations of the Authority, including but not limited to all debt service payments on the Highlands Debt, and including all expenses incurred in connection with the dissolution of the Authority, out of funds and accounts transferred from the Authority to Highlands pursuant to the Dissolution Ordinance.

Section 4. The Clerk of Highlands is hereby authorized and directed to transmit a certified copy of this resolution, as adopted, to the Local Finance Board.

Section 5. This resolution shall take effect in accordance with applicable law.
Seconded by Mr. Redmond and adopted on the following roll call vote:

ROLL CALL:

AYES: Ms. Ryan, Mr. Redmond, Mr. Francy, Ms. Kane, Mayor Nolan

NAYES: None

ABSENT: None

ABSTAIN: None

DATE: February 5, 2014

Carolyn Cummins, Borough Clerk

Public Hearing: February 5, 2014

Adoption: February 5, 2014

I hereby certify this to be a true copy of Resolution R-14-62 adopted by the Governing Body of the Borough of Highlands at a meeting held on February 5, 2014.

Borough Clerk/Deputy Clerk

EXHIBIT A

Highlands Debt

DISSOLUTION OF AHRSA ALLOCATION OF DEBT OBLIGATIONS

Year	NJEIT 2010 Bonds		MCIA 2011 Bonds		NJEIT Interim Note		Total		Highlands Share (52%)		Atl. Highlands Share(48%)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	33,263	4,450		172,150			33,263	176,600	17,297	91,832	15,966	84,768
2015	44,894	8,400	265,000	340,988			309,894	349,388	161,145	181,682	148,749	167,706
2016	44,894	7,900	270,000	333,963			314,894	341,863	163,745	177,769	151,149	164,094
2017	44,894	7,400	285,000	323,125			329,894	330,525	171,545	171,873	158,349	158,652
2018	44,894	6,900	295,000	308,625			339,894	315,525	176,745	164,073	163,149	151,452
2019	44,894	6,400	310,000	293,500			354,894	299,900	184,545	155,948	170,349	143,952
2020	44,894	6,000	325,000	277,625			369,894	283,625	192,345	147,485	177,549	136,140
2021	44,894	5,500	345,000	260,875			389,894	266,375	202,745	138,515	187,149	127,860
2022	44,894	5,200	365,000	243,125			409,894	248,325	213,145	129,129	196,749	119,196
2023	49,894	4,800	380,000	224,500			429,894	229,300	223,545	119,236	206,349	110,064
2024	49,894	4,200	400,000	205,000			449,894	209,200	233,945	108,784	215,949	100,416
2025	49,894	3,600	420,000	184,500			469,894	188,100	244,345	97,812	225,549	90,288
2026	49,894	3,000	440,000	163,000			489,894	166,000	254,745	86,320	235,149	79,680
2027	49,894	2,476	460,000	140,500			509,894	142,976	265,145	74,348	244,749	68,628
2028	49,894	1,875	485,000	116,875			534,894	118,750	278,145	61,750	256,749	57,000
2029	49,895	1,273	510,000	92,000			559,895	93,273	291,145	48,502	268,750	44,771
2030			540,000	65,750			540,000	65,750	280,800	34,190	259,200	31,560
2031			560,000	38,250			560,000	38,250	291,200	19,890	268,800	18,360
2032			485,000	12,125			485,000	12,125	252,200	6,305	232,800	5,820
2033							-	-	-	-	-	-
					2,833,082		2,833,082		1,473,203		1,359,879	
Total Issued	741,674	79,374	7,140,000	3,796,476	2,833,082	-	10,714,756	3,875,850	5,571,675	2,015,443	5,143,081	1,860,407
					Note 1		306,918		159,597		147,321	
Totals	741,674	79,374	7,140,000	3,796,476	2,833,082	-	11,021,674	3,875,850	5,731,272	2,015,443	5,290,402	1,860,407

Note 1 - The \$306,918 represents borrowing approved under the NJEITF Financing but not included in the 2013 Interim Note.