

**Borough of Mountain Lakes  
Finance Advisory Committee (“FAC”)**

**Consolidated Minutes –  
Regular Meeting 04/28/2021 &  
Special Meeting 05/04/2021**

FAC Attendees: John Kaplan (Chair), Mike Albanese, Lauren Barnett (Borough Council), Bob Dewing, Dan Happer (Borough Council), Jim Murphy (5/4 only), Khizar Sheikh (Borough Council).

Professionals: Monica Goscicki (ML Chief Financial Officer), Bob Beinfield (Bond Counsel @ Hawkins Delafield & Wood LLP), Michelle Loucopolos (Bond Counsel @ Hawkins Delafield & Wood LLP), John Mooney (Auditor @ Nisivoccia LLP), Bryan Morris (limited-scope Bond Advisor @ Phoenix Advisors (5/4 only)).

1. **Meeting Minutes 4/28/21 and 5/4/21:** Drafted by Khizar Sheikh.
2. **Meeting Minutes 3/24/21:** Approval unanimous during April 28 meeting.
3. **Bond Model** developed by J. Kaplan and D. Happer to review debt service over time, including expected future funding, specifically for Borough Hall renovation, Sunset Dam and funding for annual capital ordinances.
  - Discussion Highlights:
    - Borough Hall project (\$4.5M) and Sunset Dam project (\$2.0M) cause debt levels to increase from \$7.5M at year-end 2019 to \$14.3M at year-end 2022.
    - Steady increase in annual debt service from 2021 to 2025 when 2013 bonds mature.
    - After decline in 2026, annual debt service increases until 2036 when 2017 bonds mature.
    - Assuming regular annual capital needs ~\$900K grow steadily at 2% p.a., annual debt service expected to grow from \$1.3M in 2020 to ~\$2.0M+ over the next 15 years.
    - Biggest year-over-year percentage increase occurs from 2021 to 2025. Consequently, the base case 17-year debt schedule for 2021 bond issuance is structured with less amortization over this period.
4. **2021 Bond Issue** key variables include funding amount, maturity schedule, inclusion of premium bid and indicative rates, updated timetable.
  - Discussion Highlights:
    - FAC recommends funding amount of \$7.8M, which funds the Borough Hall project and annual capital needs. FAC recommends Sunset Dam project not to be included in 2021 bond issue, as it is not expected to begin until earliest October 2021, and potential savings from historically current low interest rates do not benefit ML taxpayer due to negative carry.
    - FAC recommends the Borough adopt the maturity schedule presented by Phoenix Advisors so that total annual bond payments are relatively equal throughout life of bond.
    - FAC recommends bond maturity of 22 years rather than the 17 years noted above. The extended life reflects Bond counsel agreeing that Borough Hall project warrants a useful life of 40 years for bonding purposes resulting in a maximum “blended” useful life of 28 years based on other annual capital ordinances included in the proposed bond issuance. Bond advisor noted that for bond deals of less than \$10mm, the “sweet spot” for maturity is 15 to 20 years. Based on objective to match funding maturity more closely to the “expected” useful life of Borough Hall, Committee recommends extending the bond maturity to no more than 22 years to: (1) reduce ML’s annual payment obligations, while

- (2) limiting the higher interest rates that could result from a bond maturity of longer than 22 years.
  - FAC recommends bond structured with up to a maximum 7% premium bid. Per ML professionals and advisors, (1) premium is when a bond is sold at a “premium” to par value resulting in an artificial yield increase for buyers and an upfront cash payment to the Borough; (2) ML could issue bond without premium, but premium structures are currently better received by buyers willing to pay a premium upfront in return for higher nominal coupons; (3) cash received by premium shall be used to reduce bond issue size at issuance resulting in lower annual debt service for ML over the bond life; (4) benefit to ML taxpayer is lower net interest cost for life of bond; and (5) premium has no effect on ratings from ratings agencies as agencies look to payment amount (not total debt).
  - FAC recommends retaining Phoenix Advisors as limited scope day-of-sale bond advisor to resize the bond issue based on the premium received from the winning bidder. Retainer is reasonable rate for assistance in obtaining best pricing and structure for bond issue that includes premium.
  - FAC recommends July 15 settlement date, with bid date mid- to late-June. CFO Goscicki advised ML ready to proceed with those dates with key variable being rating agency presentation that typically takes 3-4 weeks. Committee recommends going to single ratings agency, here S&P.
  - FAC recommends “deal committee” of J. Kaplan, D. Happer, Borough Manager Stern, and CFO Goscicki to work with advisors and execute bond Issuance.
5. **Review of Q1 budgets versus actual and reserves/trusts.** CFO Goscicki advised bills running a bit higher and she will review and isolate specific issues, if any. Further discussion to occur at June meeting.
  6. **10-year Capital Plan:** Borough Manager Stern to circulate draft by June 2021.
  7. **Other business:** None.
  8. **Next meeting:** June 2 at 7:30pm via Zoom. Minutes D. Happer.

**To Dos:**

- **Bond Resolutions.** To be presented to Borough Council for introduction May 10 to modify 2020 ordinance to take Borough Hall to 40-year life and engage Phoenix Advisors.
- **Bond Issuance Deal Committee.** To work with CFO and Bond Counsel to review bond issuance checklist (including review of official statement (by bond counsel), and provide materials for rating agency review).
- **June Meeting.** Current agenda: Bond issue update; review 10-year Capital Plan draft; discuss credit card usage fees (pass-through to users, what ML fees can be paid via credit cards (e.g., water, sewer, tax, recreation, trash bags, etc.).
- **TBD Meetings.**
  - Water and sewer use analysis to facilitate alternative sewer billing process.
  - American Rescue Plan. Allocation for ML is approximately 414k over 2-year period. No information received yet.