

**Garden State Preservation Trust**  
**March 28, 2012 Meeting Minutes**

Vice-Chairman Ken Atkinson called the meeting to order at 11:12 a.m. Executive Director Ralph Siegel read a statement certifying compliance with the Open Public Meetings Act and then called the roll. Public members in attendance were: Vice-chairman Atkinson, Andrew Buzby, Robert Hughey and Gregory Romano. Ex-officio members in attendance were Susan Payne (for Agriculture Secretary Douglas H. Fisher), Richard Boornazian (for DEP Commissioner Bob Martin), James Requa (for Department of Community Affairs Acting Commissioner Richard E. Constable III) and James Petrino (for Treasurer Andrew P. Sidamon-Eristoff).

Chairman Michael Murphy was absent.

**OPENING REMARKS**

Vice-Chairman Atkinson welcomed members to the meeting and asked Mr. Siegel to conduct the meeting by the agenda.

**APPROVAL OF MINUTES OF MARCH 7, 2012, BOARD MEETING**

Mr. Siegel asked if there were any corrections or clarifications to the draft minutes of the meeting. There were none. Mr. Siegel noted the consideration of these official minutes was a formality because a substantive version of the minutes had been submitted on March 7 and had completed the Governor's veto review process on March 22.

Moved by Mr. Boornazian.

Seconded by Mr. Petrino.

Approved 7-0.

Mr. Hughey abstained from the vote because he did not attend the March 7 meeting.

**EXECUTIVE DIRECTORS REPORT**

Mr. Siegel reminded board members of the May 15 deadline for the filing of Financial Disclosure Statements.

Mr. Siegel directed board members to the Executive Directors Report section of the meeting books. He directed them to the single page sheet listing the GSPT's current debt-service payments, the possible new schedule of debt-service payments under the proposed refinancing and the resulting possible savings of the proposed refinancing.

Mr. Siegel said this was the same document that had been provided at the March 7 meeting but that it had been included again to guide board members in their questions or discussion of the proposed bond resolution.

| <b>GSPT Plan of Financing</b>                 |                             |                                          |                                      |
|-----------------------------------------------|-----------------------------|------------------------------------------|--------------------------------------|
| <b>Summary of Post-Refunding Debt Service</b> |                             |                                          |                                      |
| <b>Fiscal Year</b>                            | <b>Current Debt Payment</b> | <b>Proposed Refinancing Debt Payment</b> | <b>Proposed Debt Service Savings</b> |
| 2012                                          | \$49,160,899.39             | \$41,214,991.89                          | \$7,945,907.50                       |
| 2013                                          | \$97,996,651.89             | \$82,957,755.64                          | \$15,038,896.25                      |
| 2014                                          | \$97,992,576.26             | \$95,776,411.26                          | \$2,216,165.00                       |
| 2015                                          | \$97,994,411.26             | \$96,393,871.26                          | \$1,600,540.00                       |
| 2016                                          | \$97,994,132.51             | \$97,988,717.51                          | \$5,415.00                           |
| 2017                                          | \$97,994,407.51             | \$97,990,537.51                          | \$3,870.00                           |
| 2018                                          | \$97,999,028.13             | \$97,992,203.13                          | \$6,825.00                           |
| 2019                                          | \$97,990,848.75             | \$97,986,031.25                          | \$4,817.50                           |
| 2020                                          | \$97,993,340.00             | \$97,988,875.00                          | \$4,465.00                           |
| 2021                                          | \$97,994,211.25             | \$97,991,306.25                          | \$2,905.00                           |
| 2022                                          | \$97,990,526.25             | \$97,986,281.25                          | \$4,245.00                           |
| 2023                                          | \$97,994,905.00             | \$97,992,650.00                          | \$2,255.00                           |
| 2024                                          | \$97,998,630.00             | \$97,998,275.00                          | \$355.00                             |
| 2025                                          | \$97,998,131.25             | \$97,998,131.25                          |                                      |
| 2026                                          | \$97,996,787.50             | \$97,996,787.50                          |                                      |
| 2027                                          | \$97,996,518.75             | \$97,996,518.75                          |                                      |
| 2028                                          | \$97,998,412.50             | \$97,998,412.50                          |                                      |
| 2029                                          | \$97,998,125.00             | \$97,998,125.00                          |                                      |
| <b>TOTAL</b>                                  | <b>\$1,715,082,543.20</b>   | <b>\$1,688,245,881.95</b>                | <b>\$26,836,661.25</b>               |

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Annual debt service payments are \$98 million with a margin of between \$1,000 & \$10,000 in any given fiscal year.

This payment is made in two parts: the 1st in November and the 2nd in May.

The payment for FY2012 is only \$49 million because the November payment has already been made.

These are the proposed savings in debt service for FY2012 & FY2013. It is a combined reduction of \$23 million, which represents a savings to the proposed FY13 State Budget

This is the potential total savings in debt service if the refinancing is approved and the bonds are priced and sold as expected.

Mr. Siegel explained that the debt-service savings will be based on the final structure of the deal, which cannot be known until the underwriter, Wells Fargo, issues a Preliminary Offering Statement, markets the bond sale, accepts retail orders and prices the bonds.

Mr. Siegel guided the board members through the contents of the meeting books. He pointed out the official 5<sup>th</sup> Supplemental Bond Resolution and the four attached

exhibits: the Bond Purchase Contract with Wells Fargo Bank, the Preliminary Offering Statement to be issued by the bank, the Continuing Disclosure Agreement by which the GSPT and Treasury promise to provide the status of State finances, and the Escrow Deposit Agreement concerning the handling of the proceeds of the sale of the refunding bonds.

Mr. Siegel introduced GSPT Bond Counsel Leah Sandbank Esq. of McManimon & Scotland (since renamed McManimon, Scotland & Baumann). He pointed out that Mr. Petrino, a board member, is also the Treasury Department's Director of the Office of Public Finance. He said both Mr. Petrino and Ms. Sandbank were available to answer any questions.

Mr. Hughey asked Mr. Petrino what interest rates would be expected on the new bonds to produce the savings. Mr. Petrino said they ranged from 4.1% to 4.2%, significantly below the 6% on the existing bonds. Mr. Siegel said rates on a few of the bond series were below 4% on the latest Wells Fargo proposal.

Mr. Hughey said he had examined the proposal and he expected savings to improve with rates dropping as they approached the sale date. Mr. Petrino cautioned the municipal bond markets fluctuate continuously. He said "we have lost some ground" over the past month but saw improvement in the past week. He said no one can be sure what to expect, but that he expected the overall debt-service savings as outlined to hold.

Mr. Hughey said he would have preferred to see the debt-service savings spread out more across the 17-year life of the bonds instead of having most of the savings yielded in the first two years. But he said he understood that this aspect of the refunding structure was not subject to the board vote, and that he supported the refinancing overall.

Ms. Payne asked Mr. Petrino about the process of selecting \$350 million in bonds for refinancing. (The GSPT has issued \$1.15 billion in bonds.)

Mr. Petrino said the bonds subject to refunding are selected by the underwriter according to the interest rates and the dates on which they can be called and paid off. He said the selections are made by the sole criteria of saving money. Many of the GSPT's bonds are not good candidates for refinancing at this time because they are not easily "callable" – that is, they cannot be called or paid off any time soon.

### **DISCUSSION, CONSIDERATION OF THE FIFTH SUPPLEMENTAL GARDEN STATE PRESERVATION TRUST BOND RESOLUTION**

Vice-Chairman Atkinson asked for motions to approve the resolution.

Moved by Mr. Requa

Seconded by Ms. Payne

Approved 8-0.

### **BOARD DISCUSSION: HIGHLANDS DEVELOPMENT CREDIT BANK**

Mr. Siegel explained for the board the role of the Garden State Preservation Trust in connection with the Highlands Development Credit Bank.

Mr. Siegel explained the Highlands Council in 2008 passed a resolution to create the Highlands Development Credit Bank to make credit acquisitions in the hope of triggering and fostering a Transfer of Development Rights (TDR) program. He said this bank was established with a 9-member board of directors, one of whom was to be a member or representative of the GSPT.

Ms. Siegel said that the Highlands Council did not specify the appointment of a cabinet-level commissioner to the HDC Bank board. Four of the GSPT board members are ex-officio members who represent their respective commissioners: Treasury, Environmental Protection, Agriculture and Community Affairs. It was therefore interpreted that none of these ex-officio representatives would be eligible for appointment as the GSPT representative to the HDC Bank board.

This left eligible for appointment the five public members of the GSPT. None of these five were available or interested in serving on the HDC Bank board of directors at that time. As a result, former Chairman Wegner appointed the executive director to serve as the GSPT's representative.

Mr. Siegel said he has served in this capacity as an original HDC Bank board member for the past three years. He said he had immediate disagreements with the procedures the HDC Bank intended to follow, and as a result has abstained on virtually all of their votes concerning credit acquisitions.

Mr. Siegel explained that no genuine TDR program exists in the Highlands as yet. He said TDR requires a mechanism by which credits purchased from a "sending area" can be acquired and applied to a "receiving area." He said no "receiving area" has been designated nor was there any prospect that a receiving area would be set up anytime soon.

Mr. Siegel said that without an actual TDR program, the HDC Bank was conducting a basic land-preservation program with the acquisition of conservation easements in the form of "credits." He said he believed the HDC Bank and the Highlands Council staff should therefore follow the same procedures as the GSPT-funded land preservation programs, including an appraisal of the subject property and a precise survey of its actual acreage, in order to certify the fairness of the payments. He said the Highlands Council staff and the HDC Bank were not following such procedures.

Mr. Siegel discussed this dilemma with the Deputy Treasurer and he talked to four public board members to see if they were in agreement with his opinion. Mr. Siegel said the Deputy Treasurer had no objection to his position. He said three public members supported his position of abstaining from any credit acquisitions until proper procedures were implemented.

Mr. Siegel said no formal vote of the board was deemed necessary on the issue since it had never been stipulated that the GSPT representative of the HDC Bank board of directors was in some way representing a consensus of the GSPT board.

Following his presentation about the background of the HDC Bank, Mr. Siegel said he wished to raise two concerns with the GSPT board members:

- 1) Whether any public members were interested in serving on the HDC Bank board in his stead.

2) Whether the GSPT representative should continue to vote against credit acquisitions being done without proper appraisals and surveys.

Mr. Siegel discussed possible appointment with Mr. Romano, the GSPT's newest public member. He noted the authority to make the appointment to the HDC Bank board rests with the chairman.

Mr. Romano said he did believe the HDC Bank program was different from the traditional programs being funded by the GSPT because the intent was to have the HDC credits sold for use in a receiving area once such a TDR receiving area is established.

Ms. Payne, who also sits on the HDC Bank board as the representative of the State Agriculture Development Committee, said she has also voted against certain acquisitions because of concerns about value. She said the Highlands Council has based its credit pricing on a credit valuation system created by years of research into regional values of real estate, and through this a value of \$16,000 per credit was established. She said the HDC Bank decides how many credits to apply to each of the parcels subject to preservation based on this its valuation system. She said she has had some concerns that the research did not have an adequate sample of the commercial properties.

Mr. Hughey said regional systems for setting real estate values for such things as TDR credits had to start out with some basis of appraisal in order to test and to update the valuation system. He said it could only be updated based on actual appraisals.

Mr. Hughey suggested that Mr. Siegel and Mr. Romano discuss these issues and the GSPT appointment in detail. He said no other public members appeared interested in doing it.

It was agreed Mr. Siegel and Mr. Romano would meet with Chairman Murphy to discuss the GSPT appointment to the HDC Bank board and Mr. Siegel's position concerning the HDC Bank's credit acquisition procedures.

Mr. Atkinson asked Ms. Payne her view of the likelihood of a change in procedures for the HDC Bank board. She said in light of recent staffing changes she would not want to speculate on changes in policy.

Mr. Siegel said he had always consulted former Executive Director Eileen Swan and her staff and explained to them his objections and concerns. He said in his view, the valuation system for assigning credits was immensely complicated and unwieldy.

Mr. Siegel said if the Office of Green Acres suddenly came in with an announcement that they had created an enormous spreadsheet that enabled them to value every piece of property for acquisition without the need for appraisals, he did not believe the GSPT board or the Legislature would accept it.

Mr. Hughey asked how many properties had been involved in HDC Bank credit acquisitions. Mr. Siegel said the HDC Bank was only doing hardship cases and it had amounted to about two dozen.

The issue was resolved to have Mr. Siegel, Mr. Romano and Chairman Murphy discuss the matter in a separate matter, with the final decision resting with Chairman Murphy on the appointment of a GSPT representative to the HDC Bank board.

## **BOARD DISCUSSION: PRESERVATION & EXPENDITURES**

Mr. Siegel directed the board to a table in their meeting books concerning expenditure patterns from FY2007 to FY2011 showing a decline in expenditures and acreage preservation. He said the table included appropriations data as per a request from the March 7 meeting by Mr. Romano.

Mr. Siegel said he shared the information with the board because he was concerned about the declines.

Mr. Atkinson said he would expect to see a correlation between appropriations and expenditure activity. He said the decline could be attributed to the fact there were no appropriations approved in FY2010, and he would expect to see an uptick in activity with the FY2011 appropriations. He said he has seen no decline in demand for project funding in Gloucester County.

Ms. Payne said she has tracked the decline in activity in permanent preservation and she said she is at a point of frustration because it appears the counties are slowing down their acquisition rates and their expenditures, which in turn slows the flow of grants from the SADC. She said, "I actually think there is a lot to this story as to what is going on."

Ms. Payne suggested Mr. Siegel might conduct research on what was going on with the counties and what fiscal factors might be affecting the tempo of their acquisitions.

Mr. Atkinson asked Ms. Payne if she saw evidence of counties moving more slowly in the use of their FY2011 GSPT appropriations. She said she thought so, possibly because of concerns about the availability of local matching funds.

Mr. Boornazian asked Mr. Siegel about the expenditure figure. Mr. Siegel replied that it represented expenditures from all of the trust funds as reported by Treasury's Comprehensive Annual Financial Report, known as the CAFR.

Mr. Boornazian said there was a push to focus more preservation expenditures on urban parks and on flood property acquisitions under the Blue Acres program. He said this would show expenditures to be steady but preservation acreage would be reduced. He said it might be advisable to steer away from acreage as a measurement of the success of the preservation programs.

Mr. Hughey made reference to the 2011 report, "Facing Our Future," sponsored by the Council of New Jersey Grantmakers and for which he was a member of the research team. He said the report showed a 20-percent shortfall between government revenues and government services.

Mr. Boornazian said ratable strain at the municipal level has had an impact on the local taxes used to raise funds for open space.

Mr. Siegel said acreage has been used as a measurement for preservation accomplishments "as a given" for decades, but there is requirement that acreage be used. He said it was useful but limited and could distort accomplishments. For instance, Newark does not need more park acreage, it needs rehabilitation of the park acreage it already owns. He said there is no reason this metric cannot be adjusted or abandoned in favor of a more accurate or consistent metric.

Mr. Romano said it appeared there was no corresponding connection between expenditures and acreage preservation. Mr. Siegel said there was none.

Mr. Atkinson asked the board for a consensus on direction. Mr. Hughey suggested discussing these issues about metrics with the preservation agencies. Mr. Atkinson suggested reaching out to local partners to the tempo of expenditures.

Mr. Requa said he also saw reluctance on the part of mayors to commit to long-term expenditures.

Mr. Hughey suggested that in lieu of a written report that Mr. Siegel provide a verbal report to the board at another meeting. Board members agreed.

Mr. Siegel accepted two directions:

1) Meet with conservation agencies to discuss other metrics for assessing conservation success beyond expenditure and acreage.

2) Research and report to the board the status of conservation activities in the counties, the causes of a decline and five-year outlook.

### **PUBLIC COMMENT**

Mr. Atkinson invited members of the public to address the board or to offer a comment. There was none.

### **ADJOURNMENT**

Mr. Siegel asked for a motion to adjourn the meeting.

Moved by Ms. Payne.

Seconded by Mr. Hughey

Approved by voice vote 8-0.

Respectfully submitted

Ralph Siegel  
executive director/board secretary  
June 26, 2012

Others in attendance representing agencies:

Leah Sandbank Esq. of McManimon & Scotland acting as Trust bond counsel, OLS staff member Carrie Anne Calvo-Hahn, other legislative and Treasury staff.