

_____ offered the following Resolution and moved on its adoption:

R-13-236

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. \$753,305.11 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 \$558,305.11 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. \$7,400,000 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 2014 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 \$5,646,653 THEREFOR AND AUTHORIZING NOT TO EXCEED \$5,646,653 PRINCIPAL AMOUNT OF BONDS OR NOTES IN CONNECTION THEREWITH" (the "Dissolution Bond Ordinance"), Highlands has initially assumed the responsibility for and payment of one-half 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.

EXHIBIT A

Highlands Debt