



State of New Jersey
DEPARTMENT OF COMMUNITY AFFAIRS
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TRENTON, NJ 08625-0803

PHILIP D. MURPHY
Governor

LT. GOVERNOR SHEILA Y. OLIVER
Commissioner

November 20, 2022

The Honorable Kathleen McBride
Council President
City of Trenton
319 East State Street
Trenton, NJ 08608

RE: CY 2022 Budget Adoption

Dear Council President McBride:

The Division of Local Government Services (“DLGS”) is aware that Trenton City Council failed to adopt the CY 2022 budget at the last City Council meeting held on November 3, 2022, and that a new meeting to adopt the budget has not been scheduled. Due to City Council’s failure to adopt the CY 2022 budget, I refer you to the three (3) letters from the New Jersey Infrastructure Bank (“I-Bank”) and the Department of Environmental Protection (“NJDEP”) addressed to the Mayor and City Council members dated July 28, 2022, August 16, 2022, and October 12, 2022 regarding the City’s participation in the New Jersey Water Bank Financing Program (the “Water Bank” or “Program”).

The July 28 correspondence provided written notice to the City of its covenant default pursuant to Section 2.02(b) of each Program Loan Agreement because of the City’s failure to timely enact its budget as required by N.J.S.A. 40A:4-10. The I-Bank and the NJDEP also requested that the City cure such default, pursuant to the terms and provisions of Section 5.01(b) of each Program Loan Agreement (relating to Events of Default), by adopting a budget, in accordance with N.J.S.A. 40A:4-10, and submitting such budget to the Director of the Division of Local Government Services by or before August 27, 2022.

Further, the July 28 correspondence identified various Material Events pursuant to the Program’s Credit Policy. The occurrence of a Material Event results in a “Finding of Unacceptable Credit Risk.” Material Events include, without limitation, (i) failure of the Applicant to satisfactorily complete all filings with the Local Finance Board or any overseeing State agency (i.e., the City’s annual budget filing); and (ii) the occurrence of an Event of Default under an existing short-term loan from the I-Bank, an I-Bank Loan Agreement and/or a Fund Loan Agreement to which the Applicant is a party.



The July 28, 2022 correspondence elaborates upon the implications of a Finding of Unacceptable Credit Risk.

Specifically: (i) an Applicant is ineligible to receive a Program loan, including ineligibility to receive Program loans for the purpose of converting the City's outstanding short-term Construction Loans to long-term loans; and (ii) a covenant default exists pursuant to the City's outstanding short-term Construction Loans (resulting in a Technical Event of Default thereunder). Resulting Program remedies consist of: (i) ineligibility by the City for further short-term Construction Loan disbursements for construction costs through the requisition process; and (ii) acceleration of the repayment of the principal of and interest on the City's short-term Construction Loans.

Additionally, in the October 12, 2022 letter, the I-Bank and the NJDEP consented to an extension of the corrective action period effective August 27, 2022, by extending the thirty-day corrective action period to remedy the budget covenant default from 30 days to 120 days or by Friday, November 25, 2022.

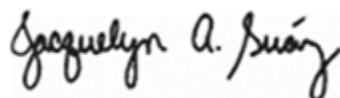
Failure to adopt the city budget by November 25, 2022 will result in the following:

The ineligibility of the City to participate in the Water Bank's Programs effective November 25, 2022. The implications for Trenton's two projects financed with I-Bank financing are the inability for Trenton to receive any additional requisition draws against those two short-term loans, and the inability of the loans to be converted to long-term financing. Additionally, any loan principal forgiveness associated with those projects will be forfeited and the projects' funds drawn to-date will be due and owing, in whole, for the respecting projects, totaling approximately \$34 million.

For Trenton's remaining two pending applications before the I-Bank, totaling approximately \$131 million, Trenton will have to seek funding from other sources utilizing the City's current bond rating, which will yield a much higher interest rate.

Therefore, in order for Trenton to avoid defaulting on its existing obligations and maintain its ability to realize the financial benefits associated with the Water Bank, the City must adopt its budget by November 25, 2022. Failure to do so will negatively impact the City's residents and ratepayers and put the City in an untenable financial position by losing the significant principal forgiveness funds and special interest rates made available through the I-Bank and NJDEP's Program.

Sincerely,



Jacquelyn A. Suárez, Director
Division of Local Government Services

CC: Reed Gusciora, Honorable Mayor
Arch Liston, Chief of Staff
Council Members
Brandon Garcia, Municipal Clerk
Ed Kologi, Counsel