Cashing in Trenton's financial future

Contributed by Nicholas Stewart
Saturday, 15 December 2007
Last Updated Friday, 28 December 2007

Dear Trentonians, Please join me in asking Trenton’s government to explain the recently resolved matter involving Trenton-Trigen (a power company on the corner of New Warren and Livingston Streets behind the ‘new’ Mercer County Courthouse).Quick note, just because a matter has been resolved, City Council has the authority to revisit the matter, assuming a motion passes regarding the same.
In 1982, Trenton lent the Trenton District Energy Company (TDEC) $3,880,000. The loan was being repaid until TDEC experienced financial difficulty and stopped making payments to Trenton. For a time, Trenton did nothing. Later, in 1987, the debt was restructured into an equity position. In short, the city became a ‘special’ limited partner with TDEC or another company, known as Thermal North America Inc. (TNAI) Whichever, currently Trenton is in the energy distribution business. The equity position translates, as I understand it, into a 15% annual share of net profits for a period of 30 years – January 1987 through January 2017. A ‘paper’ capital account was created and at its inception on January 1, 1987 it held a value of $4,313,000. By the way, that is $433,000 more than the initial loan amount forgetting that TDEC/TNAI defaulted on loan payments to Trenton and also discounts interest and inflation. This is where my ears perked up when I heard the matter presented by Trenton Assistant Business Administrator Dennis Gonzalez at the November 20 City Council docket review meeting. Trenton Business Administrator Jane Figenbaum was also present.Trenton’s administration, allegedly to fill a budget deficit, negotiated a deal to sell Trenton’s share in Trenton-Trigen to the partners of TNAI for $5,175,000. Another interesting note is that TNAI offered to buy our share of the net profits for $3,100,000. Fortunately, Trenton’s Business Administrators negotiated a deal for $5.175MM. Quickly reviewing the numbers: $3,880,000: initial loan to TDEC$3,100,000: initial offer to buy back Trenton’s share$5,175,000: negotiated price by Trenton $4,313,000: value of ‘paper’ capital account at inception, 1/1/1987$8,400,000: current value of ‘paper’ capital account, 11/20/2007$13,400,000: value of ‘paper’ capital account on 1/1/2017 (presumed future value)$5,000,000: difference between current and presumed value So, in 20 years of profit sharing with TNAI (actually the current owner of Trenton-Trigen who will be mentioned moving forward), the ‘paper’ capital account has not even doubled in value. More numbers (again, using averages and not factoring compounding interest or inflation): $8,400,000 - $4,313,000 = $4,087,000: value of profit sharing over 20 yearsIs this not a little low? $4,087,000 / 20 = $204,350: contribution to ‘paper’ capital account annually Where x = Net Profits, then .15x = $204,350 and therefore x = $1,362,333 annual net profits (average) I find it hard to believe that this energy company is clearing a little over one million dollars annually. I am in pursuit of some answers. I simply want this deal explained to me. I simply want City Council to ask pointed questions about this already negotiated deal. I might add that City Council was not aware of this transaction until City Council convened for the docket review. Shock and awe. Trenton and its ‘special’ partner should bring in the company’s books to prove this is the best deal. I have reservations about completing this transaction, but I am willing to listen to an explanation. I hope the members of City Council will also want to know more about this transaction. This may be of no real importance, but while searching throughout the Trenton-Trigen website I found a press release dated 6/12/2007. It can be found at this link: http://www.trigen.com/RapidCat/catalog/pagetemplate.cfm?template=/RapidCat/common/viewPage.cfm&PageId=3899&CompanyId=1298&NIId=10545 In it, TNAI announced that an agreement had been reached with Veolia Energy Inc. Veolia will be purchasing the Trigen Companies (there are several throughout the U.S.) from TNAI. From my experience in business, which is limited, entities rarely agree to close deals while there are existing partnerships involving claims on capital, intellectual property, net profits, etc. So, my final question is: did Trenton approach TNAI to buy back our 15% share of Trenton-Trigen net profits. Or did TNAI approach Trenton, offering a slight $3.1MM initially, and this is a convenient time to complete the transaction since we have a budget deficit somewhere in the vicinity of $5,000,000. I urge Trentonians to ask their elected council members about this deal. Ask them to ask questions at their meetings. Ask them to ask for all documentation involving Trenton and Trenton-Trigen. Ask them to do their job, and then Trenton’s administration will do their job.The current value of the ‘paper’ capital account is $8,400,000. If Trenton sells its share now, considering the nature of the resultant equity position’s creation, I believe we should not settle for less than $8,400,000. I attempt to keep up with Trenton’s business dealings. This can be a challenge due to my lack of experience, but I always find it interesting. Trenton is preparing to sell assets to fill budget deficits all the while reducing city revenues through awarding Payments In-Lieu of Taxes (PILOT). Recently, City Council awarded a 40 year PILOT to a developer. The State of New Jersey will not and can not support Trenton moving forward. We need to hold onto what is ours, referring to income generating assets, and ensure proper care of the same. We need to provide developers with a better incentive to build here than zero to low taxes: a safe city. Safe isn’t cheap, but at least it ensures a future.   Above, I used my sense and understanding of the information as I know it. I fear irregularities regarding this transaction. I ask to be corrected should I be wrong. Nicholas I. StewartVice PresidentSouth Trenton Area Residents SocietyLamberton Street