

LOWER PAXTON TOWNSHIP  
BOARD OF SUPERVISORS

Minutes of Board Meeting held October 26, 2010

A special business meeting of the Board of Supervisors of Lower Paxton Township was called to order at 6:06 p.m. by Chairman William B. Hawk on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman, and David B. Blain.

Also in attendance were George Wolfe, Township Manager; Steven Stine, Township Solicitor; Mike Bova, Boenning & Scattergood; Tom Smida, Mette, Evans, and Woodside; and Ted Robertson, SWAN.

Pledge of Allegiance

Mr. Blain led in the recitation of the Pledge of Allegiance.

Public Comment

No comments were presented.

Chairman/Board Members' Comments

No comments were presented.

Ordinance 10-04 authorizing the issuance of General Obligation Bonds

Mr. Wolfe explained that he was provided several items that can be reviewed prior to voting on the ordinance. He noted that Mr. Bova would like to start the presentation with the bond pricing summary.

Mr. Mike Bova, Boenning and Scattergood, explained that he attended the September 14, 2010 Board of Supervisors Workshop Meeting to make a presentation requesting authorization to prepared documents for a refunding of some outstanding Township debt. He noted, at that time, interest rates were at a virtual all-time low, and that there has been no period in time over the

past 16 years when the rates have been lower. He noted that the estimated savings at that time was \$290,000.

Mr. Bova explained, after receiving authorization, he prepared the preliminary official statement that is attached to the bond purchase agreement. He noted that he, Mr. Wolfe, and Mr. Houck partook in a conference call with a representative from Moody's, and the call went extremely well even though there were some negatives in the year to date activities. He noted that they were explained thoroughly and adequately and there was a confirmation of the rating of Aa2.

Mr. Bova explained that his presentation shows that the interest rates have gone up a tad, noting that the lower than current BB1 20 was zero and is now 0.571%. He reported that this is very good considering the volume of issues coming to the market place.

Mr. Bova noted that he priced the issue yesterday and there was one other deal that came to the market at the same time, Millcreek School District. He noted that their structure was very similar to the Township's deal, only their debt service went out to 2021. He noted that they had more bonds and a comparison shows their rating as AA+, however, they had to pay insurance, and the Township did not have to do this. He noted that the estimate of the cost of that insurance is minimally \$35,000. He noted that their rates are higher for every single maturity, and when they went to the market place they add to adjust their rates with the smallest increase being four basis points. He noted that would add another \$15,000 to \$17,000 to their debt service. He explained that the Township's deal is much better by \$50,000 to \$70,000.

Mr. Bova noted that the annual savings for a 2011 payment works out to \$318,817.96 for 3.496%. He noted that it almost a half percent higher than what was discussed in September. He explained that most school districts do financing when the net refunding savings is 2%, the Commonwealth does it at 3%, and the Township's rate was 3.5%.

Mr. Bova explained that the three different series of bonds to be refinanced are: 2010A, 2010B, and 2010C. He noted that there are two tax exempt series and one taxable series. He noted that the cost of issuance is in the amount of \$50,00, and that it turned out to be a very good deal, better than what was projected, with a saving of almost 3.5%, and the debt service matches the old debt service so there is no extended maturity or increase. He explained that there is a \$5,000 minimum bond that the Township must have.

Mr. Bova provided the Board members with a copy of the Bond Purchase Agreement and the Official Statement. He noted when Mr. Smida reviews the ordinance he will explain that the Board will be authorizing the execution of the bond purchase agreement. He noted that it is a standard bond purchase agreement and it has been reviewed by bond counsel and Township counsel.

Mr. Seeds questioned if the Township had to pay \$7,500 for the Moody's Rating. Mr. Bova answered yes. Mr. Seeds questioned what the Township's rating was. Mr. Bova answered that it is Aa2. He explained that the Millcreek rating of AA+ was a Standard and Poor's rating. He noted that the highest possible rating for the Township could be AAA. He noted that the rating is as high as the insurance company if you paid for insurance, which the Township did not have to pay for. He noted that he was able to sell the bonds without insurance at levels for another deal that paid for insurance. Mr. Seeds questioned who the trustees are. Mr. Smida answered that it is M&T Bank. Mr. Bova noted, because there are outstanding issues, there was a need to have the numbers verified, therefore the fee of \$3,000. Mr. Seeds questioned if the contingency fee could go away. Mr. Bova answered that it will probably come back to the Township as excess money. Mr. Seeds noted that the most the transaction would cost in fees is \$50,000. Mr. Bova answered that it will not cost that much, noting that the savings will increase by another \$5,000 to \$8,000.

Mr. Bova wanted the Board to know that Mr. Wolfe and Mr. Houck did an excellent job in their presentation to Moody's. He noted that they had numerous questions and both were very prepared to answer the questions.

Mr. Tom Smida, Mette Evans and Woodside, noted that he would explain Ordinance 2010-04. He noted, by this ordinance, the Board would authorize the issuance of three series of general obligation bonds, series A that will retire the 2002 B and 2004 bonds; series B and C that will retire the 2002 B bonds. He noted that the bonds are in the principal amounts of \$4,355,000, \$1,500,000, and \$3,305,000. He noted that the Board would authorize the execution of a bond purchase agreement with Boenning and Scattergood, the filing of a transcript with the Department of Community and Economic Development, and calling the bonds that he previously mentioned. He noted that the 2004 bonds would be called November 30, 2010; 2002 B – January 1, 2011; and 2002 A - October 1, 2011. He noted that the Board would authorize an escrow agreement in which a sufficient amount of proceeds will be deposited together with the interest to be sufficient to pay those bonds off on October 1, 2011. He noted that the ordinance sets forth the substantial forms for each one of the series of the bonds as per certain requirements under the Internal Revenue Code, and the Securities Exchange Act that authorizes the execution of the subsidy agreement with the Authority. He noted that the Series B and C bonds are going to retire the Series 2002A bonds and portions of those are subsidized by the Authority. He noted that the Township would be continuing that same format and excluded from the borrowing base certificate, and that is why the Township needs to enter into the subsidy agreement to legally require the Authority to pay, out of their revenues, for the system in amounts sufficient to cover that debt service.

Mr. Smida explained that the reason the Series C bonds are federally taxable is that a portion of the Series A bonds advanced refunded earlier bonds, and you can only do that one time; it doesn't carry through and they have to be issued on a taxable basis.

Mr. Seeds questioned if the Series C bonds would be at a higher interest rate because they are taxable to whoever buys them. Mr. Smida answered yes. Mr. Bova noted that the rates are contained in the bond purchase agreement under Schedule C. He noted that the yields on the Series C bonds range from 1.558% to 2.2552% rate and are extremely low. Mr. Crissman questioned how much of the Series A Bonds are being refunded. Mr. Smida noted that he misspoke and it is the Series B Bonds that are being advanced in the amount of \$4,770,000. Mr. Bova noted that the rates on all the bonds range from .65% to 3.3%, both tax and tax-exempt rates are extremely low.

Mr. Blain questioned Mr. Crissman why he wanted to vote no on the bonds. Mr. Crissman answered that he had some problems with some of the internal components. He noted that he has heard the answers and assessed them, but they are not satisfactory to him, even though he is in support of the concept of what needs to be done. He noted that the Board discussed those issues before and everyone was in agreement that the Board would move forward based on the information received last week, therefore, he is a minority of one. He noted that he is fine with that; he only wants to make sure there are enough votes to support the concept to do what the Board needs to do.

Mr. Blain made a motion to approve Ordinance 10-04; the authorization for the issuance of new general obligation bonds for the 2010A, 2010B, and 2010C Series. Mr. Crissman seconded the motion. Mr. Hawk called for a roll call vote: Mr. Blain, aye; Mr. Crissman, nay; Mr. Seeds, aye; and Mr. Hawk, aye.

Subsidy Agreement between the Township and the Lower Paxton  
Township Authority in regard to the Series 2010 Bonds

Mr. Crissman made a motion to approve the subsidy agreement between the Township and the Lower Paxton Township Authority in regards to the Series 2010 Bonds. Mr. Blain

seconded the motion. Mr. Hawk called for a roll call vote: Mr. Blain, aye; Mr. Crissman, aye; Mr. Seeds, aye; and Mr. Hawk, aye.

Adjournment

There being no further business, Mr. Hornung made a motion to adjourn the Special Board Meeting. Mr. Seeds seconded the motion, and the meeting adjourned at 6:24 p.m.

Respectfully submitted,

Maureen Heberle  
Recording Secretary

Approved by,

Gary A. Crissman  
Township Secretary