

LOWER PAXTON TOWNSHIP  
BOARD OF SUPERVISORS

Minutes of Board Meeting held September 22, 2009

A business meeting of the Board of Supervisors of Lower Paxton Township was called to order at 7:21 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., Gary A. Crissman, and David B. Blain.

Also in attendance were George Wolfe, Township Manager; Steven Stine, Township Solicitor; Tom Smida, Mette, Evans, and Woodside; Mike Bova and Nick Falgione, Boenning and Scattergood; and William Weaver; Authority Director.

**Pledge of Allegiance**

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

**Public Comment**

No comments were presented.

**NEW BUSINESS**

Resolution 09-44; authorizing the extension of the term of the  
Lower Paxton Township Authority

Mr. Hawk noted that this resolution would amend the articles of the Authority. Mr. Seeds questioned why the Board picked the September 22, 2058 date for the extension of the term for the Authority. Mr. Stine answered that it is the intent to maximize the number of years because the last time the articles were extended, they were only extended for four years, and now the Board must do it again. He noted that that date was picked since the law permits maximizing in

50-year increments. He noted if the Board would need to approve another borrowing for bonds, it would not be necessary to maximize the term of the Authority.

Mr. Weaver noted that Mr. Stine brought it to his attention, during the bond process, that the Authority expires in 2023, and the debt schedule for the new borrowing had the debt structure going out beyond that date. He noted that Mr. Smida recommended extending the life of the Authority to at least match the debt schedule. He noted that Mr. Stine recommended extending the Authority to the maximum life, therefore, it would not be necessary to extend the life of the Authority in the event the debt schedule changes.

Mr. Hawk questioned Mr. Stine if he agreed with the Resolution. Mr. Stine answered that he prepared the resolutions for the Board and the Authority.

Mr. Crissman made a motion to approve Resolution 09-44, authorizing the extension of the term of the Lower Paxton Township Authority to September 22, 2058. Mr. Blain seconded the motion. Mr. Hawk called for a voice vote, and a unanimous vote followed.

#### Ordinance 09-13; authorizing the issuance of General Obligation Bonds

Mr. Smida explained that he prepared Ordinance 09-13; noting that it was advertised on September 14, 2009 in accordance with the Local Government Unit Debt Act. He noted that the Ordinance authorizes the Township to incur nonelectoral debt in two series of bonds that are being combined for sale. He noted that the first is a Series C bond in the amount of \$14,355,000. He noted that the principal would be used to retire a portion of the outstanding Series A of 2002 bonds. He noted that the second piece, which will be issued in the principal amount of \$42,465,000, are the Build America Bonds (BABs) that will be used for the sewer mediation project. He noted that the ordinance authorizes the sale of the bonds to Boenning and Scattergood.

Mr. Mike Bova, Boenning and Scattergood, explained that he would provide an overview and Mr. Falgione would provide the details.

Mr. Bova noted that the ordinance is the operative document that authorizes the Chairman of the Board of Supervisors to enter into the bond purchase agreement and all the documents to complete the transaction. He noted that he started with a presale yesterday, and ended up with a very fine transaction. He noted that there was one stumbling block in that there was another BABs deal that was going to be priced yesterday, a \$130 million deal, and the underwriter was discussing a spread of 220 to 240 over treasuries. He noted that he had been running his numbers in the range of 200 over treasuries. He noted that his concern was if that underwriter got into the market first, it would make it difficult for him to come back, right after that deal, with a somewhat lower level. He noted that he spoke with Mr. Smida about postponing the buy until Thursday because he did not want to sell after the other underwriter. He noted that the underwriter could not do their deal until late yesterday, so he move ahead, earlier in the day, to establish a level, and he beat the other underwriter by several basis points.

Mr. Falgione noted, on the left side of page one, it summaries the statistics of the bond issues by series. He explained that he did some restructuring, using conventional tax-exempt bonds, to accomplish that. He noted that he was able to issue those bonds as bank qualified, as an extra tax exemption that helped to lower the rate on the bonds. He noted that he issues \$14,355,000 of 2009 C Bank Qualified Tax Exempt Bonds. He noted that the average bond yield on those bonds was 4.03% and they will mature in April, 2029, to restructure some of the debt, to lay in the PENNVEST loan and the original capital for the sewer projects.

Mr. Falgione noted that the BABs are taxable bonds, providing for a federal subsidy on the interest rates. He noted that the issue size was \$42,465,000, and with the bond subsidy, which

is 35% of the interest costs, every time the Township makes a payment it will receive a check back from the Treasury for 35% of the payment. He noted that the average bond yield is 4.09% for 30-year money. He noted that the bonds are not taxed; therefore the investors would earn a 6.30% yield. He noted that the final maturity for the bonds is April 2039, and they will be used for sewer projects. He noted that the subsidy value over the life of the bonds is \$23,633,907, and if compared to borrowing conventional bonds, over the life of the issue, the BABs saves the Township \$6.1 million, noting that the present value would be \$3.3 million.

Mr. Falgione noted, as part of the preparation for the Series 2009 C/D Bond sale, he worked with Moody's Investors Service to confirm the Township's bond rating. He noted that the rating was confirmed at "Aa3", two notches below Triple A, which is where the Federal government is. He noted that the highlights from the report include that the Township finances are well managed with conservative budget practices; Fund balance policies contribute to stable financial operations; Township enjoys above average household wealth and property value levels, and the Township maintains manageable debt levels.

Mr. Crissman questioned if Moody's was questioned if they would increase the rating. Mr. Bova noted that Moody's would not answer that question. He noted that he told Moody's that he was looking for an upgrade, and they said they would review everything and take it into consideration. He noted that he thought about going to Standard and Poor's (S&P) as well, noting that he might have gotten a higher rating from the S&P, but if the Township has two ratings, the first from earlier this year of the "Aa3" rating, it could provide a split rating, and if that would occur, the buyers always price to the lower rating. He noted that a higher rating with S&P would not have made a difference. He noted, ever since the rating fiasco for the sub prime

collateralized debt obligations, rating agencies have been extremely reluctant and hesitant to cooperate anymore.

Mr. Falgione noted that the other item that is important in regards to the ratings is whether or not to use bond insurance. He noted that the Township's rating is very close to where bond insured ratings would get to, and in his view, there would be no benefit to using insurance and incurring the extra costs.

He noted that the interest rates are summarized by series, noting that \$14,355,000 of tax exempt bonds were issued and run from 2011 until 2029. He noted that the bonds are pre-payable in 2015. He noted that the yield column goes from 1.1% in 2011 to 4.38% in 2029. He noted that it is a little over 4% which is very attractive funding. He noted that \$42,465,000 of BABs, issued in two maturities, one at 2034, a 25-year maturity, and a second at 2039, a 30-year maturity. He noted that taxable debt is priced the same as corporate debt, through the US Treasuries. He noted that the basic for pricing that he is using is 2% as the assumption, meeting 2% for the 25-year bond and 2.1% for the 30-year bond. He noted that it yields 6.24% and 6.34% respectively. He noted with the 35% subsidy, it works out to 4.05% and 4.124%. He noted that there is a double A bond index called the MMD, and in the outer years, the bonds are lower than the MMD which is very rare.

Mr. Bova explained that there was another BABs deal, yesterday and today, and the tax exempt bonds rates were starting in 2013, 10 basis points for three years, 15 basis points for two years, 20 basis points for one year, 15 basis points for four years which is higher than the rates on the Township's bonds. He noted, for the BABs, it was 7 basis points higher. He noted in every maturity, the Township's bonds were sold at stronger levels than today's and yesterday's. He noted that 7 basis points on \$42 million over 30 years is a significant number.

Mr. Falgione noted that page four lists the sources and uses of funds. He noted that the underwriters discount is also listed.

Mr. Bova noted that he could control the bond discount to the interest rates to which the bonds are sold. He noted that for Upper Saint Clair, the legal fees were \$150,000 combined, whereas, the Township's legal fees were \$88,000, plus expenses. He noted that their bond discount was \$8.40 and the Township's was \$7.50 on the tax exempt, and \$8 on the taxable. He noted that the national average on BABs has been \$8.03.

Mr. Crissman questioned, at what percent are the fees. Mr. Bova answered \$8 per 1,000 and \$7.50 per 1,000. Mr. Crissman questioned if that was the final fee. Mr. Bova answered that that is what the bonds were sold at. Mr. Crissman questioned if that is the final fee. Mr. Bova answered yes. Mr. Crissman noted that he needs to save the taxpayers dollars. Mr. Bova noted that he did not know how to respond to the question, knowing that he did a very good job at selling the bonds at rates lower than similar deals, and with a bond discount that was lower than the national average and other deals. Mr. Crissman noted that he has an obligation to the taxpayers to ask that question. Mr. Smida noted that the transactions are sold. Mr. Crissman noted that that disturbs him even more since the Board was not consulted. Mr. Bova noted that he reviewed all the costs this morning. Mr. Crissman noted that he was not provided with the fees. Mr. Bova noted that all the numbers run for months have shown these figures, other than the cost of issuance. Mr. Falgione noted that the original numbers had higher assumptions for costs for issuance, about half of what he actually used.

Mr. Seeds noted that it is a done deal as the bonds were floated today. Mr. Bova answered that they were sold yesterday and today. He noted that it is very important to him that the Township be comfortable with what he charged, and he did a very good job in selling the

bonds, which is far more important than a dollar or two dollars in a bond discount. He noted that ten basis points on \$57 million is \$500,000 to \$600,000 over the life of the bonds. He noted that the fees are below the national average and below another deal that was done during the same time period.

Mr. Hawk noted that the fees are consistent with the standard of the industry. Mr. Bova noted that they are actually lower and he did it on purpose, so he could make that statement.

Mr. Seeds questioned what would happen if the Board did not approve the resolution tonight. Mr. Bova noted that the name of the Township would be forever tarnished in the bond market. He noted if the Township tried to do another deal, six months from now, the buyers in the market place would say that they are not interested, since the Township reneged the current deal. He noted, when he completed the Upper Saint Clair deal, he found that the number of BABs is multiplying everyday. He noted that there are tremendous choices in what can be bought. He explained that he underwrote \$4.8 million of these bonds that are still unsold, and that he would take a risk to hold the bonds at these levels. He noted, if the Township did not approve the deal, the next time the Township would try to do an issue, it would be ugly.

Mr. Seeds questioned what would have happened if they did not get the three votes to approve the deal. Mr. Hawk noted that the Board gave the okay to go ahead with the deal. Mr. Bova noted that he has been in the business for 27 years, and he has never had a deal that did not get approved. He noted that Mr. Smida noted that he had his first close call this past January. Mr. Bova noted that he is very proud of the job that his desk did, noting that it was very fair and below the market for other deals completed as of today.

Mr. Hawk noted that he has been involved with many deals with Mr. Bova for more than nine years, and he knows that he goes the extra mile. Mr. Crissman explained that he is not

challenging the firm, noting that he has some background in this field. He noted that he is only asking if this is the best deal. He noted that he has no issues with the agency, or the operation in which it has been conducted, as it has been very professional.

Mr. Seeds noted that that there is no doubt that the commitment was made prior to this meeting. He noted that the Board is committing the rate payers to a debt to 2039. He noted that it will probably be refinanced several times between now and then.

Mr. Falgione noted that the debt service summary is found on page six. He noted that it shows all the bonds in place, noting in 2009 and 2010, the debt level remains the same at \$3.9 million. He noted that there are step-ups for years three, four and five, and he has structured the debt to keep it level over the full 30-year length. He noted, page seven shows the numbers and detail to the debt service. He noted that page eight shows the debt service on a semi-annual basis that could be used for budgeting purposes.

Mr. Bova requested Mr. Falgione to explain how much was saved from not having to insure. Mr. Falgione noted that the bond insurer would charge the Township on the full amount of debt service before the subsidy, and that the Township would be paying a bond insurance premium of approximately \$250,000. He noted that this was one way to bring down the debt costs.

Mr. Smida noted that the Ordinance authorizes the issuance upon the terms that Mr. Bova and Mr. Falgione explained. He noted that the first would be the series C bonds in the principal amount of \$14,355,000, and the refunding project in the series of 2002 A bonds that are outstanding, and the second in the BABs total principal amount of \$42,465,000, for the purpose of the sewer mediation projects. He noted that it included the mandated improvements from the 2002 consent decree. He noted that the ordinance also authorizes that the debt be incurred as

non-electoral debt, pledging the general obligation for the full and prompt repayment of it. He noted that it authorizes the execution of the bond purchase agreement, all the standard documentation of tax certificates, arbitrated certificates with respect to Series 2000 C bonds, a specific designation that the Township must give with respect to the BABs, authorized the call of the Series A 2000 bonds that are to be redeemed on October 1, 2011, and it sets up an escrow agreement to repay the obligation so that they are no longer deemed outstanding for the purposes of the Local Government Unit Debt Act. He noted that it authorizes the execution and delivery of a subsidy agreement with the Authority which would occur during the next meeting, and authorizes the submission of these proceedings to the Department for approval.

Mr. Crissman suggested that it is not necessary to discuss the funds that the Township would have that would offset the tax increase since it already occurred.

Mr. Blain made a motion to approve Ordinance 09-13, authorizing the issuance of General Obligation Bonds. Mr. Seeds seconded the motion. Mr. Hawk called for a roll call vote: Mr. Blain, aye; Mr. Crissman, nay; Mr. Seeds, aye; and Mr. Hawk, aye.

Mr. Wolfe suggested that it would be appropriate to recess the Business meeting and convene the Authority meeting, noting that Resolution 09-43 and the Improvement Guarantees could be discussed at a later time.

Mr. Blain made a motion to recess the Business meeting to later this evening. Mr. Crissman seconded the motion. Mr. Hawk recessed the meeting at 7:54 p.m.

Mr. Crissman made a motion to reconvene the meeting at 9:32 p.m.

Resolution 09-43; accepting the 2010 MMOs for the police and  
non-uniformed employee pension plans

Mr. Wolfe noted that staff recommends that the Board adopt the Resolution based upon the minimum municipal obligations prepared in accordance with the 2007 valuation. He noted that he would bring it back to the Board for reconsideration as further discussions are held on the budget.

Mr. Crissman made a motion to approve Resolution 09-43; accepting the 2010 MMOs for the police and non-uniformed employee pension plans based upon the 2007 valuation. 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.

**IMPROVEMENT GUARANTEES**

Mr. Hawk noted that there were four Improvement Guarantees.

Giant Fuel Island

An extension and 10% increase in an escrow with Lower Paxton Township, in the amount of \$35,453.00, with an expiration date of September 22, 2010.

Deaven Woods

An extension and reduction in a bond with Developers Surety and Indemnity Company in the amount of \$337,000.00, with an expiration date of September 1, 2010.

Sir Thomas Court, Lot 5-D, New Medical Office Building

An extension and 10% increase in a letter of credit with Fulton Bank, in the amount of \$27,583.16, with an expiration date of September 22, 2010.

TNP Carwash

A release in a letter of credit with Fulton Bank, in the amount of \$5, 775.00.

Mr. Crissman made a motion to approve the four Improvement Guarantees as presented. Mr. Blain seconded the motion. Mr. Hawk called for a voice vote, and a unanimous vote followed.

### **Adjournment**

There being no further business, Mr. Blain made a motion to adjourn the meeting. Mr. Crissman seconded the motion, and the meeting adjourned at 9:34 p.m.

Respectfully submitted,

Maureen Heberle  
Recording Secretary

Approved by,

Gary A. Crissman  
Township Secretary