

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held October 2, 2012

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 5:37 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 was George Wolfe, Township Manager, Chief Tom Swank, Colonial Park Fire Company; Chief William Payne and President Mike Kafka, Linglestown Fire Company; and Steven Stine, Township Solicitor.

Pledge of Allegiance

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

Public Comment

No public comment was presented.

Interviews with Bond Counsel Respondents

Mr. Hawk noted that the purpose of the workshop meeting is to interview candidates for bond counsel. He explained that the respondents would have 45 minutes to make their presentation to the Board members at which time there would be an opportunity for asking questions.

Mr. David Twaddell and Paul Lundeen introduced themselves to the Board members. Mr. Twaddell explained that they are members of the law firm of Rhoades and Sinon.

Mr. Twaddell noted that he joined the firm of Rhoades and Sinon in 1981 and has over 31 years of experience servicing special financial needs.

Mr. Crissman questioned if he has worked with clients that are comparable in size to Lower Paxton Township. Mr. Twaddell answered that he worked for Swatara Township for

storm water issues. Mr. Crissman asked if Swatara Township is a current client. Mr. Twaddell answered that they are, however, they are not currently engaged in work. He noted that he is working with East Pennsboro Township. Mr. Crissman questioned if they are present clients. Mr. Twaddell answered that they are. Mr. Crissman noted that staff could call them for references.

Mr. Hawk noted that he has known Mr. Twaddell through his past work on the Dauphin County Authority.

Mr. Crissman requested Mr. Twaddell to describe his financing for his firm for anyone he has worked for in the past two years. Mr. Twaddell answered that he just completed work with Green Township in the Chambersburg area. He noted, two years ago, after a 14 year effort to merge three treatment plants was finalized for treatment plant upgrades. He noted that he did a refunding for them for about \$5 million. Mr. Lundeen noted that he has a \$7.4 million project with Lebanon County for Build American Bonds. He noted that he is presently working on a transaction in Lancaster County and has worked with Highspire Borough and Middletown Borough, noting that they have fairly large systems and the complexities of authorities. Mr. Hawk noted that he wanted to get the feel for the amount of money.

Mr. Crissman noted that he wants to know more about the municipalities that are close to the size of the Township. Mr. Lundeen noted that he has done bond work for sewer plants for up to \$50 million dollars, so Lower Paxton Township is clearly in his size range. He noted that he has negotiated quite a few intermunicipal agreements in Chambersburg and Lemoyne. Mr. Twaddell noted that he has also worked in Montgomery County and it was his impression that his firm was the original developers of the subsidy agreement program approach. He noted that the authority issues the debt and the Township is involved in a lease and a separate subsidy agreement. He noted back in the 1990's there was a change in the marketplace bonds were trading recognizing new debt and so the subsidy provision was included in the debt act.

Mr. Hawk questioned what your fee structure would be for service for \$5 million, \$10 million and \$20 million bond deals. Mr. Twaddell noted for a \$5 million bond, it would be \$17,500. He noted that it would be \$27,500 for \$10 million and \$37,500 for a \$20 million bond issue. He noted that it is on the high side for general obligations. He noted that he must be cognizant of the utility system as part of that process with a not-to-exceed-number, but it is his

custom to quote a price to get it done. Mr. Hawk noted that it would depend on the amount of involvement with Moody's or Standards and Poor's. Mr. Twaddell noted that there would be a distinction and those fees would represent bonds issued to the public. Mr. Crissman questioned if it is a negotiable fee. Mr. Twaddell explained that some fees are set but it could be. He noted that other than the ever increasing advertising fees, and he is not sure where that is going since The Patriot-News will no longer be a daily newspaper after January 1st. Mr. Stine noted that the question is if they can still be considered a daily newspaper when they switch to the new schedule. Mr. Lundeen noted that there are a lot of questions for that. He noted that staff has been trying to determine what their new advertising deadlines will be, and who to contact. He suggested that the time for publishing on line is fast approaching. Mr. Stine agreed.

Mr. Twaddell noted that should be the only additional fee that the Township would have to fund, noting that the pockets have been reduced to almost zero because of the internet and computers. He noted that document production costs have been reduced for bonds noting that he can generate them on the firm's word processing computers and the costs have been greatly reduced to include the official statements. He noted in the 1980's the costs were \$10,000 to \$20,000.

Mr. Hawk questioned if Mr. Lundeen and Mr. Twaddell work closely together. Mr. Twaddell answered that we do and are a very collegial group. He noted that he has two associates that would also be available, but he and Mr. Lundeen do most of the utility revenue work. Mr. Hawk noted that you mention in your proposal the names of Benjamin Ried and Jonathan Cox. Mr. Lundeen explained that he has the depth to do the work; however if Mr. Twaddell is on vacation he would know the transaction and Mr. Twaddell would pick up his work if he is away. He noted that we collaborate on a lot on tax questions and other items. He explained that he has 35 years of experience, and Mr. Twaddell has 34 years of experience. He noted that we would not shove your work off on the associates. Mr. Crissman noted that the bottom line is what I see is what I get. Mr. Twaddell answered yes. Mr. Lundeen noted if you want a partner at a meeting, one of us will be there.

Mr. Wolfe questioned if you would have any conflict of interest with having Swatara Township as a client as the Township has a settlement agreement and previous litigation with them. Mr. Twaddell answered that he does not perceive that as a legal conflict of interest in the

role of bond counsel, noting that we would not be privy to those items. He noted that David Dowling, a fellow attorney in the firm, has been a member of the Township's Zoning Hearing Board and he recluses himself when it is necessary. He noted that you rarely find a conflict of interest for a bond counsel.

Mr. Hawk questioned if there was any question that you anticipated that we have not asked yet.

Mr. Twaddell noted that we have always made our role as bond counsel as one of a project management team. He noted that it is his responsibility to ensure that everything that needs to happen happens and that you are aware in advance what the schedule will be. He noted that he has worked with people that the Board has worked with who do not rely on financial advisors, investment bankers, or consulting engineers. Mr. Lundeen noted that it has always been their approach that if there is a problem we have to figure out how to do it. He noted that he does not anticipate any issues for this but he noted that he knows what the goal is and he will find a way to get it done.

Mr. Crissman questioned if you anticipate any stumbling blocks or glitches in the road. Mr. Lundeen answered that we are talking about refinancing a bond issue and he see no legal issue for it. Mr. Twaddell noted that things have improved since the 2009 financial collapse as the rating agencies have taken a new approach to rating municipal securities. He noted that the municipal market is looked upon as the weak system and they have focused on corporate securities. He noted that the rating agency would be concerned about the size of the community and how many properties are in collection.

Mr. Twaddell noted if the Township had insurance for its bonds, then they would market it solely on the credit ratings for the insurance company which at the time was a AAA, however, there are no AAA insurer's anymore and no buyers are willing to buy without knowing the credit rating of the issuing Township. He noted whether or not it would be insured is another questions.

Mr. Crissman noted, in light of the City of Harrisburg and all of its problems, what impact you think it would have on the Township. Mr. Lundeen answered that Harrisburg would not have a big impact on the Township as he has done a lot of bond issues for communities

around this area. He noted that East Pennsboro, Highspire Borough and Steelton Borough have received good ratings. He did not think Harrisburg would affect the Township.

Mr. Twaddell noted that the question is raised by the rating agencies. He noted that it did not hurt Swatara Township with their rate. He noted that some bankers may feel that there is a mark there but generally speaking the investor market is sanguine enough to recognize the distinction. He noted that it was probably not true early on but if you can get a good investment rating, which clearly Lower Paxton Township can, it would be very desirable.

Mr. Crissman questioned with that strength, do you anticipate that we will maintain what we have or because everything is strong, we could improve. Mr. Twaddell answered that the Township would not go lower and there is a possibility for improvement. He noted that it is worth going through the process as the Township has the right mix. He noted that he has started to see building permit applications up in the last 12 months. Mr. Lundeen noted that the questions that he has heard from the rating companies is in regards to the housing market, what is happening to the housing values, the employment in the area, are you in the upswing, and focusing on the fund balance. He noted other questions are if you anticipate a tax increase and how do you manage your finances. He noted if you are doing everything right, which I think you are, noting that he lives over the mountain from the Township, it should be fine. He noted that he knows what the market is in the area and he thinks that the Township will come out fine.

Mr. Twaddell noted that the other two concerns that he sees at this time is the variable rate debt which as far as he knows the Township has none. He noted that is often associated with that is derivative products like swaps. He noted that some of your neighbors have done that and some have done it very profitably. He noted that he has clients that do them. He suggested that in the context of a rating question they are not helpful. Mr. Hawk noted that he is not a fan of swaps as he has a fiduciary responsibility to manage the Township's money to the best possible way that he can and they are a gamble.

Mr. Twaddell noted that he sees pure hedges where someone borrowed and if it is fairly short term it may be a way to access what is effectively a fixed rate that is lower than what you would get by issuing fixed rate debt but there are limitations that you would not be able to fund that underlying debt and the economies that would allow you to refund it are going to mean that doing a swap is expensive.

Mr. Hawk questioned if there are nine different ways to go. Mr. Twaddell answered that he is seeing the larger banks offering a small term fixed rate debt by doing a variable rate loan, the rate at which is based at the moment on Libor, a taxable variable based rate, 30-day measure and agreeing to a swap with that bank and the result of which is a fixed rate. He noted that he has done that a couple of times when he had gotten to the last five years of the debt where the prospect for refunding is very small. He noted that you might borrow from a fixed rate tax exempt from a bank where it would be 3% for a five-year getting it down to 2%. He explained that it would be introducing another player and there is always risks that comes with that. He noted that it is not worth it in most cases. He noted that other than the pure hedge, he couldn't agree more as it is a gamble.

Mr. Lundeen noted for where the fixed rate market is, he had a lot of clients do a fixed rate bond issue in the last several months and there are still a lot of buyers out there. He noted that it is unlikely that someone would suggest doing a variable rate financing. He noted that the banks are fixed for six or seven years and then go to some kind of Libor or prime rate base but for the Township borrowing, the Debt Act requires that you have a maximum cap rate so you don't have unlimited exposure. He noted that he has not seen much variable rate in the last several months. He noted that the market is still there for long term fixed rate loans and all the underwriters that we deal with have very good rates.

Mr. Hawk noted that the market is steady now. Mr. Lundeen agreed that it is. He noted that it was down in September but back up again, but over the last 20 years we have been in a low integrated market.

Mr. Crissman questioned in one sentence why he should vote to hire their firm as their bond counsel. Mr. Twaddell answered that we have the most capable experience and will make this the easiest process for the Township.

Mr. Hawk noted if you perform due diligence well in advance of the issue and you foresee any problems then it would come out ahead of time.

Mr. Twaddell questioned if anyone has talked to the Township about the written procedure issue that the IRS has. He noted that they have been working on a project for several years, starting with a series of random questioners that were issued to municipal issuers followed by a second series for non-profit tax exempt borrowers. He noted that the IRS is concerned that

issuers for tax-exempt bonds have written procedures to insure ongoing compliance with internal revenue code requirements. He noted each time you issue a tax-exempt debt there, a new E-38 reporting form is filed. He noted in the beginning of this year they have now added two check box on the back side to indicate if the seller has adopted written procedures. He noted that they are not very clear about what form those written procedures would take but he would indicate that they would be happy to help develop those procedures as part of the service. Mr. Lundeen noted that they are not required but if you are audited by the IRS, having procedures in place and making good effort to follow them would be in the Township's favor in terms of working out a settlement with them.

Mr. Hawk questioned if Act 44 was mentioned during the presentation, and if you work in conjunction with the Securities Exchange Act of 1934. Mr. Twaddell noted, that as bond counsel, he has an independent obligation that relates to disclosures for the investment bankers; the underwriters have a primary obligation and usually the ones who create the disclosure documentation. He noted that bond counsel has its own obligation to do that and make sure it is accurate.

The presentation ended at 6:15p.m

Presentation by Mette, Evans and Woodside

Mr. Hawk called the meeting to order at 6:30 p.m.

Mr. Tom Smida, Mette, Evans and Woodside noted that he thought he was very responsive to the RFP, and it provided a good review for him to determine what the law firm has done over the past five to seven years. He noted that he won't say much for the proposal as he would let it speak for himself. He noted that he is a member of an established Central Pennsylvania Law firm that has been around since the late 1960's. He noted that four people in the firm's practice revolve around municipal finance. He noted that the firm has seen 95% of what a municipal finance practice in a Pennsylvania law firm would see. He noted that includes getting in and out of swaps, not that it is a township issue. He noted that the firm has negotiated municipal bond work to include foreclosures on the other side. He noted that the practice is becoming more sophisticated and regulated. He noted that there is a lot of initiative in Washington to do away with what is know as tax expenditures for such things as home mortgage

deductions, charitable contributions and tax exempt interest. He noted that it is a practice on the cutting edge. He explained that he participates in the National Association of Bond Lawyers, and explained that the firm recently hired Bernadette Barattini who for the past 28 years was General Assistant Counsel for the Pennsylvania Department of Community and Economic Development. He noted that, with a few exceptions, she has viewed every debt issuance that has been done in Pennsylvania. He noted that this expertise has recently been brought to the practice.

Mr. Smida noted that he would like the Board to consider things that he did not mention in his proposal. He explained that he has a unique working relationship with the Township and as a resident he is very sensitive to the structure of the transactions. He noted if there was something wrong he would be screaming and he would let you know. He noted that he has never seen anything that should have been brought to the Board's attention that was not brought to its attention. He noted that he has a working relationship with Mr. Wolfe and other people on staff. He explained that he will get calls from time-to-time that he will field that he will not bill for and tries to incorporate that into what he charges. He noted that he did a lot of work for the Township when it was considering building the solar field. He noted that the Township was one of 81 municipalities across the country that received an advance refunding questionnaire from the IRS and he put a lot of value into answering that. He noted that he spent some time with Mr. Wolfe going over it. He explained that he brings a lot more than simply; yes we can do this transaction for this dollar amount and don't bother me again.

Mr. Hawk requested Mr. Smida to tell him more about Robert Moore. Mr. Smida explained that Mette Evans and Woodside broke off from Rhoads and Sinon in the late 1960's. He noted that Walt Shear, Robert Moore, Hall, Mette and two other persons who are now deceased were the founding partners. He noted that Mr. Moore graduated from Law School in 1961 and this is all he has ever done since day one. He noted that he represents a lot of school districts and sewer and water municipalities all over the Commonwealth. He noted that Mr. Moore is primarily responsible for maintaining those relationships, and at one time, Walt Shear, his son, Robert Moore, and another person at one time had active municipal finance practices. He noted that the first transaction that he ever did was with documents for a school district in Lehigh County and it was a Shear, Mette, and Woodside bond bible. He noted that he discussed it with Mr. Moore to secure his help noting that he had been around for a long time. He noted

that the firm has done the refinancing for Susquehanna Township, Middle Paxton Township, Camp Hill and many local municipalities.

Mr. Hawk questioned if Mr. Moore worked closely with Mr. Smida. Mr. Smida answered yes. He noted that over the past five years, Mr. Moore is slowly starting to scale back and with hiring Ms. Barattini whose expertise is in the Debt Act section, it added that component to ensure that all is accurate. He explained that he is also talking to another young person about joining the practice. He noted that Mr. Zwally has been doing this type of work for awhile and has also scaled back on his work.

Mr. Hawk noted that the Township is doing a \$9 million bond. Mr. Smida noted that it must be bank qualified. Mr. Hawk questioned if the fee would be about \$8,500. Mr. Smida answered yes, plus expenses. He noted that it is part of the way the transaction is structured. Mr. Crissman questioned if the fee is negotiable. Mr. Smida answered the fees are but not the expenses. He noted that it will become more difficult since The Patriot-News is going to a three day newspaper. He noted that it will make his life more complex as he will not be able to do transactions at a drop of a hat. He noted that he will have to factor in when the newspaper will be published and if he can get the ad published in time. He noted that it must be a newspaper of general circulation and that is why he can't use The Paxton Herald. He noted that the Commonwealth does not recognize it as a newspaper of general public circulation. He noted that this will make it more complicated.

Mr. Smida noted you have to be concerned about the issuance of the Build America Bonds (BAB) and the fiscal cliff. He noted if something is not addressed by the end of January, the Township will have to call those bonds. He noted that there is an extraordinary option of redemption built in those bonds and the Township will lose its subsidy. He noted that they are estimating a 7.5% reduction for \$225 million worth of subsidy budgeted by the Federal government for next year that will be reduced. He noted across the board, they average 7.5% per issue but whether it is that or 1%, those bonds are callable. He noted that you have a payment date of April 1st and October 1st that will have to be addressed. He explained that he read that there is an initiative in the Senate to get something done in the lame duck session, but historically it doesn't happen. He explained that he read where they will make the affect retroactive for the bond counsel and the municipal finance practice. He noted that it makes it more problematic if

there is no failsafe place to put it to avoid the fiscal cliff; we have an event that has to be advertised and posted on the Electronic Municipal Market Access (EMMA) as a material event. He noted that there are concerns for the bonds that would have to be addressed immediately. He noted that the Township would have to find someone to market \$41 million worth of bonds. Mr. Wolfe noted in addition to the \$10 we want to do now. Mr. Smida noted that it would blow the bank qualified limit.

Mr. Smida noted that he has no idea what will happen by the end of the year. Mr. Hawk questioned if we should wrap up now. Mr. Smida noted if you did an advance refunding, since you have already done one this year, it would not be bank qualified. He noted that you could buy bonds now to recall the 2013 bonds, escrow the money till maturity but the advance refunding wouldn't count for bank qualified. Mr. Hawk noted that the Township would have to have its act together by December 31st. Mr. Crissman noted that the Board planned to do this anyway. Mr. Wolfe noted that we were not planning on doing an additional \$50 million. Mr. Smida noted that Congress may or may not get it done.

Mr. Smida noted that the bank qualification is the date of issuance. Mr. Wolfe questioned what effect is for everyone who has BAB payments due in the first half of next year with all of it suddenly going to market. Mr. Smida answered that it would dry up the yield and cost you. He noted that the market would be flooded with a lot of paper and everyone knows why and the yield would go up.

Mr. Hawk questioned if these bonds would have to be rated. Mr. Smida answered yes noting that it should not be a difficult thing to do. He noted what will be difficult would be getting into the queue to get the rating. Mr. Hawk questioned if we should do that as soon as possible. Mr. Smida noted that is \$64,000 question, noting if Congress addressed it before hand then the Township won't have to do anything but we don't know what they are going to do. He noted that Congress is so divided. He noted that National Public Radio did a story a few weeks ago doing an analysis of Congressional action between every presidential election going back to Eisenhower, and nothing was done.

Mr. Crissman questioned, when the Township gets to the rating process, what is your opinion at to where we will fall. He questioned if there would be a ripple effect from the City of Harrisburg. He questioned where you think the Township's rating would be with the economy

improving by some standards. Mr. Smida answered that the Township has already felt the impact if any from the City of Harrisburg. He noted that when the City of Harrisburg missed their first debt service payment in 2009 or early 2010, there was an immediate ripple effect as Derry Township, who has the highest rating for any municipality in Dauphin County, had their rating drop. He noted that Derry Township was infuriated as it had nothing to do with them. He suggested that these reactions are over as he has heard that from various underwriters and financial advisors. He suggested that the market realizes that Harrisburg is distinct from the rest of Dauphin County. He noted that Dauphin County suffered at first, but they are not completely out from under that debt since they are still on the hook. He noted that the analysts know that Dauphin County is the secondary guarantee on a portion of the debt, but their capacity is in the billions so the reality is that it shouldn't hurt the Township.

Mr. Smida noted in respect to the Township's rating he could not provide a definitive answer noting that the question depends on reserves, reserves, reserves, and what you are doing about your budget for reserves, and have you had issues in the past, and if so how did you address them. He noted that is the focus. He questioned, if you want to know what affect the City of Harrisburg has had, the real affect is the market and what a general obligation means in Pennsylvania. He noted that the City has done everything in its power to avoid paying it and we don't know what the final outcome will be. He suggested that it is built into the analyst consideration for what a Pennsylvania municipal rate should be. He noted that the way that we have structured the debt over the years is that the Township issues general obligation debt to take advantage of a favorable rating because you have to get a better rating as one is GEO based and the other is revenue based; but you also have a subsidy agreement with the Authority for that portion of your debt, so that helps, almost providing a double barrel protection. He noted that the answer boils down to what funds do you have in your reserve account, are they committed and are they accessible.

Mr. Smida noted that the fiscal cliff issue will really complicate things but in terms of the Township's rating it should not be much of an issue but the rater would want to know how the Township plans to address it. He noted that it is not like the Township does not have the capacity to pay as it could always raise taxes.

Mr. Crissman questioned Mr. Smida what do you think the Township's rating will be. Mr. Smida answered that it would probably be the same. He noted that more debt that the Township retires the better it would be. Mr. Seeds noted that it helps to have money in the reserve. Mr. Smida answered that is number one, the first question they ask.

Mr. Crissman questioned what other municipalities your firm handles that is close to the size of the Township. Mr. Smida answered Stroud Township in Monroe County, noting that Lower Paxton may be the largest second class Township we handle. Mr. Wolfe noted that we are in the top five for the second class townships.

Mr. Hawk noted that your firm works with a lot of school districts. Mr. Smida answered yes, as well as sewer and water authorities.

Mr. Crissman questioned if the firm has any conflict of interest with any of its staff with the Township since you are already working for us. Mr. Smida answered no.

Mr. Hawk noted that you have worked for Derry Township in the past. Mr. Wolfe noted that Derry Township is only half the size of this Township but budget-wise, they are pretty much our equal. He noted that Springettsbury is an equal as well as Manheim Township, noting that many are smaller municipalities but they spend more money. Mr. Hawk noted that you also have Silver Springs, Susquehanna, and Middle Paxton Townships as clients. Mr. Blain noted that Mr. Smida has worked in Penbrook Borough in the past. Mr. Stine noted that Penbrook only borrowed once.

Mr. Crissman questioned what is the major issue that we would have to deal with for the refinancing. Mr. Smida answered that he does not see any conflict but the major issue would be the timing of the market. He noted that the yields are low at this time but two weeks ago that was not the case. He noted that the market was up this week. He explained that he does not see any legal issues, however, from his perspective, what is always complicated is to confirm what the Authorities portion of the debt is versus the Township's portion of the debt for the subsidy agreement. He noted at the end of the day, it makes it easier for the Township because it frees up borrowing capacity but it a little bit of work to make sure the numbers are correct. He noted for the purposes of the Debt Act, you need to have your subsidy agreement in place as accurate as possible so that you are not bearing more than you need to. He noted that you need to plan for the worse day and have as much capacity as possible. He noted that when you pass your budget

for the year you have already appropriated funds, therefore the bond money should be excluded from the budget as another option that some municipalities do. He noted that the money could be excluded from the debt statement but it is a very aggressive position as it can be done and he has done it for school districts. He noted that he would rather have it correct the first time and not have to come back to fix it.

Mr. Hawk questioned if that provides a specific advantage or does it make it neutral no matter who handles the issue. Mr. Smida answered that once the models are understood by an investment banker or underwriter, it should follow pretty closely. He noted if you pick a certain person as the financial advisor, the investment banker will competitively bid it. He noted that you would want to make sure that everyone understood that there was a subsidy component to the equation. Mr. Hawk noted that most are done by negotiated process. Mr. Smida noted that a lot are, particularly on the refunding as they may be able to structure the deal a little better. He noted for refunding, he would not risk an internet bid sale. Mr. Smida noted with the two minute rule, it is just a matter of exhaustion.

Mr. Crissman questioned who would be the point person from the firm. Mr. Smida answered that it would be him if he is selected; however the Board will meet Ms. Barattini as she is being integrated into this practice. She is the special counsel and not a partner.

Mr. Crissman questioned about an IRS written procedure for this work, what it is and what do we need to do. Mr. Wolfe noted that Mr. Smida had talked to him about this previously. Mr. Smida noted, over the course of the last ten years, the IRS had identified certain transactions that they think require attention. He noted that the real issue concerns the issue price that is all arbitrage driven. He noted that it is somewhat ironic because no one can make arbitrage. He noted that you can't do it, as you can't go out and borrow money and make money on it. He noted that the IRS hired a bunch of people who are focused on tax exempt obligation and they are asking what practices you have in place for advance refunding. He noted they want to know what policies and procedures the Township has as a municipality issuer put into effect to monitor the issue price, and for post compliance which is filing your arbitrage rebate reports. He noted the controversial part is what control the Township has over what the purchasing party will sell the bonds for down the road. He noted that the IRS is hosting this onto the municipalities to say if they turned around and sold them at a premium three days later; how can you say that the

certifications for the day that you sold the bonds are accurate. He noted in the tax exempt world the issue price and all those certifications that you sign are based upon reasonable expectation the moment the transaction closes. He noted that you are not responsible legally for one hour, two day, or two weeks later for what they do with the bonds. He questioned if is realistic for what you are certifying to the IRS. He noted what they want people to do is to put this armor and policy in place so they can say you respect it and if you didn't the target is not the municipal issuer but investment bankers. He noted for every transaction he has, Boenning and Scattergood signed a certificate that certifies under penalty of perjury that the yield is a certain point. He noted what more can you do. He noted that the law is predicated upon the Township's reasonable expectation for what happens the day the money changes hands. He noted unless you were well versed in EMMA and their procedures, to be able to track where the bonds were sold the next day, it is not the job of the Township or his.

Mr. Crissman questioned if the Township needs to have those polices in place. Mr. Smida answered that when this first came up he discussed this with Mr. Wolfe and it is not something quire that simple. He noted if you are going to enact a policy we should follow through with it and he explained that it does not justify hiring someone all year long, but more like providing a quarterly update to make sure that everything is okay.

Mr. Wolfe questioned if there was a boiler plate policy. Mr. Smida answered that he wished there was, and that he has been working on this since June. He noted that he has drafts of policies that he has been putting together for clients.

Mr. Crissman questioned in one sentence why should we hire you. Mr. Smida answered that he will bring an extraordinary value of tangible and intangible to the equation.

The presentation ended at 7:10 p.m.

Discussion with Tom Swank from Colonial Park Fire Company

Mr. Wolfe noted that Mr. Swank is present in regards to the staff overpayment that was made to the three fire company. He noted when the fire taxes became due, the Finance Department transfers the payment to the three fire companies. He noted that Mr. Houck misinterpreted how the Board adopted the 2012 budget fire tax changes and continued to pay the amount to include the amount that was due to the fire tax items to the fire companies resulting in

a payment, by his estimate of an additional \$50,000 to each fire company. He noted that the exact number has not been determined yet but he thinks that each fire company received \$58,000 more. He noted that he along with PSD Johnson and Mr. Houck met with the three fire chiefs on Monday afternoon, and explained what happen and told the fire companies that they need to return the funds as there is no legislative authority to provide those funds. He noted if the fire companies could not pay it by the end of the year, then they would need special considerations for carrying those funds into the 2013 year. He noted that it would provide for a deduction in payments of the 2013 fire tax which would require authorization from the Board of Supervisors. He explained that the meeting ended with staff verifying the exact amount of reimbursement needed from each fire company and with them stating that they would take it to their Board of Directors for further discussion. Mr. Hawk questioned if that was to pay it back. Mr. Wolfe answered that he was not sure what they would do.

Mr. Wolfe noted that all three indicated that they would attempt to try to pay the funds back this year. He noted that Mr. Swank is present to discuss the number to be reimbursed as Mr. Houck's number on Monday was about \$70,000 and he agrees that it should be lower.

Mr. Swank noted that the fire company chiefs will come to another workshop meeting to ask for more funds, noting that he ran 903 calls last year and there are additional training expenses. He noted that for fund raising, he is spending more man-hours than what can be raised, noting that the fire company is sponsoring a 5K Race and his expectation is to have fewer participants than the event had last year. He noted that the days of the fire companies trying to raise revenue have come and gone. He noted that it would cost roughly \$4.3 million to run a municipal fire company. He noted that he is asking for more funds, not to drive around in a Rolls Royce but he needs some help then he can stop the fund raising events so the members have more time with their families.

Mr. Hawk questioned what Mr. Swank was looking for. Mr. Swank answered when the three fire chiefs came last year, the number that they requested was an extra \$70,000, and when they received the extra money it was thought to be additional funds the Township provided to the fire companies. He noted that it was less than the \$70,000 we requested but close enough. He noted that he will continue to do the Christmas tree fundraiser and mass mailings, and that will make up that difference.

Mr. Hawk noted when you spend more than \$70,000 you thought you... Mr. Swank noted that he is not over budget... Mr. Hawk noted that it hurts the Township's bottom line. Mr. Wolfe noted that there are two issues for this situation, and it was discussed on Monday with all three fire companies. He noted that the first issue is that we are here to meet only about the first issue, an overpayment not authorized by law, and the two options to get the funds back. He noted that the second issue is one for the Board of Supervisors' having the fire companies' allocation for 2013 increased. He noted that the two items are exclusive of each other. He noted that the purpose for Chief Swank being here tonight is that the fire companies want more funds.

Mr. Crissman noted that staff needs to resolve the final amount to be refunded to the Township and when that is determined, then you need to resolve how to repay it, doing it this year or taking it as a deduct for the 2013 budget. Mr. Swank noted if his fire company only received \$2,400 for one quarter of this year that does not help to pay back the money. Mr. Crissman noted that you must determine how this could be resolve in the fire companies budget.

Mr. Crissman noted that the second issue is the request for additional subsidy. He noted that you need to get to the Board now as it is already discussing the budget. Chief Swank noted that is why he is here. Mr. Wolfe noted that he told Chief Swank that you need to discuss this with the Board as staff can't help with the allocation amounts for 2013. He noted that someone brought up the issue that there would be a reduction in the allocation and he stated that he has never seen an indication by anyone on the Board that they would ever reduce the allocation to the fire companies. Mr. Hawk noted that until you hear it from the Board, it is just a rumor.

Chief Swank noted that he and Chief Payne will come to the workshop session. Mr. Crissman noted that all three chiefs need to come to the meeting. Chief Swank noted that there will be two present for the meeting. Mr. Crissman noted that he would like unity between all three fire companies and although it doesn't exist, he would like it. Chief Swank noted if you let us know when we need to attend the meeting, we will be there.

Mr. Seeds questioned how long ago the check was given to the three fire companies. Mr. Wolfe answered that it would have occurred in July and he found it in the August report. He noted that the 2nd Quarter Key Indicator Report was fine because the misunderstanding was with how Mr. Houck understood from the budget. Mr. Seeds questioned what the fire companies thought when they received the extra money. Chief Swank explained that he called and asked if

this was correct and was told that it was and assumed that it was right as they felt they were granted their request for extra funds. He noted that it was \$20,000 less than what we asked for but \$50,000 was more than a halfway meeting point. Mr. Crissman noted that he and staff feel badly about the misunderstanding as the Township is required to pull it back. Chief Swank noted that his comfort level would be not to have to ask for funds, only to ask to have the Township pay for the fire equipment.

Mr. Crissman questioned if there is a clear direction for the two issues and for what needs to occur. Mr. Wolfe suggested that the last budget meeting should be the last Tuesday in October. Mr. Crissman noted that all three chiefs need to be invited to attend that meeting. Mr. Wolfe noted that he would have PSD Johnson take care of that.

Chief Swank noted that Chief Fife stated during Monday's meeting that he did not want to be involved in the request for additional funding. Mr. Crissman noted that would be his choice and he wants to make sure everyone is included.

Adjournment

There being no further business, Mr. Blain made a motion to adjourn the meeting. Mr. Hornung seconded the motion, and the meeting adjourned at 7:21 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary