

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Board Meeting held January 21, 2009

A special business meeting of the Board of Supervisors of Lower Paxton Township was called to order at 12:07 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: David B. Blain, and William C. Seeds, Sr., by conference call.

Also in attendance were George Wolfe, Township Manager; Tom Smida, Mette, Evans, and Woodside; and Mike Bova, Boenning & Scattergood, by conference call.

Pledge of Allegiance

Mr. Hawk suspended the recitation of the Pledge of Allegiance.

Public Comment

No comments were presented.

Continued discussion with Mike Bova regarding the potential to
invest in bonds issued by local governments

Mr. Wolfe explained that he had Mr. Bova on a conference call from Pittsburgh, and that Mr. Bova would explain the particulars to the Board members.

Mr. Bova explained that after the workshop meeting of January 13th, he started to put together a preliminary official statement which he finished Tuesday morning. He then supplied that information to Moody's. He noted that he and Mr. Wolfe engaged in a conference call with a Moody's analyst on Friday, and it went very well as Mr. Wolfe explained the Township the negatives that occurred in 2008 and the projections for 2009. He noted that Moody's reaffirmed

the Township's bond rating of Aa3 at 11 a.m. on Tuesday. He noted that he then priced the bonds. He explained that last week there was a window for two or three days where the rates were incredibly low, and when he ran the numbers at that time, the savings were well over \$400,000. He noted that the low rates brought a number of deals to the marketplace, and when that occurs, there is more supply than demand and rates rise. He noted that between seven and eleven deals were brought to the market yesterday. He noted that last Tuesday, the run showed a savings of \$184,000, but yesterday he re-priced twice and ended up with a total savings of \$282,956.10. He noted a present value savings of \$278,394.90, which is a savings of 4.1305%. He explained that he blew through the 2.5% level.

Mr. Bova noted that he sent Mr. Wolfe a comparison of four other deals, three that were done yesterday along with Lower Paxton, as well as a competitive deal for Montgomery Area School District that was also completed yesterday, noting that Mr. Smida was bond counsel for that deal.

Mr. Bova noted that of all the deals completed yesterday, Lower Paton was the only deal that was completed without insurance, which saved \$25,000. He noted that the yields on the Township's bonds are at or lower than every other deal that was done, including the competitive deal. He noted that today's yield for the Stroudsburg School District is substantially higher. He noted that he did a run to see what the savings would be if the Township deal was completed today, and it would have been \$45,000 less.

Mr. Bova noted that he did the entire deal as non-callable. He explained that typically for a deal of \$10 million, you would have a 5-year call on it, but because this deal was so short, the maturity of 2018, the minimum call that you could put on the deal was five years, so for a five-year call on the deal, the bonds in 2015 would have been callable, but he would have had three years, and there was no way to get any savings out of leaving those bonds out. He noted that he made the bonds non-callable and it helped a little, but not a whole lot. He noted that the

Township would receive the savings over two-years, \$147,000 in 2009 and \$138,000 in 2010. He noted that other than that, all the dates for debt service match up.

Mr. Bova explained that he was on a very tight schedule having only Wednesday through Friday to work on the deal since Monday was a holiday. He noted that he had tremendous cooperation from Township staff, Moody's, Mr. Stine and Mr. Smida.

Mr. Bova noted that Mr. Smida has prepared and reviewed the Ordinance and the documents prepared for the Township to approve. He noted that the Ordinance would authorize execution of the bond purchase agreement, noting that the agreement has been reviewed by bond counsel, and Mr. Stine, and all the changes have been made. He noted that it is a bond purchase agreement that he has used with the Township on at least two other occasions.

Mr. Smida noted that the Ordinance is a 52-page document, extended since both 2002 and 2004 bonds are included. He noted that it is an Ordinance that authorizes two series of general obligation bonds, Series A, in the aggregate principal amount of \$4,240,000, and Series B, in the aggregate principal amount of \$2,600,000. He explained that the Series A bonds would be used to refund all of the outstanding series of 2002, and the Series B bonds would be used to refund a portion of the outstanding series of 2004. He noted that the 2002 bonds would be called on the date of issue of these bonds which is February 25, 2009, and the 2004 bonds would be called on the earliest possible date which is May 15, 2009. He noted that the Ordinance authorized the refunding projects, authorizes the execution of the bond purchase agreement, that contact provisions that dovetail what Mr. Bova discussed in terms of economics, and set forth the substantial forms of both of the bonds, including requirements under the Internal Revenue Code and Security Exchange Act of 1934, and that the Township would enter into paying agent agreement with Manufacturers and Traders Trust Company, the paying agents on the 2002 and 2004 bonds. He noted that it creates, as required under the Local Government Debt Act, sinking funds for the repayment of these obligations. He noted that the bonds are non-callable so there

are no redemption provisions set forth in them. He noted that it repeals any inconsistent ordinances and authorizes the appropriate officers to file the appropriate transcript with the Department of Community and Economic Development.

Mr. Bova noted that his staff did included Raymond James as a selling group member; however, they chose not to participate. He noted that he sold \$1.5 million of the \$4 million bonds, and still has a balance of a little over \$2.5 million. He noted if you look at the scales of the other deals that were done, he was very aggressive.. He noted that there were a lot of other deals that were out there that were a lot cheaper, and provided more yield.

Mr. Blain made a motion to approve Ordinance 09-02, the authorization for the new bond issue at \$6,840,000. Mr. Seeds questioned if Raymond James was involved in the deal. Mr. Hawk answered that they were given the opportunity, but declined. Mr. Seeds questioned when the bonds are callable. Mr. Smida answered that the Series of 2002 bonds would be called on the date of settlement, February 25, 2009, and the Series of 2004 bonds would be called on May 15, 2009. Mr. Seeds questioned if the Township would continue to have level debt service. Mr. Bova answered that it matches almost to the dollar. Mr. Seeds questioned if the Township is legal to do this transaction as he noted that he could not sign the Ordinance since he was not present. Mr. Hawk noted that the Board did not need Mr. Seeds' signature, only a second to Mr. Blain's motion which is to approve Ordinance 09-02 for \$6,840,000. Mr. Seeds seconded the motion. Mr. Hawk called for a roll call vote: Mr. Blain, aye; Mr. Seeds, aye; and Mr. Hawk, aye.

Mr. Wolfe noted that Mr. Smida needed signatures on the Ordinance, as well as the bond purchase agreement. Mr. Smida noted that he had the documents in his possession. He requested Mr. Bova send signed Bond Purchase Agreements to the Township.

Adjournment

There being no further business, Mr. Blain made a motion to adjourn the meeting. Mr. Seeds seconded the motion, and the meeting adjourned at 12:25 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary