

October 5, 2016
11:15 AM

The Special meeting of the Township Board of Supervisors was called to order by Chairman Kehoe for the purpose of discussing refinancing options.

ATTENDANCE

Phil Kehoe, Chairman
Carl Kuhl, Supervisor

Michael Pykosh, Solicitor
Catalina Araiza, Manager
Karen Lowery, Recording Secretary

GENERAL AUDIT DISCUSSION

Mr. Kehoe stated that this meeting is being held to discuss the refinancing options with PFM in regard to bank loan vs. bond issue and the pros and cons of each.

Mr. Kehoe added that his is uncomfortable with making a cash contribution of approximately \$1 million with the unstable situation of many unknowns with SMTMA and the new owners of Allenberry requesting additional capacity. There has also been a proposal from the Municipal Authority to begin I&I repairs. He feels the timing is right to proceed with the refinancing, but with so many unknowns he would prefer to hold onto the cash and reevaluate the situation in a year to 18 months.

Mr. Kuhl agrees that there are many unknowns at this time with SMTMA, I&I issues and an 18 year old study. The concerns are not in the Northern district, but in the Southern district. He asked Mr. Williard if the township would need to borrow money next year would there be any issues. Mr. Williard suggested the township know what is happening before contributing cash to the refinance. He added that a bond would be callable after 5 years, so cash could be worked in then. Or a bank loan can be pre-paid at any time, so cash contributions can be paid when the Board feels comfortable. Additional borrowing next year wouldn't be a problem.

Mr. Eckerd stated that the funds are available to pay off the Northern district's portion of the 2010 bond and there will be plenty of reserves left.

Mr. Williard stated that we are not refinancing the 2001 Note, as it is for general township debt. That lowers the amount of cash needed to get below the threshold of \$10 million to approximately \$350,000.

Mr. Lundeen added that PFM could negotiate with the bank if additional cash was going to be paid in at a later date to play the payment to the principal rather than shorten the length of the loan.

Mr. Williard reviewed a report provided to the Board showing that 5 banks gave loan proposals with F&M Trust offering the best rates overall. The bond would have a fixed rate over the life of the bond with a savings of approximately \$1.1 million.

Mr. Williard stated the pros to a bond is that the rate is fixed the con would be that the rates could change in the next 2 weeks until locked in. The pros to a bank loan are that pre-payment can be done at any time and the con is that the rates reset in 5 years.

Mr. Kuhl asked what route other government agencies are taking, bank vs. bond. Mr. Williard stated that for this long of a term most of them are going with bonds since it locks in a rate. Mr. Lundeen added that for terms of 15 years or less, bank loans are more utilized.

Mr. Kehoe asked which option puts us in a better position for future borrowing. Mr. Williard stated that neither would impact our borrowing needs.

Mr. Eckerd and Mr. Beck stated they were in favor of the bank loan due to the flexibility. Mr. Beck added that there is \$100,000 more in issuance fees with a bond.

Mr. Williard reminded the Board that there is also a 2 step option of refinancing all of the bonds and loans, except for the 2010 bond. After taking time to figure out where the unknown matters are going, cash could then be applied to the 2010 bond. This option would lock in 90% of the debt.

Mr. Kuhl added that the Municipal Authority Board recommended that the 2010 bond be paid off. Mr. Kehoe added that there is an accumulation of funds and the question is to fix problem areas or pay down debt.

On the motion of Mr. Kuhl, and seconded by Mr. Kehoe, and by unanimous vote of the Supervisors it was duly RESOLVED to utilize approximately \$350,000 of Northern District funds toward the debt refinancing.

Mr. Pykosh clarified that with the 2 step option there wouldn't be a cash contribution to the refinancing, but it could later be put toward the 2010 bond. Mr. Williard confirmed. Mr. Beck added that he would prefer to refinance all of the debt.

On the motion of Mr. Kuhl, and seconded by Mr. Kehoe, and by unanimous vote of the Supervisors it was duly RESOLVED to refinance the 2011 Note, 2011 Bond and the 2013 Note with no cash contribution with a bond issuance. The 2010 bond will not be refinanced.

On the motion of Mr. Kuhl, and seconded by Mr. Kehoe, and by unanimous vote of the Supervisors it was duly RESOLVED to withdraw the previous motion of utilizing approximately \$350,000 of the Northern District funds toward the debt refinancing.

Mr. Lundeen explained the process and that he will be preparing a legal document establishing the parameters of direction for the finance team and the Chairman, which will be ready for the October 13th meeting. He also requested that the Municipal Authority Board hold a special meeting to coincide with the Supervisors meeting on October 13th at 7:00 PM to approve documentation. This matter should be added to the Supervisors agenda and the Special meeting will need to be advertised if a quorum can attend.

ADJOURN

Mr. Kehoe adjourned the special meeting at 12:40 PM

Respectfully submitted,

Karen M. Lowery
Recording Secretary