

**TOWNSHIP OF LOWER MAKEFIELD  
BOARD OF SUPERVISORS  
SPECIAL MEETING MINUTES – JANUARY 25, 2005**

A Special Meeting of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on Tuesday, January 25, 2005. Chairman Pete Stainthorpe called the meeting to order at 6:10 p.m.

Those present:

**Board of Supervisors:** Scott Fegley, Supervisor, Vice-Chairman (absent)  
Grace Godshalk, Secretary/Treasurer (absent)  
Steve Santarsiero, Supervisor  
Frank Fazzalore, Supervisor  
Pete Stainthorpe, Chairman

**Others:** Jeffrey Garton, Begley, Carlin and Mandio  
Jim Majewski, James Majewski, Township Engineer  
Gordon Walker, Public Financial Management

**I. CALL TO ORDER**

**II. PLEDGE OF ALLEGIANCE**

**III. ROLL CALL**

**IV. PUBLIC COMMENT**

Mr. Stainthorpe asked if there was any public comment. No public comment was noted.

**V. RESTRUCTURE GOLF COURSE DEBT**

Mr. Gordon Walker of Public Financial Management was present at the meeting. He noted he has been working with members of the Township relating to golf course financing who were present, Ms. Sheridan, Mr. Taylor, Mr. Fazzalore and Ms. Kilker. He stated the group has met several times to discuss converting all or part of the golf course loan to a fixed rate. Mr. Walker said he has been working with Mr. Taylor over the last two years giving him updates on what the conversion rates would be.

Mr. Walker stated the memo to Mr. Fedorchak indicates that this week's Del Val rate is 1.78% with an administrative fee of .4%; therefore the rate on the golf course loan is 2.18%. He stated the Fed has lowered rates eleven times and raised rates five times in the past. The Township could pay up to 3% on the variable loan so the Township could fix part of the loan at 3%, giving the Township some insurance on its money. Mr. Walker said the Township has a large loan, almost \$16,000,000, and if the Township were to convert the entire amount the interest rate would be higher. Mr. Stainthorpe asked if the amount of the loan increases the rate. Mr. Walker stated the length of the loan increases the interest rate.

Mr. Walker stated by the converting the earlier maturity, the Township would have a lower rate than if converting the whole loan or the back end of the loan. Mr. Walker stated he and the group discussed converting the front end of the loan or the maturity of the loan through 2021. Mr. Walker stated the

amount to be converted would be \$7,455,000 and \$7,570,000 would be the amount the Township would have to borrow to payoff Del Val and replace the bond issue debt service.

Mr. Walker stated there are two ways to accomplish what he has presented tonight. He said the Township could call Del Val and convert the loan to a fixed rate, using the five-year call. He said the interest rates he has presented tonight are rates that prevail in the bond market, which are weighted at an average rate of 3.44%. Mr. Walker said the Township could convert to a Del Val rate, which is presently at 4.07%, and just this week, Del Val raised their administrative charge on a fixed rate loan by 10 basis points, therefore the rate would be 4.17%. Mr. Walker said if the Township does a bond issue there are no add-on fees, it is fixed unless the Township decides to refinance the loan.

Mr. Stainthorpe asked if the interest rates are based on other bonds in the bond market. Mr. Walker said there are two to three being done a day in Pennsylvania which are AAA insured bonds and said the market is good right now for the issuer. Mr. Stainthorpe asked Mr. Walker how he determined what the fixed portion should be to convert. Mr. Walker said he wanted to come up with a bond issue that would produce debt service on this portion which was not too far from the original budget projections of 3 ½ %. He said he did that by shortening up the loan to the point of a 16-year loan. Mr. Walker said by doing this the Township would wind up with a mix of 46.7% of the loan converted to a fixed rate and the balance of the loan, 53.3% would remain variable. He said the Township could come back in three years and convert some or the entire loan, which is callable at anytime.

Mr. Walker said there are small issuance costs involved in doing a bond issue, but that is factored into the loan. Mr. Walker said there are three elements of cost, pay the underwriter which is bid out, bond insurance which is bid out, and the fixed costs of bond council fee, Mr. Garton's fee, Mr. Walker's fee, rating fee, printing cost, etc. which total approximately \$50,000. The total fees are \$107,000.

Mr. Stainthorpe asked if there is any benefit to convert to a fixed rate with Del Val. Mr. Walker said Del Val has higher rates and fees involved with the loan. Mr. Walker said not only are the rates changing with Del Val but also, the relationship is changing. Mr. Santarsiero confirmed that the advisory group's recommendation is to fix 46.7% of the loan. Mr. Walker said if this was only a 3 or 4 million dollar issue he would not be standing here making this recommendation, but because the Township has a 16 million dollar variable rate loan, the advisory group recommends converting part of the loan to a fixed rate. Mr. Santarsiero said it is not an issue in his view of trying to lock in the loan; his only concern is the percentage of the loan to lock in. Mr. Santarsiero asked what if the rate on the variable portion of the loan jumps. Mr. Walker said he looked at locking in rates one year from now and anticipates rates to be a little higher, and in answer to Mr. Santarsiero's concerns, said the Township could choose to lock in a little more of the loan such as a 50/50 split. Mr. Fazzalore said that the Township needs these first years on the golf course to be revenue conscious. Mr. Fazzalore noted the interest rate would be higher if the entire loan is converted.

Mr. Stainthorpe asked if anyone had any comments. Ms. Sheridan noted that a five-year call is a good idea because the Township is at a 10-year call on the 2001 issue and the Township may have wanted to call the issue to change the rate and the Township cannot. Ms. Sheridan noted if the loan is at 2.18% and the Township will go to 3.44%, that is a 1-¼ point difference. She noted judging from recent trends, how long would it take to meet the 3.44%, maybe 1 ½ to 3 years. She noted the benefit is that part of the loan would still be at a variable rate, therefore supplementing the savings to a certain point where the Township would have revisited converting to a fixed rate. Mr. Santarsiero stated that is his

concern, he agrees with the recommendation, but he is concerned about such a great percentage of the loan floating. He said the short-term indications are not going up, but is concerned that the Township is exposing itself too greatly on the floating rate. Mr. Fazzalore said there are factors in the economy that demand interest rates go up, the balance of payments, debt, etc. He said we know interest rates are going to go up and converting part of the loan is a good idea

Mr. Garton asked Mr. Walker when he does an auction, could he do an auction with options. He asked if he could do an auction for one proposal of 16 years another with 18 years, etc. and see what the Township could get. Mr. Walker said we could change the amount of the loan but what Mr. Garton is asking to change the term is a problem. He suggested if the Township wants to play around and explore a little longer or a little shorter term, the Township would be better off with a negotiated sale of the term of the loan instead.

Mr. Taylor said the advisory group investigated what it would be to fix the entire issue and the rate was 4.33%. Mr. Walker said the Township could move this bond issue ahead and make a last minute decision on the length based on what is happening in the market. Mr. Stainthorpe agrees the Township should convert a portion of the loan, but the Board of Supervisors want final signoff on the terms of the loan.

Mr. Stainthorpe asked if there were any other comments on the issue of converting part of the golf course loan. No comments were noted. Mr. Garton stated the Board of Supervisors need to give direction to Mr. Walker to move ahead and then vote at another meeting to approve the conversion to move forward. The Board gave their approval for Mr. Walker to move ahead.

Mr. Walker asked if he should take up the issue of the bond council. Mr. Garton said in the past the Township has done bond council by a competitive bid of ten firms. He said two years ago the Township used Mr. Bob Moore from Harrisburg who was very low in the past and would keep the same fee as two years ago. The Board agreed to use Mr. Moore again.

Mr. Walker stated he would work with Ms. Sheridan to get everything ready and discuss the details with the Board of Supervisors in a few weeks.

## **VI. APPROVED BY-LAWS FOR SOUTHEASTERN BUCKS LEAGUE OF MUNICIPALITIES**

Mr. Fazzalore asked if every member Township has to approve the by-laws. Mr. Santarsiero stated yes, they have to all signoff on the By-Laws. Mr. Santarsiero stated he drafted the By-Laws, which read it is non-binding on municipalities, and the By-Laws set forth the League's goals. He stated the decisions lie with the municipalities

Mr. Santarsiero moved, Mr. Fazzalore seconded and it was unanimously carried to approve the Southeastern Bucks League of Municipalities By-Laws.

## **VII. AWARDED 2005 REFUSE COLLECTION AND DISPOSAL BID TO MCCULLOGH RUBBISH REMOVAL**

Mr. Stainthorpe asked if the trash removal bid covers the Township building and the pool. Mr.

Majewski stated the bid includes all Township facilities such as the golf course, Kids Kingdom, pool, Township building and Macclesfield. He stated the Township received two bids and McCullough was the lowest.

Mr. Santarsiero moved, Mr. Fazzalore seconded at it was unanimously carried to award the 2005 refuse collection and disposal to McCullough Rubbish Removal at a cost of \$16,320.

#### **VIII. AWARDED BID TO DEMOLISH STRUCTURE AT 979 SANDY RUN ROAD**

Mr. Hoffmeister was present at the meeting. He stated a court order was issued in August to demolish the structure. He stated he is at this meeting to ask the Board for its approval of the bid for demolition of the structure. Mr. Fazzalore asked what happens to the land. Mr. Garton stated the owner still owns the land but the Township could get a lien on the land for the cost of demolition, take the land and sell it in the future, but noted the Township is not at that point yet.

Mr. Stainthorpe stated the house, which has not been lived in for five years, is in serious disrepair. Mr. Garton stated the neighbor entered the court order to demolish the house.

Mr. Hoffmeister stated a lien would be put on the land so the Township could eventually recoup the cost of demolition. He stated the owner has been notified of the demolition and he estimated the demolition at more than \$25,000, noting the current bid is much less than he estimated.

Mr. Fazzalore moved, Mr. Santarsiero seconded and it was unanimously carried to award demolition of the structure at 979 Sandy Run Road to Holley Enterprises, Inc. at a cost of \$16,500.

#### **IX. OTHER BUSINESS**

There being no further business, Mr. Stainthorpe moved, Mr. Fazzalore seconded and it was unanimously carried to adjourn the meeting at 6:40 p.m.

Respectfully submitted,

  
Grace Godshalk, Secretary