

**TOWNSHIP OF LOWER MAKEFIELD
BOARD OF SUPERVISORS
SPECIAL MEETING MINUTES – MARCH 29, 2005**

A Special Meeting of the Board of Supervisors of the Township of Lower Makefield was held in the Municipal Building on Tuesday, March 29, 2005. Chairman Pete Stainthorpe called the meeting to order at 4:35 p.m.

Those present:

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

Others: Jeffrey Garton, Begley, Carlin and Mandio
Terry Fedorchak, Township Manager
Heidi Sheridan, Finance Director
Scott Shearer, PFM
Kristen Kilker, PFM
Tom Smida, Mette, Evans & Woodside

- 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. CONSIDER AUTHORIZING AND DIRECTING ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$7,565,000**

Ms. Sheridan said there would be a presentation by Scott Shearer and Kristin Kilker both of PFM about the results of the Internet bond auction and review of the packet that was distributed to the Supervisors by PFM.

Mr. Shearer and Ms. Kilker introduced themselves. Mr. Shearer stated the bond sale ran from 10:30 am to 10:35 am on the Internet.

Mr. Shearer said to get the bond issued, the Township had to go to a credit agency for a credit rating. He stated his firm went to Moody's on behalf of the Township and was given an Aa3 credit rating, which is a very good municipal rating.

Mr. Fazzalore asked if an Aa3 credit rating requires bond insurance. Mr. Shearer said it is an option for the underwriters to purchase or not purchase bond insurance at the bond sale. He stated all of the underwriters who bid at the auction purchased the insurance. Mr. Fazzalore asked if the Township pays for the bond insurance. Mr. Shearer said yes.

Mr. Shearer gave an overview of the six main bidders and noted that Mellon Financial Markets had the lowest bid at 4.1194%. He discussed all of the golf course project bonds that are out at this time all of which are at a variable rate and their maturities to be locked into the fixed rate. He stated the remaining bond pool notes are at a variable rate in the amount of \$8,506,000.

Mr. Fazzalore and Mr. Santarsiero asked why is the rate on page 7 at 3.5%. Mr. Shearer stated that is a comparison of yield issue rate; the rate of 4.048808%, which is reported to the IRS by the Township, is the new arbitrage yield.

Mr. Stainthorpe asked what is the new interest rate on the fixed portion of the money. Mr. Shearer stated the average coupon rate is 4%. Mr. Fazzalore asked what is the 2.55% rate on? Mr. Garton stated that rate is on the loan costs of \$5,000 to be paid off in June 2006. Mr. Fazzalore said the Township needs the lowest interest rate on the money borrowed in the first three operating years of the golf course. Mr. Shearer said the average coupon rate is 4% and the 4.04% includes costs of the bond. Mr. Santarsiero asked Mr. Shearer to go over the bond costs. Mr. Shearer said the costs include an underwriter's discount of \$47,544.70, original issue discount of \$21,630, bond insurance premium of \$20,200 and cost of issuance of \$55,000. Mr. Shearer said 4.11% is the TIC (true interest costs), which is the underwriter's cost. Mr. Santarsiero asked Mr. Shearer to confirm that the TIC does not include the insurance premium costs. Mr. Shearer said that is right.

Mr. Fedorchak asked who the underwriters were. Mr. Shearer stated Mellon Financial. Mr. Fazzalore asked where is PFM's fee? Mr. Shearer PFM's fee is in the cost of issue of \$55,000, which fee is split between PFM, the solicitor, Moody's, JP Morgan, the printing firm and other miscellaneous parties. Mr. Fazzalore asked Ms. Sheridan for a breakdown of the distribution.

Mr. Stainthorpe said based on the auction today, how does that affect the yearly payments on the loan versus what is going on today. Mr. Shearer asked the Supervisors to refer to the Summary of Debt Service after Refunding. He stated the interest payments would increase. Mr. Santarsiero asked why the current debt service is being aggregated on the Summary of Debt Service After Refunding page. Mr. Fazzalore stated that the variable rate is 2.4% right now.

Ms. Sheridan stated it is her recommendation that the Township move forward with this. She stated this bond has a five-year call and a 3.5% benchmark. She stated the Township would pay \$33,000 more a month at the new rate but the Township has saved more than \$720,000 in interest to date. Mr. Stainthorpe stated it is prudent for the Township to do this now. Mr. Garton stated the variable rate is continuing to increase.

Mr. Stainthorpe stated the next step would be for the Supervisors to accept the results of the auction and accept the ordinance. Mr. Santarsiero noted if the variable portion of the loan increases the Township could fix that portion also.

Mr. Fegley excused himself from the meeting.

Mr. Fazzalore said the Township should have done this in January. Mr. Garton said the Township couldn't have.

Mr. Stainthorpe asked for a motion to accept the results of the auction and the ordinance. Mr. Santarsiero moved, Mr. Fazzalore seconded and it was unanimously carried to approve the motion.

VI. OTHER BUSINESS

Mr. Santarsiero asked the Supervisors to consider forming a Committee to look at needed road improvements in the Township. Mr. Fazzalore stated the Township had a Traffic Committee in the past, which had not been enacted in several years. Mr. Garton said a study was recently done by Pickering, Corts on the condition of the roads in the Township. The Supervisors agreed to put this issue on the next meeting agenda.

There being no further business the meeting was adjourned at 5:00 p.m.

Respectfully submitted,



Grace Godshalk, Secretary

