

Index

Upper Darby Township Council Meeting

November 2nd, 2016

Call of the meeting	242
Roll call	242
Public Forum	242
Mayor Micozzie	
<i>Mayor Micozzie read the trash and re-cycling schedule for the week including Election Day</i>	242
Committee Reports	
Finance & Appropriations Committee Thomas P. Wagner, Chairman	
Introduction of Ordinance No. 3030, an Ordinance authorizing the issuance Of General Obligation Bonds in a maximum aggregate principal amount Of \$18,000,000	242-248
Motion to introduce approved	249
Adjournment	249

A regular meeting of Upper Darby Township Council was held on Wednesday evening, November 2nd, 2016 at 7:30 p.m. in the Council Meeting Room #202 of the Municipal Building, 100 Garrett Road, Upper Darby, Pennsylvania.

The meeting was called to order by Council President Donald P. Bonnett with the Pledge of Allegiance to the flag of the United States of America.

Roll Call

Donald P. Bonnett, Thomas P. Wagner, Edward E. Monaghan, Jacob A. Bierling Jr., Sekela Coles, Robert Gwin, Barbarann Keffer, Marc Manfre, Lisa Faraglia, Sheikh M. Siddique, Patrick Spellman

Present at the Meeting

Thomas N. Micozzie, Mayor
Thomas J. Judge Jr., CAO
Kelly Sullivan, Esquire
Richard G. Nolan, Chief Municipal Clerk

Public Forum

Mr. Bonnett: This is the time set aside for the public to speak. When you hear your name come forward to the podium and state your name and address for the records. Comments are limited to five minutes.

Shannon Thomas, 8014 Arlington Avenue
Thank you

Mary Cannon, 8100 Arlington Avenue
Thank you

Paul Kane, 8003 Arlington Avenue
Removal of Trucks and Commercial Vehicles signage

Jason Shepherd, 952 Brenton Road
Thank you

John Dabagian, 35 N. Linden Avenue
Riggs Distler & thank you

Nicholas Hoyt, 300 Edmonds Avenue
Dermond, thanks

Richard Blye, 274 Kent Road
Ongoing issues

Their comments are filed on tape.

Mr. Monaghan: That concludes the speakers for this evening.

Mr. Bonnett: Thank you, Ed. This is the time set aside for our Mayor, the Honorable Thomas N. Micozzie.

Mayor Micozzie read the trash and recycling schedule for the week including Election Day.

Mr. Bonnett: Thank you, Mayor. At this time we will move to the Committee Reports beginning with the Finance & Appropriations Committee, Councilman Wagner, please.

Committee Reports

Finance & Appropriations Committee

Thomas P. Wagner, Chairman

Introduction of Ordinance No. 3030, an Ordinance authorizing the issuance of General Obligation Bonds in a maximum aggregate principal amount of \$18,000,000.

Mr. Wagner: Thank you, Mr. Bonnett. Tonight we have a very important matter to discuss, which is the introduction of Ordinance No. 3030, which is referred to as the "Capital Budget Borrowing Ordinance." Basically, it would authorize the issuance of General Obligation Bonds in a maximum aggregate principal amount of \$18,000,000. The details of this are going to be explained to the entire Council by our attorney for this purpose, Mr. Marc Stein and also by 2 representatives of PFM Financial Advisors who are here. Mr. Judge will also provide some details here and there. This has been explained to and reviewed by the Finance Committee already which consists of Mr. Bierling, Mr. Gwin and myself. I can tell you that we have all unanimously agreed that we are going to recommend to the Council to act favorably on this Ordinance.

Mr. Judge introduced Marc Stein, Bond Counsel and Anna McNurlen, the representative from PFM Financial Advisors. He then asked Scott Shearer, Esquire to give a brief explanation.

Mr. Shearer: Good evening again. I will be reviewing the handout with the yellow cover hitting on some of the main pages and maybe skipping around a little bit. First and foremost, on page

one, as far as the question we always get when it comes time for a borrowing is how is the interest rate market? There are many different graphs that we can show but here are two snapshots on page one. Maybe I'll have you focus on the bottom of page one. This is a 10 year municipal index which closely correlates to your transaction. So this chart represents a? index that gives us a general proxy of the structure of your transaction and indicative interest rates related and you'll see that this goes back about 10 years. When you follow it to the far right hand side, you can see we're about a half percent or maybe a little bit better than the all-time lows. So again, looking from a historical perspective, right now the Township is entertaining this borrowing for this first reading tonight's introduction at a very opportune time in the longtime borrowing markets. Going to page 2, Section one, we've been working with the Township now for several months on understanding the new money needs and understanding the goals of the financing plan that the Township has set out for so basically what we're solvent for at the moment is the needs of approximately \$15 million for various Capital projects through 2019. So, that's our goal but the Township has a longer Capital improvement plan but for various reasons we're focused on the first 3 years to make this first borrowing efficient. Of the \$15 million.....

Mr. Wagner: Sorry to interrupt you again but I think it's important to state that these are very important purposes for the Township which are being funded here, not the least of which is new street lights throughout the entire Township and all sorts of equipment that our Police and Fire and Public Works people need to do their jobs safely. Mr. Judge, am I correct about that?

Mr. Judge: Yes.

Mr. Wagner: I just wanted to underline that for all members of Council as well as for the public because this money is for very important purposes for the Township.

Mr. Shearer: It's not only for very important projects but I think also we represent a lot of municipalities across the Commonwealth and one thing that we did notice early on in our discussion and it's included in this handout is the very extensive Capital Budget plan that the Township does have. So, from a planning purpose that is something that is very useful for our legal counsel part to satisfy various things that we were looking at. So again, congratulations to the Township for having the foresight to have a long range Capital plan. This has helped tremendously from our standpoint. Letter B under Section 1, again one of the key projects or initiatives in this \$15 million is the street lighting project so we're looking at that in the overall financing plan to make sure that we are amortizing it correctly. There are various rules we need to follow but again, we're leaving the flexibility in the borrowing so we will definitely be able to capture that project. From a budgetary standpoint, Letter C under Section 1, it's very important from a budgeting standpoint that there is really no impact in the 2017 calendar year from the borrowing so we're using a very common technique called Capitalized Interest where you use some of the borrowed money to help pay for the debt service early on in 2017 and as the debt service phases in in 2018 thereafter. So, that's one of the financial goals that we were working towards. One of the things that we wanted to do for the Township and the Township had asked is to look at all of the various financing options that are available here so we can come back with

various financial proposals so the Township, Administration and Board can be educated on the various financing vehicles and to get comfortable with the financing vehicles. We would understand more the risk ? and more of the goals and the overall financial picture of the Township so we can all come to a comfort level and also make recommendations on how to proceed. So, we looked at a ? and we have in more detail we sent out our ? to somewhere between 30 and 40 various banking institutions in the region and outside a little bit. We got a handful of good responses. We also compared that to a traditional fixed rate bond issue as well that we'll get into and we also looked at a ? loan through the Delaware Valley Regional Finance Authority. That's what we call our multi-track approach. And there are other issues that the Industrial Development Authority here in the Township is looking to do so from our perspective, we just need to make sure that we're looking at not only the Township's needs but also some of the other needs that are coming ? to make sure that we are compliant with all the various legal requirements of Federal law and State laws and again that is one of the many roles of the Bond Counsel and Solicitor that they are hired to do. Section 2, as far as the multi-track results, again with the Bond issue we were having a discussion with Citigroup -----Global Markets, the selected underwriter for the Township. We had multiple -----proposals. Again, that is outlined on page 13 that illustrates the results of that, and again, the Delaware Valley Regional Finance Authority. And, the bottom point on page 2, again based on the quantitative aspect of analysis that we did with this multi-track approach based on more of the qualitative conversations and dialogue that we were having with the Township and the Finance, I think we were all most comfortable after we understood everything that the Bond issue would be the best route for the Township for this transaction. So again, you'll see that many of the numbers in here reflect the Bond issue assuming that Citigroup Global Market as the underwriter working with the rest of the finance team. On the top of page 3 in Section 3, your Bond Counsel here will review it in more detail but this evening again is the introduction of the Maximum Parameters Ordinance. It will be voted on at the next meeting. This is a Parameters Ordinance similar to what was done before in the Township that gives the finance team and the Township ultimate flexibility as far as when to actually price the transaction, lock in the interest rates, lock in the debt service for the next 20 years. It's the most efficient from a meeting standpoint. It does not contemplate any additional Board action to effectuate the transaction assuming the financings are within the parameters or boundaries of the Ordinance in that your Bond Counsel is going to review. Some of the highlights of those are laid out in Section 3-B where you will see that the Ordinance includes a maximum borrowing amount of \$18 million which will be done over two tranches that we will get into a little more detail in a bit. Right now, we expect based on estimates that the numbers are closer to \$15 million but it gives us that flexibility to make sure that we are sizing within Federal and State regulations and we can speak about that a little bit more. There's a maximum coupon rate for maturity basically with 20 year duration at 5%. We expect it to come in lower than that but we have to set these maximum numbers. And, a maximum maturity date of 2037 so again we're basically looking at a 20 year financing which seems to make the most sense from a cost effectiveness standpoint, from a legal perspective as far as financing over the useful life of these important Capital projects. We looked at multiple different scenarios and came up with a 20 year structure. And through our discussions, there is also a sunset provision built into the Ordinance which if everything is not contemplated or effectuated by June 30th of 2017 the Ordinance sunsets. Therefore, if you want to proceed we'd have to come back and

have further discussions with the Township at that point in time. In 3-D, this evening is the introduction of the Ordinance and in about 2 weeks would be the 2nd and final reading. That would be the last action of the Council as a whole but if it was approved at the November 16th meeting, before we could actually consummate the financing, we will need some additional signatures from various officers including the Council President and Vice President and Administration once the finance team -----within the legal parameters and it does make financial sense. So again, there is only 1 board action but there will ultimately need to be signatures to effectuate the action at the proper time and then more signatures needed prior to closing of this first piece which we are expecting on or before December 31st.

Mr. Wagner: Can I stop you? A couple of key items that I think would be very useful for you to focus on, in particular, is that it is our understanding anyway that actually despite the fact that this permits the Township to borrow \$18 million, well let me put it this way. What impact does that have on the Township's overall debt service?

Mr. Shearer: Good question. So, we have another page in here which we will refer to in a few moments. But, one of things that we do as the financial advisors for the Township is look at how this borrowing fits in with the existing debt of the Township. There are various metrics that we look at and ultimately the rating agency is going to look at as well. One thing that we did notice which bodes very well for the structuring in this transaction is that the Township does have a very fiscally conservative debt portfolio. When you look at it both from a total dollar amount of debt outstanding as well as an annual debt service obligation for the life of the transaction, the Township is at the very low end of the spectrum when it comes to debt outstanding. I would say that when we have to look at our various legal requirements that the Township is able to borrow at, you're probably after the issuance of this \$15 million going to be at about 10% or so overall debt capacity. So again, very fiscally conservative profile which is good. From an annual debt service perspective and in very round numbers the Township's annual obligation right now for debt service is about \$3 million and change. The existing debt is expected to fully mature in a few years. Even after the addition of the \$15 million the annual debt service for the Township, for basically the \$15 million borrowing would be a little over \$1 million, maybe \$1.1 million annually.

Mr. Wagner: So the debt service will actually go down despite this initial borrowing that we are expected to authorize?

Mr. Shearer: That is correct. So again, I think the message here that we independently noticed as well is that it is a very fiscally conservative debt portfolio which again bodes very well.

Mr. Wagner: Can you enlighten us how that makes Upper Darby Township compare to some of its sister municipalities?

Mr. Shearer: Yes. Again, we represent a lot of different municipalities whether it is school districts, townships, boros or cities; I would say that this puts Upper Darby in our perspective on the low end of the spectrum when it comes to debt outstanding. Many of our clients due to the

various needs, every circumstance is different, but we have many clients that are much closer to their legal borrowing capacity. So, there is actually a very low debt burden. On the rest of page 3, again one of the benefits and I think it's important why we're doing this financing plan as a multi-tranche approach is Section 4 on page 3. We're doing what is called a bank qualified plan so although the Township's needs over the next few years is approximately \$15 million we're going to basically split this up into two \$7.5 million transactions, give or take a little bit. One will close at the end of this calendar year and the 2nd piece probably in the 1st quarter or so of 2017. But, this is a plan that the finance team has discussed and ultimately became comfortable with that the issue bank qualified bonds versus non-bank qualified bonds means that the Township has reasonable expectations that it is going to issue less than \$10 million dollars in this calendar year and the next calendar year respectively. There are certain financial benefits to the investors or the buyers of this debt. There are tax benefits that the investors will realize which allows for Upper Darby to realize lower interest rates that are going to be locked in for the duration of the financing. So, it comes with lower interest rates with this plan being we are able to do the 2 bank qualified transactions. It comes with a more generous pre-payment provision or call feature and there is also some -----with the issuance cost by doing it this way as well. So, it kind of worked out from all different perspectives to move forward with the plan and again, you're going to hear more about the benefits of a bank qualification throughout the Ordinance and in our discussions. So, lastly on page 3, Section 5, we're looking here and then we have a more complete timeline in a few pages but to complete this first transaction by the close of the calendar year and in January we'll resume discussions with the Township on the next piece of the financing. We'll evaluate the market conditions at that time and we'll evaluate the status of the projects and the cost of the projects then ultimately move forward with effectuating step 2 when appropriate. Pages 4 and 5 kind of hit on the topic that I was just illustrating with the fiscally conservative debt portfolio and low debt burden. So, on page 4, it just illustrates the 5 debt instruments that the Township currently has outstanding in columns 2 through 6 and you can see in column 7 on page 4 that the total annual debt service right now for 2016 was about \$3.1 million and the 2017 budget around \$3.1 million and change and then it drops to about \$1.7-1.8 million for about 3 years. After that the annual debt service would mature, and again, about \$8.2 million of principal outstanding right now, you layer on this additional \$15 million. That is basically illustrated on page 5 where we have in column 5 the existing debt service and column 6 and the blue would be the proposed debt service from step 1. The orange-reddish color would be the debt service related to the next piece and ultimately in column 8 would be what your annual debt service obligation would look like basically for the next 20 years after the \$15 million of financing. And again, this just illustrates the point over in column 8 that right now you are paying a little over \$3 million in annual debt service and after a few more years you're annual debt service is going to be closer to \$1.1 million. And again, a fixed rate bond issue under this scenario locks in the interest rate for the life of the transaction so there is no interest rate risk or variable rate risk with this financing plan.

Mr. Wagner: I don't mean to cut you off at all but I think for Council's purposes that would probably -----

Mr. Shearer: Sounds good. I think with that I will now turn it over to Mr. Stein to review the Ordinance.

Mr. Wagner: Thank you.

Mr. Stein: Good evening. I am Marc Stein from Eckert Seamans and my firm is Bond Counsel for the Township. The Ordinance before you is the only piece of legislation that you will have to enact in order to authorize the issuance of up to a maximum principal amount of \$18 million in bonds. The bonds can be issued in one or more series so long as they don't exceed the maximum amount. The bonds will be General Obligation Bonds with the Township pledging its full faith, credit and taxing power as security. Section 1, we authorize the \$18 million bonds in one or more series and authorize those bonds to sold at private sale by negotiation. In Section 2 of the Ordinance which is on page 3, the debt will be non-electoral debt of the Township. Section 3 sets forth a brief description of the project and makes certain findings required by state and federal laws. Section 4 authorizes the acceptance of a bond purchase proposal from the underwriter and authorizes the execution thereof by appropriate officers of the Township. Section 5 states the name of the bond will be General Obligation Bond Series of 2016 or 2017 as appropriate when they are issued. Section 6 on page 5 sets forth certain factual matters regarding the bonds and will be issued in interval multiples of \$5000 and interest payment dates will be May 1 and November 1 of each year. Section 7 sets forth the maximum principal amount that can be issued in any year in which the bonds are authorized to be issued between years 2017 and 2037 and will not exceed an interest rate of 5%. Then, 7-B on page 6 authorizes the maximum amount and not to exceed debt service in any calendar year. So, 7-C talks about the ability to have the bonds at optional call provisions and mandatory call provisions as will be more fully set forth upon purchase proposals of the underwriters. And Section 8 talks about the mechanics of how you determine what bonds are to be redeemed and when. Section 8 on page 8 appoints TD Bank National Association as the Township's fiscal agent for the bond. TD Bank has been the fiscal agent on its other outstanding bonds. Section 9 approves a form of the bonds which is dependent as Exhibit A and takes various -----which brings us over to Section 10 which authorizes the execution of the bonds by appropriate Township officers. Section 11, once again, sets forth that the bonds will be secured by the full faith, credit and taxing power of the Township. Section 12 authorizes the execution of the sinking funds required by state law. Section 13 designates that TD Bank, the fiscal agent, will be the sinking fund depository. Section 14 on page 11 goes through the mechanics of who gets interest when. These bonds can be traded on the secondary market so the person that buys the bond on day one when we close may not own the bond on day 5 and this authorizes and lets the fiscal agent know who gets the interest when. Section 15 makes and authorizes appropriate officers of the Township to take the various actions that are necessary in order to get it to a closing for the 2016 bonds and then a closing for the 2017 bonds if and when necessary. Section 16 and 17 are like mechanically operative provisions that we need in these kinds of transactions and just have an Ordinance basically making a statement that the debt doesn't exceed the debt that is authorized to be incurred by the Township and authorizes the execution of Municipal Bond Insurance and authorizes delivery of the bonds and authorizes the execution of a Municipal Bond Insurance Policy if it is determined to be necessary by the underwriters and the financial advisors. Section

18 makes certain findings required by Federal tax laws as does Section 19. Section 21 authorizes the execution of a Continuing Disclosure Agreement required by Federal Securities laws. Section 22 authorizes the use of various disclosure documents to market the bond and Sections 23 through 25 once again are mechanically operative provisions that you would normally see in a debt incurring Ordinance like this.

*****LOST SOME AUDIO DUE TO PUTTING A NEW TAPE IN THE RECORDER*****

Mr. Stein: I did that quickly. If any member of Council has questions, I would be more than pleased to go over them and answer them at this point.

Mr. Wagner: I will ask one question to begin with and if anyone else wants to ask questions they are more than welcome. Mr. Stein, we always appreciate your advice in these matters. You have advised the Township very well for a long time. You are in favor of our enacting this and you recommend it, is that correct?

Mr. Stein: That is correct.

Mr. Wagner: Does anyone have any questions of Mr. Stein or of PFM Financial Advisors?

Mayor Micozzie: COULD NOT HEAR

Mr. Wagner: We have the ability to borrow in years.

Mr. Judge: Yes. We do have the ability to borrow in future years so the debt may go up but this action does not increase the debt. THIS action.

Mayor: COULD NOT HEAR

Mr. Judge: That is correct, yes.

Mr. Wagner: Mr. Judge, is there anything else you wanted to comment on or add?

Mr. Judge: No. I think they've done a wonderful job explaining.

Mr. Wagner: I think they have too. Are there any questions? Seeing none, I am going to move for the introduction of this Ordinance at this time. We are not voting on this tonight to enact it. We are voting to place it on the Agenda for the November 16th Council meeting.

Mr. Bierling: Second.

Mr. Bonnett: Moved and seconded.

Mr. Wagner: I want to add before we vote on it that it is not only recommended by our advisors from PFM and by our Counsel but also by the Finance Committee. We have looked at this in detail and we unanimously support it. Right gentlemen?

Mr. Bierling: Correct.

Mr. Wagner: We spent a lot of time on that subject and Mr. Judge and his staff have spent a tremendous amount of time on this subject and I think you for that Mr. Judge and Mr. Mayor. With that, I would like to move forward with the vote.

Mr. Bonnett: Members of Council, Councilman Wagner has requested a roll call vote. Mr. Secretary, please call the roll.

In favor of advertising Ordinance No. 3030	Opposed to advertising Ordinance No. 3030	Excused	Abstained
---	--	---------	-----------

Bonnett			
Wagner			
Monaghan			
Bierling			
Coles			
Gwin			
Keffer			
Manfre			
Faraglia			
Siddique			
Spellman			

11

0

0

0

Mr. Monaghan: That gives us 11 in favor.

Mr. Bonnett: It has been moved and seconded that the proposed Ordinance No. 3030 be duly advertised and placed on the agenda for the November 16, 2016 regular Council Meeting.

Mr. Wagner: Thank you, Mr. President and Council Members.

Mr. Bonnett: Does the Solicitor have any business this evening?

Solicitor: I have no additional business this evening.

Mr. Bonnett: With that a motion would be in order for adjournment.

Ms. Coles: I'm sorry, Councilman Bonnett: I just have one thing. I just want to thank Councilman Bob Gwin as well as well as the Upper Darby Police Department, in particular Laina Stevens, for participating in a Domestic Violence Awareness Workshop that I held last Wednesday, October 26th. We had an excellent dialog discussing the issues that impact families in the community and dealing with all things related to domestic violence with presenters from Delco Women Against Rape, The Domestic Abuse Project of Delaware County as well as the Township's own Joan Scanlon who runs Weed and Seed which is now the Center for Family Safety. And I also want to thank Mayor Micozzie and Councilman Bob Gwin for participating in the cleanup that I held Saturday morning with the Friends of Sellers Hall. For those who are not aware of Sellers Hall, it is a property that is right on the property of the old St. Alice Parish at the intersection of Copley Road and Walnut. We had a very successful cleanup that morning and we also had a couple of students from the Honor Society from the high school who came out and volunteered as well as some community members from the streets surrounding Sellers Hall as well as members of the Boy Scouts and also School Director Rachel Mitchell. Sellers Hall is one of the oldest buildings not just in Upper Darby but in the state of Pennsylvania with its history dating back to the 1600's. For those who are not familiar with the Sellers family, they have an awesome history. They added a lot of things to Pennsylvania throughout the centuries including being a family of abolitionists as well as that particular building at one point being a stop in the Underground Railroad movement. And also, the board was very excited about the Mayor's participation and the President of the board even went on the say that Mayor Micozzie's skills were those of an expert landscaper. He worked as hard as every other volunteer. They were very impressed with the fact that we were elected officials that rolled up our sleeves and got involved in the hard work too. They were very thankful and I just wanted to thank you on behalf of all of them as well as supporting me in that project to beautify that part of my district.

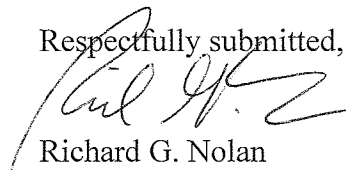
Mr. Bonnett: We had a motion to adjourn. Is there a second?

Adjournment

Mr. Bierling: Second.

Mr. Bonnett: This meeting stands adjourned.

Respectfully submitted,



Richard G. Nolan
Chief Municipal Clerk

RGN/akc