

WALLACE TOWNSHIP MUNICIPAL AUTHORITY
MARCH 22, 2012

A special meeting of the Wallace Township Municipal Authority was called to order on Thursday, March 22, 2012, at 7:02 PM in the Municipal Building by the Chairman.

Members present: Barbara D'Angelo, Chairman
 Steve DePedro, Vice Chairman
 Tom McClung
 Roger Ireby

Also in attendance: Matt Boggs, Entech Engineering
 David Busch, Keystone Consulting
 Michael Wolf, Boenning & Scattergood

The Chairman stated the purpose of the special meeting was to discuss the process for obtaining financing for the proposed grinder pump replacement project. Mr. DePedro gave an overview of the project which involves replacing all of the existing grinder pumps in the collection system with a new E-One grinder pump system, complete with new wiring and a new control panel. Once the new pumps are installed, the responsibility for maintenance, repairs and replacement will be turned over to the homeowner. Bid specifications have been prepared for advertising in order to get a more accurate idea of the project costs. The project will be put out to bid next week with a bid opening planned for May 8. The bid award must be made within sixty days. Mr. Wolf mentioned that financing generally takes ninety days to obtain. Mr. Boggs commented that the bid award can be delayed for issues such as securing permits and financing.

Mr. Wolf indicated that a project cost of under \$1,000,000 would be too small for a bond issue. Therefore, he recommended that proposals be obtained from local banks to secure a drawdown loan for an amount up to \$1,000,000. The Authority would probably need to draw \$50,000 at settlement for tax purposes, and those funds would be held until needed. The specific terms would be to take an amortized loan at a fixed rate for seven years, which will reset based on a formula, and can be prepaid at any time without penalty. In addition, it will be made clear to the banks that the loan is not dependent upon the Authority moving its deposits to the new bank. Mr. Busch recommended the loan be for a 20-year term rather than a 10-year term with a goal toward making extra payments to reduce the principal.

Mr. Wolf also noted that the bank will require the guaranty of the Township because of its taxing power. The loan documents will show that the debt will be self-liquidating out of sewer user rents and charges. Mrs. D'Angelo said the Authority owns the system and would prefer to secure the loan on its own and demonstrate to the Board of Supervisors that it is self-sufficient. Mr. Busch said it is a guaranty that the Authority never intends to draw on. Mr. Wolf also said the loan will not go beyond the life of the original Articles of Incorporation, which specify the term of existence as fifty years from the date the Articles were filed with the State in 1985. However, the Authority will be on the cusp of needing to sign forms with the Department of State to extend the life of the Authority beyond 2035. He advised that a bond counsel will be needed to prepare the Township ordinance and guaranty, and the filing with the Department of Community and Economic Development (DCED). The Secretary noted that David Twaddell of Rhoads & Sinon served as the Authority's original bond counsel. A recommendation for bond counsel will be sought from the Authority Solicitor.

Mrs. D'Angelo confirmed that she has discussed the grinder pump replacement project with the other Supervisors, and will contact them tomorrow via email to advise that the Authority's loan will require the Township's guaranty. Mr. Wolf requested copies of the Township's audit reports for the last four years and a copy of their current budget. Mr. Boggs will also provide copies of the Chapter 94 Reports.

Once the bid results and the loan rate are known, Mr. Busch will run new spreadsheets to determine what the quarterly user fee will need to be. DCED will require the bank to include a maximum interest rate in the loan documents. The user fee projections over the next seven years will assume that the market will be similar to how it exists today.

Mr. Wolf inquired whether the Authority could tap into the assets of another sewer system, in the event of a shortfall, before going to the Township for financial support. He explained that it would be beneficial for the bank to know that the Authority has another source of revenue to draw from. Mr. Boggs explained that the Authority doesn't own the Highspire system yet, but the developer is beginning to initiate the dedication process.

Mr. Boggs asked about the timeframe between the bid opening and the final loan commitment with a guaranteed interest rate. Mr. Busch said the bank will be selected and the loan details will be determined by mid-May to enable the Notice of Award to be issued to the contractor.

Mr. Wolf advised the loan will be similar to a line of credit for the first year, with interest only payments, and will then become a permanent loan. The Authority will need to take all draws within the first twelve months, and then principal and interest payments will be due in the thirteenth month.

ADJOURNMENT

The special meeting adjourned at 7:45 PM.

Respectfully submitted,

Jan C. Bednarchik
Secretary