

**BETHEL TOWNSHIP, DELAWARE COUNTY  
SEWER AUTHORITY**

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**RECORD OF MINUTES**

**Minutes of the Regular Meeting of the BETHEL TOWNSHIP DELAWARE  
COUNTY SEWER AUTHORITY, OCTOBER 4, 2012**

The regular meeting was called to order by Felicia Kendus, Chairman at 7:00 p.m.. Those present were Rob Sykes, Board Member, Donna Vance, Board Member, Donna Vickers, Board Member, Kimberly Easter, Board Member, Patricia Petrosky, Secretary-Treasurer, Laurence L. Smith, Solicitor, Walter Fazler, Engineer. There being a quorum present, the Chairman declared that the meeting was ready to proceed with business. Pledge of Allegiance given at this time.

**MONTHLY ACTIVITY REPORTS**

Motion by Donna Vance to approve minutes of regular meeting held September 6, 2012. Seconded by Donna Vickers. Unanimous.

Motion by Donna Vickers to approve Financial Statement for September 2012. Seconded by Rob Sykes. Unanimous.

**MAINTENANCE /CONSTRUCTION COMMITTEE**

**Rob Sykes & Donna Vance**

Rob and Donna reported everything has been quiet.

**SOLICITOR'S REPORT**

**Foxfield** - The Developer is moving forward with dedication of sanitary sewer improvements and rights of way.

**Creekside Run** - The Developer is moving forward with dedication of sanitary sewer improvements and rights of way.

**Northbrook Phases 2, 3 & 4** - The developer is moving forward with dedication of sanitary sewer improvements and rights of way.

**Zebley Road Claim** - The insurance carrier issued an interim claim payment. We are following up concerning additional amounts to be documented.

**DVRFA Financing** -- The representative of the administrator of that entity is coming to our meeting tonight to give a presentation. The Authority will have to forward a Resolution concerning going forward with that financing.

**RECORDS RETENTION POLICY RESOLUTION** -- A Records Retention Policy in conformance with PA law is being prepared for Board consideration.

### **ENGINEER'S REPORT**

**Foulk Manor Estates** -- This plan was reviewed last month. What the Developer is proposing is to install a low pressure sewer system out to Foulk Road and dump into the gravity collection system in Foulk Road. The Authority wanted to look into possibly connecting this subdivision into a conventional gravity system. After a thorough investigation, of the possibility of connecting the proposed homes into a gravity system, the only alternative is a low pressure system. All alternatives to the low pressure system were investigated. Based on the findings, Walt is recommending allowing the Developer to continue on with his subdivision plans to pump out to the sewer system on Foulk Road as he had planned on in the beginning. Walt indicated we would have an extension of the line brought up to the edge of the subdivision property. We would have valves put in so that in the future if there is a clamoring of people in that area that want to get the sewer put in, we would be able to do a minor extension off of that sewer line and put in an additional low pressure sewer in. This area is the last portion of the Township that needs public sewers. Walt will draft a letter to the Developer, with a copy to the Planning Commission, of what was discussed tonight and that he is able to proceed forward.

**Subdivision Dedications** -- We are currently working on the following subdivision dedications: Northbrook Phase 2,3 and 4, Foxfield all phases. Creekside Subdivision inspection is complete and we are waiting for the Developer to comply with the dedication requirements.

**Bond Refinance** -- We have completed the draft of the Self Liquidating Debt Report, as required for the bonding refinancing. Once the draft is reviewed, we will provide the signed copy. In essence it is saying the Authority has the ability to pay the debt service on the new Bonds utilizing their current rate structure. This was brought out five years. We have noted on there in 2017 appropriate future rate increases will be required to produce the net revenue that will be sufficient to pay the debt service each year for the remaining life of the Bonds. Basically, we need to monitor it and update the charts on a yearly basis to make sure our revenues are sufficient to cover the debt service on the Bonds. This is a requirement of the Trustee to make sure the Authority has the ability to do this.

Larry questioned what were some of the capital improvements. Walt stated, pump station replacements, I & I work, closed circuit televising work to inspect systems, upgrading the GIS System for operation and maintenance. One of the things we have in there for next year would be the Zebley Road grinder. Still having problems with rags at that pump station.

The Chairman called for a recess.  
Meeting was reconvened.

Lucien B. Calhoun, Calhoun Baker Inc., Program Administrator gave a brief presentation concerning the financing. Mr. Calhoun indicated there is a Resolution that would authorize entering into a loan agreement with the Delaware Valley Regional Finance Authority. The Resolution authorizes a note with interest rates up to 15%. It is phrased that way because it is a requirement of the Local Government Unit Debt Act. This loan will be guaranteed by the Township. It is a variable rate loan, even though the Authority intends to lock the rate as soon as possible. The Authority has the option to terminate the fixed rate and convert the loan back to a variable rate. Under the Unit Debt Act, when the Township gives its guarantee of the Ordinance, it is required to approve that maximum possible rate. That is the reason for the 15% rate. The actual rate will be substantially lower. In the current market the A Note would have a fixed rate of around 1 ¾%. The B Note would have a fixed rate of about 1.95%. The B Note is slightly higher in rate than the A Note because the Authority's intention not to take all of the loan down at the same time. If the Authority wants to lock a rate at the time the A and the initial phase of the B is taken down. Because of that forward commitment, the rate is slightly higher. In terms of procedure, approving the forms of the documents that were attached to the loan commitment, principally the Loan Agreement, Tax Compliance Agreement, Continuing Disclosure Agreement and the forms of the Notes, and authorizing your Secretary and Chairperson to execute those documents and also execute the Guarantee Agreement with the Township. Procedurally, the Township will consider the Guarantee Agreement at its meeting on October 9, 2012 and then the critical path for closing is basically to wait for the Department of Community and Economic Development to approve the Guarantee which constitutes the lease rental debt under the Local Government Debt Act. That approval takes about one month. Financing is scheduled to close on November 15, 2012 which is the next scheduled interest and principal payment for the Bonds that are outstanding. The Authority will make that scheduled payment and then the principal of the Bonds will be redeemed with all of the A Note and also the Reserve Fund which is currently set aside for the proceeds of the 2003 Bond. With DelVal you are not required to fund the Debt Service Reserve Fund. We would only be borrowing what we actually need for projects and which we actually need to redeem the 2003 Bond. The plan is the Authority will take down the first of three B Notes at closing. Approximately one year from now the Authority will take down second tranch and two years from now the third tranch. The purpose of this is to save incurrence of interest costs when we don't need the money. DelVal has about a billion dollars to originate loans. Every year they get approximately 60 to 65 million dollars in repayments. Therefore they are able to make that forward commitment.

Rob Sykes questioned any prepayment penalties. Lucien indicated his recommendation to the Board is if they do not contemplate prepaying and fix to maturity. If five years from now the Board decides it wants to prepay the notes, if five years from now the interest rate in 2017 to mature in 2025 is higher than the rates we are paying, there is no

prepayment penalty. If the rate is lower there would be a prepayment penalty. If the rate is lower, DelVal has to pay the present value of the difference of the rates. It could be a nominal amount of a couple of thousand dollars or it could be more substantial. It could be \$100,000 depending how big a gap. The bottom line is basically Mr. Calhoun cannot tell Rob what the prepayment penalty would be. You could buy an option similar to what we have with the Bond Issue to prepay without a penalty after 5 years. For the maturity that we have, it would probably increase our rate by 5 to 10 basis points. Instead of 1 ¾ we would be looking at 1.80 to 1.85. If we take an option it will increase the rates slightly. The Board agreed we should lock in on the fixed rate as soon as we are able. Larry indicated that the Board has the option, closer to settlement, to figuring out what the cost per year of those additional basis points are.

Larry proceeded to read Resolution 2012-03:

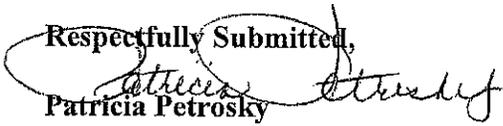
Resolution authorizing the issuance of the \$2,125,000 Guaranteed Revenue Notes. 2012 Series (Collectively, the "Participant Note"), by the Bethel Township, Delaware County, Sewer Authority; approving certain Capital Projects; approving the issuance and negotiated sale of the participant note to the Delaware Valley Regional Finance Authority; approving the forms of the Loan Documents and authorizing and directing the execution and delivery of all documents necessary to issue the participant note; setting the maximum interest rate and the principal amortization schedule; and repealing inconsistent Resolutions.

Rob Sykes made a motion to accept Resolution 2012-03. Seconded by Donna Vance. Unanimous.

**BOARD MEMBERS REPORT**  
**NEW BUSINESS/UNFINISHED BUSINESS**

**There being no further business, the meeting was adjourned at 7:45 p.m. on a motion by Felicia Kendus. Seconded by Donna Vickers. Unanimous.**

Respectfully Submitted,

  
Patricia Petrosky  
Secretary/Treasurer