

Steelton Borough
Special Council Meeting
June 9, 2004

The Special Council Meeting was called to order at 6:00p.m. by the President, Michael Kovach, with the pledge of allegiance, followed by a moment of silence.

In Attendance:

Michael Kovach
Jeffrey Wright
Michael Albert
Lisa Wiedeman-Krosnar
Dennis Heefner

Absent:

MaryJo Szada
Stephen Shaver

David A. Wion, Solicitor
Michael G. Musser, II , Secretary
Kathleen D. Handley, Assistant Secretary

Frank J. Leber, Bond Counsel, Rhoads & Sinon LLP
Scott E. Shearer, Senior Managing Consultant, Public Financial Management

ORDINANCE TO ALLOW THE BOROUGH TO REALLOCATE FUNDS TO PURCHASE THE POLICE VEHICLES:

Mr. Leber stated for the record that this meeting has been advertised in accordance with the requirements of the Pennsylvania Sunshine Act, it has been posted and this Ordinance has been advertised in accordance with the Pennsylvania Local Government Unit Debt Act. He noted that Mr. Musser contacted him to determine whether or not the some portion of the proceeds of the 2003 bond issue could be reallocated for the purpose of the acquisition of Police vehicles. Mr. Leber said the Borough could do that, but we have to do an amendatory proceeding and file it with the Department of Community and Economic Development. Mr. Leber referred to the ordinance before Council and said that is the reason for this ordinance. Mr. Leber said it identifies prior actions the Borough has taken on July 21, 2003, with the enactment of the 2003 Bond Enabling Ordinance indicating that those bonds were issued, and indicating the Council's intention to change the purpose of that ordinance to include the funding of police vehicles. Mr. Leber added that procedurally, we will place a second ad, and take the necessary steps to file the amended proceedings with the Department of Community and Economic Development. Mr. Leber said he will inform Mr. Musser, by letter, when the Borough ill be permitted to use the proceeds of the 2003 issue to fund the police vehicles. Mr. Leber noted that Mr. Wion has had an opportunity to review the ordinance.

ORDINANCE 2004-6, AMENDING AND SUPPLEMENTING AN ORDINANCE DULY ENACTED ON JULY 21, 2003, AUTHORIZING, INTER ALIA, THE ISSUANCE OF A SERIES OF GENERAL OBLIGATION BONDS, SERIE OF 2003, FOR THE PURPOSE OF CHANGING THE PURPOSE FOR ISSUANCE OF SUCH SERIES OF 2003 BONDS TO INCLUDE THE PURPOSE OF IFINANCING A CAPITAL PROJECT CONSISTING OF THE ACQUISITION OF CERTAIN POLICE VEHICLES AND RELATED EQUIPMENT AND AUTHORIZING RELATED ACTION, was presented for Council's consideration.

On a motion by Mr. Wright, seconded by Mr. Heefner, Council Members present voted unanimously to adopt **ORDINANCE 2004-6** as presented.

Mr. Leber asked for a roll call vote, which follows:

Mr. Albert – Yes; Mrs. Wiedeman-Krosnar – Yes; Mr. Kovach – Yes; Mr. Wright – Yes; Mr. Heefner – Yes.

Steelton Borough
Special Council Meeting
June 9, 2004

Page (2)

SHORT TERM FUNDING FOR THE SWATARA STREET PROJECT (Credit Line):

Mr. Leber noted that Mr. Musser requested him to consult on how to fund the Storm Sewer Project in the most cost effective way, to pay the Borough's bills and have the least impact on the Borough finances. Mr. Leber said that he and Mr. Shearer reviewed the options and have recommendations on a comprehensive plan of finance, with three basic parts associated with it.

Mr. Leber said he has sent out requests for proposals for a credit line for two years, to local lending institutions, for the purpose of closing that transaction, fund the Borough's initial expenses, pending the development of the bond issue. We are requesting the lending institutions supply that information by June 15th and will make a report to Mr. Musser then.

REIMBURSEMENT RESOLUTION FOR THE SWATARA STREET PROJECT:

Mr. Leber said that in order to deal with the immediate cash flow problem of paying contractors or vendors in a timely manor with General Fund money, he has prepared a Resolution, a copy of which was distributed to Mr. Wion and Council Members. He explained that this is to create the opportunity for the Borough to expend General Fund money to meet project costs for the Storm Sewer Project, and then reimburse the General Fund out of proceeds of the tax exempt transaction. Mr. Leber noted that under the Internal Revenue Code, provisions which govern the ability of the Borough to issue tax exempt debt, there are prohibitions to using the tax exempt bond issue to reimburse general fund expenditures. Mr. Leber added, however, that if the Borough follows Section 150 procedure, which specifies Council's intention ahead of time, Council will be able to grandfather those expenses and reimburse the general fund at a later date.

Mr. Musser asked if the Borough has to make payments to vendors or contractors from the General Fund, can we reimburse the General Fund from the credit line and then pay off the credit line from the bonds? Mr. Leber said yes that they would create a number of different paths. Mr. Kovach asked when they refer to financing projects on a long -term basis, what time frame is that? Mr. Leber said we think of that as something longer than five (5) years.

RESOLUTION 2004-R-16, AN INTENT TO ISSUE BONDS TO FINANCE A CAPITAL PROJECT AND TO ALLOCATE A PORTION OF THE PROCEEDS THEREOF TO THE PAYMENT OF CERTAIN EXPENDITURES TO BE MADE TOWARD SUCH PROJECT PRIOR TO THE ISSUANCE OF SUCH BONDS, was presented for Council's consideration.

On a motion by Mr. Albert, seconded by Mr. Wright, Council Members present voted unanimously to adopt RESOLUTION 2005-R-16, as presented.

LONG-TERM FINANCING FOR THE SWATARA STREET PROJECT (Extra Borrowing under the Bond Issue)

Mr. Leber said the third component for Council to consider relates to what Mr. Kovach asked about – the long term financing. Mr. Leber said he is aware that the Borough has pending consideration with the Rural Utility Service financing option. Mr. Leber said he wanted to give the Borough several options, so he contacted Mr. Scott Shearer of Public Financial Management, the Borough's financial advisor in the 2003 transactions, and asked him to review the options with respect to the transaction covering not only what the impact of the Rural Utility Service financing might be, but also what the impact might be at looking at the alternative such as a public financing. Mr. Leber referred to #1 at the bottom of the page of the material he distributed. This chart sets out basically a reflection of what might be the case if it was done either as a Rural Utility service or a variety of different approaches to financing.

Steelton Borough
Special Council Meeting
June 9, 2004

Page (3)

Mr. Shearer reviewed the summary page, noting that there were three different financing vehicles, using a principal amount of \$750,000. He noted that columns 2 through 4 were for bond issues, showing the different lengths of terms, the total interest expenses, increase in average annual payment and average interest rate. Mr. Shearer explained that the interest rate used in these examples were as of May 25th, since there has been little change. Mr. Shearer said that column 5 was a different type of bond issue, called a wrap around, which is structured so that when the 2003 debt was paid in 2025, there is very little principal repayments during those years, and two main principal payments in 2026 and 2027, basically where the old debt tapers of we get around to this new debt. Mr. Shearer said that it does have slightly more issuance expense over the life of the loan, but it does allow the Borough to incur the debt with a smaller increase in the average annual payment. Mr. Shearer indicated that column 6 was the Rural Utility Service Loan, noting that the increase in average annual debt service payment is very similar to the wrap around structure, it has a low interest rate, but it is for 40 years. Mr. Shearer then referred to column 7, the bond pool, noting that this was similar to a bank loan and the interest is variable, changing weekly, with a higher increase in average annual payment. Mr. Shearer concluded that if the Borough is concerned about the increase in average annual debt service payment, the wrap around is the best option. Mr. Shearer emphasized that there is no right or wrong choice, it is just a matter of what area of financing is a concern to Council.

Mr. Kovach asked what the maximum interest rate is on the variable interest rate option. Mr. Shearer said the maximum is 12%. Mr. Kovach asked how much it could go up in one year – is there a cap? Mr. Shearer said that historically it would be 4%, but it could go up the full 12%.

Mr. Musser said that when we started to look into this, one of our major concerns was how much more debt we could handle on an annual basis while trying to avoid another tax increase. Mr. Musser said that he reviewed these options with Mr. Leber, Mr. Shearer and Mr. Wion and their consensus is that the Wrap option would probably be the best option for the Borough at this time. Mr. Musser noted that some of the advantages to going with this option are: the difference between the Wrap and the RUS annual debt service payment is \$652.00, more for the Wrap; the RUS loan is for 40 years, which will be 2044, and with the Wrap we will be done in 2025, a 19 year difference, so we will save about \$70,000.00, in interest payments; Mr. Musser said that an additional advantage to the Wrap option is that it doesn't extend the life of our current bond much further. Mr. Musser noted this is important for any larger projects that will come up in the future. Mr. Musser concluded that his recommendation would be option #5, the Wrap, since it has a lower increase in average annual debt payment, with a shorter life of the loan.

Mr. Heefner asked what the status was with the Department of Agriculture financing. Mr. Musser said that is contingent upon Council's decision on the financing options tonight. Mr. Musser added that what Bill Hanley, from Mr. Holden's office, said the advantage to the RUS loan is that it is spread out over a longer period of time. Mr. Musser said that it isn't necessary to be in the program now to possibly qualify for grants at a later date.

Mr. Leber noted that the interest rate for the Rural Utility Service is currently at 4.375% and the chart shows what the cost would be for a 40-year loan, adding that it is an alternative to the bond issue, but Council must determine which is best for the Borough. Mr. Leber further explained that the Department of Agriculture makes a determination based on each application and it isn't necessary to get in now to be eligible for another at a later date.

Mr. Musser informed Council that to implement the financing it would probably take from 90 to 120 days for the RUS option and 75 and 90 days for the bond option, to get the long term financing in place Mr. Musser said the RUS is definitely an opportunity for us according to Mr. Holden's office, after October 2005, since the income requirements will change then, and we may then qualify for grant money.

Steelton Borough
Special Council Meeting
June 9, 2004

Page (4)

Mrs. Wiedeman-Krosnar asked if we choose option 3 over 5, we would save over 10,000 at a lower interest rate for a little longer, so why not option #3 over option #5? Mr. Leber said that becomes a business decision for Council. He said that he is the Borough's Bond Counsel and Mr. Shearer is the financial advisor and it is their responsibility to show Council the impact of the decisions you make. Mr. Leber said it is true that the shorter the term the lower the costs, however there are two other factors that play into it. He said the first is that when a municipality is funding a capital facility it is often time wise to finance those facilities at a term that is consistent with the life of the facilities. The second component is where does that fit in with current interest rates, which are currently at a forty-year low. Mr. Leber agreed that if they were higher, Council might want to shorten the term. Mr. Leber re-iterated that it is their responsibility to present all the components of the decision. He added that, as Mr. Shearer observed, the Wrap appears to be the best of both worlds because you can take advantage of very advantageous rates of 2003, by wrapping this debt around them – the lowest impact of debt service with regards to amount and length of payments.

Mr. Musser noted that the wrap is only 22 years, and as Mr. Heefner alluded to, if we are going to have other large projects in the near future and have to pursue other funding sources, it is important to keep our annual debt service payment low. That is the reason we recommend the wrap option, because we want to get this project done, manage the debt, while looking to the future projects. Mr. Musser agreed that it would be great to go with the shorter period and lower interest, but the increase in the annual debt, but the increase of \$15,000, in annual debt service payments can make a big difference in a budget. Mr. Musser assured Council that if it is their decision to go with another option, we will do our best to tighten our belts to make it work, but we have to be aware of what we want to do in the future when we make this decision and the wrap option would make it easier.

It was the consensus of Council Members present to choose the Wrap option.

RESOLUTION 2004-R-17, appointing a Financial Advisor and Underwriter and Bond Counsel and determining preliminarily to proceed to issue General Obligation Bonds of this Borough; and authorizing proper officers of this Borough, the Solicitor, Bond Counsel and such

Financial Advisor and Underwriter to take certain action, was presented for Council's consideration.

On a motion by Mr. Heefner, seconded by Mrs. Wiedeman-Krosnar, Council Members present voted unanimously to adopt RESOLUTION 2004-R-17, as presented.

Mr. Musser noted that we may not have to borrow the full \$750,000, it will be fine tuned specifically for this project. Mr. Leber suggested the notion of the credit line because it may take time to get long-term financing, but , if the bond issue moves fast enough you might not have to do the short term financing.

Mr. Wion requested that Council address items #6 and #7 next, since he has another commitment.

Mr. Kovach deviated from the agenda to address items #6 and #7, as requested.

APPROVE THE AGREEMENT OF SALE ON 3 LOTS ON ADAMS STREET AND 3 LOTS ON RIDGE STREET (Adams Street Revitalization Project)

Mr. Wion noted that the Borough wanted to purchase 121, 125 and 129 Adams Streets. Mr. Wion said that the owner James F. Neumann agreed to the purchase price of \$12,000 and signed the agreement of sale which he prepared. Mr. Wion presented the Agreement of Sale between the Borough of Steelton and Mr. James F. Neumann, in the amount of \$12,000, for 3 lots on Adams Street 121, 125 and 129 Adams Street for Council's approval.

Steelton Borough
Special Council Meeting
June 9, 2004

Page (5)

On a motion by Mr. Albert, seconded by Mrs. Wiedeman-Krosnar, Council Members present voted unanimously to authorize the President of Council to execute the Agreement of Sale between the Borough of Steelton and James F. Neumann for lots 121, 125 and 129 Adams Street in the amount of \$12,000.00, as presented.

Mr. Wion then presented an Agreement of Sale between the Borough of Steelton and Mr. Willie Edmonds for the purchase of 125 Ridge Street and lots 2 and 3, which are adjacent to 125 Ridge Street, in the amount of \$15,000, for Council's approval. Mr. Wion noted that Mr. Edmonds has signed the Agreement.

On a motion by Mr. Wright, seconded by Mr. Albert, council Members present voted unanimously to approve the Agreement of Sale between the Borough of Steelton and Willie Edmonds for 125 Ridge Street and lots 2 and 3, in the amount of \$15,000.00, as presented.

APPROVE MR. WION FILLING FOR TAX-EXEMPT STATUS FOR THE BOAT DOCK AND THE PARCEL PURCHASED FROM DAVE SETTINO.

Mr. Wion noted that the Borough purchased the Boat Dock property and the parcel we use to connect Sweetbriar Alley and Harrisburg Street, so that we could provide safety services to the residents on Sweetbriar. He explained that, in order to move those properties from the tax assessment roles and taxation, the Borough is required to request an exception from the Dauphin County Board of Assessment Appeals. Mr. Wion requested Council to approve Mr. Ronald Acri, the Borough Code Enforcement Officer to file the appropriate documents to request tax exempt status for these properties, and authorize him to represent Council before the Assessment Appeals Hearing Board and payment of the filing fee of \$100.00. Mr. Wion explained that since Mr. Musser

serves on the Assessment Board, he is unable to present or hear the appeal. Mr. Wion added that he would accompany Mr. Acri at the appeal hearing.

On a motion by Mr. Heefner, seconded by Mr. Albert, Council Members present voted unanimously to approve Mr. Acri to file the appeals and represent the Borough at the hearing.

Mr. Wion was excused at 6:45 p.m.

APPROVE HIRING THE SUMMER PARKS RECREATION COORDINATOR.

Mr. Musser said interviews were conducted and it is the recommendation to hire Evelyn Sanchez as the Recreation Supervisor/Coordinator, with an effective start date of June 7, 2004, at the rate of \$9.00 an hour.

On a motion by Mr. Albert, seconded by Mr. Wright, Council Members present voted unanimously to hire Evelyn Sanchez as Recreation Supervisor/Coordinator, at the rate of \$9.00 an hour, effective June 7, 2004.

OTHER BUSINESS:

Mr. Heefner informed Council that he has received numerous complaints from employees in the public works department about getting flat tires on both the Borough and their personal vehicles, from the scrap metal being dropped from the vehicles which use the ISG Scrap Facility. Mr. Heefner said that Mr. Ron Acri has talked to ISG about the problem, but they have failed to resolve the problem. Mr. Kovach said that this has been going on for about three years and he and Mr. Musser have spoken to them and nothing has been corrected. Mr. Kovach said he would like Council to request Mr. Wion to take legal action on the matter. Mr. Kovach said that since this started, the Borough has probably replaced or repaired close to 500 tires. Mrs. Wiedeman-Krosnar said that the Winfield Funeral Home has complained

Steelton Borough
Special Council Meeting
June 9, 2004

Page (6)

about the same problem. The Mayor suggested that the police run details in the area. Mr. Musser said he spoke with Dave Wirik about the problem and he will speak with him again. He said that Council should still proceed with legal action. The Mayor noted that some of the trucks have been fined for various violations, but it hasn't stopped them. Mr. Heefner said that the operator told Mr. Conjar and Mr. Handley that anything outside the fence is not his problem. After additional discussion, it was the consensus of Council Members present to inform ISG what we plan to do and in the meantime let Chief Lenker set up more details.

Mr. Acri asked Council for permission to advertise the sale of bicycles that have accumulated in the police department. Mr. Musser asked if the motion could be to allow this to be done on an annual basis, so we don't have to bring this to Council each year.

On a motion by Mr. Heefner, seconded by Mr. Albert, Council Members present voted unanimously to authorize Mr. Musser to advertise for the sale of the bicycles and that this could be done on an annual basis.

Mr. Musser complimented Council for the spirit of cooperation in getting the financing done tonight.

ADJOURNMENT:

There being no other business before Council, on motion by Mr. Heefner, seconded by Mr. Wright, the Council meeting adjourned at 6:50 p.m.

Respectfully submitted,

Michael G. Musser, II
Borough Secretary

Kathleen D. Handley
Assistant Borough Secretary