DERRY TOWNSHIP
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
600 CLEARWATER ROAD, HERSHEY, PENNSYLVANIA 17033
MEETING MINUTES
July 18, 2013

CALL TO ORDER

Chairman Foley called the July 18, 2013 meeting of the Derry Township Industrial & Commercial Development Authority to order at 6:00 p.m.

PLEDGE OF ALLEGIANCE

All present stood for the Pledge of Allegiance.

ROLL CALL

Members Present:
- Domenick Argento
- Justin Engle
- John Foley
- James Ingalzo

Members Absent:
- Chris Abruzzo

Also Present:
- James Negley, DT ICDA Manager, Asst. Treasurer, Asst. Secretary
- Marie Sirkot, Administrative Assistant
- Ardith Yahner, Stenographer

Public Present:
- Doug Bernard, RBC
- Tom Fowlston, PNC
- Garrett Gallia, Hershey Entertainment & Resorts Co.
- Chris Hoffert, PNC
- Dave Lavery, Hershey Entertainment & Resorts Co.
- Wendy McClintock, Hershey Entertainment & Resorts Co.
- Diana Reed, Diana Reed & Associates
- Lou Verdelli, RBC

Chairman Foley advised that it is the policy of the Authority to tape all public meetings for the purpose of providing accurate minutes.

APPROVAL OF MINUTES

Mr. Ingalzo made a motion to approve the minutes of the May 16, 2013 DT ICDA Board meeting. Mr. Argento seconded the motion. ***Motion carried, 4-0.***

GIANT CENTER FINANCING UPDATE AND PROPOSALS

Mr. Lou Verdelli introduced the financing and project teams of Dave Lavery, Garrett Gallia, and Wendy McClintock from Hershey Entertainment & Resorts Company; Tom Fowlston and Chris Hoffert from PNC Bank, and Mr. Verdelli and Doug Bernard representing RBC Capital Markets. Mr. Verdelli gave the Board a brief update on the two financings that are outstanding on the Giant Center and what they have been working on for the past 90 days.

For some brief background on the financings, Mr. Verdelli explained that the first series of bonds was issued in 2000 as **Series A** (tax-exempt). There is still $19,360,000 outstanding on these bonds and the final maturity is November 1, 2030. These variable rate bonds are secured by a PNC Bank letter of credit which expires November 15, 2013 and the current Letter of Credit cost is 90 basis points (bps). The bonds are remarketed by PNC Capital Markets and the debt service is paid with Dauphin County Hotel Tax revenues. Part of the original agreement with PNC to provide the Letter of Credit required that the bonds be converted to a fixed rate to eliminate interest rate risk. The swap that is in place now has an interest rate of 4.875% until November 1, 2015. The swap that will be in place from November 1, 2015 until November 1, 2030 has a fixed interest rate of 5.15%.

The **Series B** bonds of 2001 are taxable because they are paid with the direct revenues of the facility. There is $24,950,000 outstanding on these bonds with a final maturity date of November 1, 2030. These bonds are also enhanced by a PNC Bank Letter of Credit, but because of the higher risk level of arena revenues, the cost has always been higher. The current cost of this Letter of Credit is 115 bps. The Letter of Credit expires on November 15, 2013. These bonds are also remarketed by PNC Capital Markets and the debt service is paid with Giant Center revenues and excess Dauphin County Hotel Tax revenues. This issue also has a swap that converts it to a fixed rate of 5.47% until November 1, 2030.

Mr. Verdelli presented the following three financing options to the Board:

1. Renew existing Letters of Credit at current pricing for 3 years.

2. Refinance existing bonds with a direct loan from PNC (More variable rate issues are being redone as direct placement bank loans to eliminate some of the risk, also has a lower cost than the fees paid on a remarketing, as well as letter of credit costs).

    > *Options 2 and 3 would be new financings with additional issuance costs because the old bonds would be paid off and a new loan would be put in place.

   Hershey Entertainment & Resorts had asked Mr. Verdelli how they would fund capital improvements to the building as it ages and what the funding mechanism would be to accumulate funds to pay for long-term improvements. The Hotel

Tax revenues can only be used for new construction of an arena facility and not for renovations. One idea was to refinance the debt to have a new maturity schedule that goes longer than the current one. This alternative is explained in option 3.

3. Refinance and restructure existing bonds with PNC direct bank placement – extension of final maturity to November 1, 2040. This option would allow us to lower the debt service and move the extra money into a reserve account. By building up a reserve account, we can take care of possible roof replacement, chiller replacement, etc. that would take significant amounts of money that is not budgeted at this time. Option 3 is the one we have been focusing on. This option would allow the County Hotel Tax to cover the debt service for an additional 10 years and the Pilot payments would continue to be paid to the three government entities that receive them.

Mr. Verdelli advised that the finance team would like to review the selected option at the August ICDA meeting, get final authorization and signatures at the September meeting, notify M & T by September 15, and renew Letter of Credit or close new loans on or about November 15, 2013. Mr. Verdelli then introduced Mr. Chris Hoffert from PNC Capital Markets.

Mr. Hoffert spoke to the Board about the differences between existing vs. proposed financing structures. The Variable Rate Demand Obligation (VRDO) market is continuing to shrink and many clients are looking to other solutions. The structure being proposed is a Direct Bank Placement (DP) or a bank loan directly with PNC bank. Using a bank loan structure eliminates a lot of the administrative burden such as marketing and letter of credit fees. Swaps could remain in place with a bank loan structure.

Mr. Dave Lavery from Hershey Entertainment & Resorts Company then spoke regarding Giant Center long term capital requirements. With the building now over ten years old, there will be significant capital need in the coming years. The current structure provides only $180,000 per year for capital reserve. Mr. Lavery's team will take the itemized list prepared by HOK and use it as a tool to prepare a detailed annual capital budget that will be reviewed with the Board. Then, upon final agreement, the capital project planning efforts can begin.

Mr. Lavery then reviewed the PILOT Payment history with the Board. He also advised that a payment of over one million dollars will be made this month to the taxing authorities for this year's PILOT payment. If things stay as strong as they are presently, we should be able to make the maximum payment of $1,090,000 for the next payment. Mr. Lavery advised that everything proposed will be reviewed and approved by the ICDA Board before anything is done.

Mr. Engle asked whether the agreement that the Hotel Tax be used for debt service on the Giant Center would continue if the date was extended to 2040. Mr. Verdelli replied that David Twaddell (bond counsel on the transaction) was present at their meetings and his understanding is that as long as there is debt service, the Hotel Tax money will still go toward that debt service. No specific end date was discussed in any of the agreements.

Mr. Ingalzo asked whether there was any other source of money available to the ICDA for major repairs, if the reserve account was not large enough. Mr. Lavery advised the mechanics are still being worked out, but Hershey Entertainment & Resorts Company would consider fronting money to the ICDA if necessary. The money would be repaid when the reserve account built up enough funds to repay it.

Mr. Engle asked Mr. Verdelli to repeat the savings projected by refinancing option 3. Mr. Verdelli replied that it would be about $300,000 the first year and work up to about $500,000 per year by systematically lowering the debt service vs. the run rate at the present time.

UPDATE ON HERSHEY FIRE COMPANY PROJECT
Chairman Foley reported that he, Township Solicitor Yost and the seller are continuing to work on contracts. They are making progress at bringing three different agendas together.

RATIFICATION OF DESIGNATION OF PFM AS QUALIFIED INDEPENDENT REPRESENTATIVE
Mr. Negley advised that swap counter parties such as the ICDA must hire qualified independent representatives to assist when working on a swap. In the past, they have used PFM and they have always done a good job and have a reasonable rate. Mr. Negley recommended continuing with PFM and ratifying their position as QIR for our swap. Mr. Ingalzo moved to ratify PFM as representative and Mr. Engle seconded the motion. ***Motion carried, 4-0.***

PUBLIC COMMENT
There was no public comment.

ANY OTHER BUSINESS TO COME BEFORE THE BOARD
Chairman Foley asked if Solicitor Zemlock was still working on the amended lease agreement between the County and the ICDA for the Communications Tower Lease. Solicitor Zemlock explained she has some issues to work through with the counsel for the County and does not believe we are in a position to take action on it at this time.

EXECUTIVE SESSION
Chairman Foley called the Board into executive session at 6:35 p.m. to discuss land acquisition matters with counsel.
Meeting reconvened at 7:35 p.m.

ADJOURNMENT
Mr. Engle made a motion to adjourn the meeting. Mr. Argento seconded the motion.
Motion carried, 4-0.

Meeting adjourned at 7:40 p.m.

Respectfully submitted by:

____
James N. Negley, Manager/Assistant Treasurer/Assistant Secretary