

**DERRY TOWNSHIP
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
600 CLEARWATER ROAD, HERSHEY, PENNSYLVANIA 17033
MEETING MINUTES
February 16, 2012**

CALL TO ORDER

Chairman James Ingalzo called the February 16, 2012 meeting of the Derry Township Industrial & Commercial Development Authority to order at 6:10 p.m.

PLEDGE OF ALLEGIANCE

All present stood for the Pledge of Allegiance.

ROLL CALL

Members Present:

Justin Engle
John Foley
James Ingalzo, Chairman

Members Absent:

Chris Abruzzo
Domenick Argento

Also Present:

James N. Negley, Manager, Asst. Treasurer, Asst. Secretary
Barbara Zemlock, Solicitor, Post & Schell
Marie Sirkot, Administrative Assistant
Ardith Yahner, Stenographer

Public Present:

Mary Holovack, Diana M. Reed & Associates
Donna Kreiser, McNees Wallace & Nurick LLC
Dave Stough, Hershey Fire Department
Ed Svirebely, Hershey Fire Department
Lou Verdelli, RBC Capital Markets/RBC Dain Rauscher, Inc.

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

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Regarding the minutes from January 19, 2012, Mr. Foley asked that a change be made in the third paragraph under “Chairman’s Report”. The street name should be changed from Hockersville Road to Mill Street. Mr. Engle made a motion to approve the minutes with the above-mentioned change. Mr. Foley seconded the motion.

Motion carried, 3-0.

EXECUTIVE SESSION

Chairman Ingalzo announced at 6:15 that the Board would meet in executive session to receive advice of counsel on some legal matters. Board members returned and the meeting resumed at 6:30.

CONSIDERATION OF RESOLUTION APPROVING SECOND SUPPLEMENTAL INDENTURE

Ms. Donna Kreiser addressed the Board in regard to a resolution authorizing the Authority to execute and deliver a certain supplemental indenture to an existing indenture relative to bonds the Authority issued in 2007 for the benefit of the Derry Township School District. The school district has since requested the Authority refund the bonds under the terms of the indenture. At the time it determined to undertake that redemption, it was discovered that there was a discrepancy between the optional redemption provision in the trust indenture, and in the various documents and contracts that were executed and delivered in connection with the sale of the bonds. The offering documents and the bond purchase agreement reflected a May 15 call date, while the trust indenture reflected a November 15 call date. After due diligence, a determination was made by Ms. Kreiser, and a recommendation was made that it is a discrepancy that may be corrected by amending the trust indenture. The resolution authorizes the Board to undertake that action. Ms. Kreiser then introduced Mr. Verdelli to explain further.

Mr. Verdelli advised that this project goes back to 2002, when the original bonds were issued by the ICDA as a joint project to renovate the Granada building. The majority of the renovations were for the school district’s benefit to renovate the old library for the administration office and renovations to the gym and the maintenance building around the back.

The decision in 2002 was for the school district and township to work together to finance this project and the bonds were issued through the ICDA. The school district is responsible for about 82% of the payments on the debt because they use those facilities. To make the debt as strong a credit rating as possible, Mr. Verdelli recommended the school provide a guarantee back in 2002. Mr. Verdelli advised that there are not too many guaranteed school revenue bonds around today; this is something that was done long ago.

When the five-year call was reached in 2007, the ICDA again issued guaranteed school revenue bonds; the bonds were refunded and had another five-year call. All of the documents showed that the Board could refinance the bonds on May 15, 2012, and those involved were operating on that understanding until a call was received from Rhodes & Sinon, which indicated that one portion of the Trust Indenture states that the call date is November and not May. The reason the amendment is important is if all the other documents did not say the call was May 15th, we would have to wait another six months to go into the market. Interest rates are currently setting 50-year lows. The bonds and all the marketing material show the call date as May 15th and the trade tickets of investors are printed with a May 15 call. The provisions of the indenture allow you to correct what was just an oversight in the dates.

The benefit for the school district and the township (the school district sold these bonds on Monday) is that the new interest rate on the new issue is 1.71%. There are 12 years left on the financing at this point, as there have never been any extensions of the debt. With just over three million dollars left on such a small transaction, it generated almost \$300,000 of savings. That will lower the debt service payment in next year's budget for the school district, and in 2013 for the township's payment, so it is a very significant savings. That is the benefit of doing the transaction now.

If someone should ask why the ICDA is not issuing the bonds this time, Mr. Verdelli explained there is a clear stigma in the market of issuing guaranteed revenue bonds because of everything going on with the Harrisburg Incinerator. Issuing guaranteed school revenue bonds would have made the interest rate probably 15 or 20 basis points higher as opposed to the school district issuing general obligation bonds, which are viewed as being safe and have tax power behind them. This debt does not have to be reflected on the ICDA's audit anymore once it is paid off, because it will be the school district's debt and it is responsible for 100% of it, with a sidebar agreement with the township to pay a user fee for their small portion of the debt. This cleans things up and streamlines the transaction going forward.

Chairman Ingalzo asked for a motion to approve Resolution 2012-01. Mr. Foley moved to approve. Mr. Engle seconded the motion.

Motion carried, 3-0.

CONSIDERATION OF RESOLUTION AUTHORIZING REDEMPTION OF 2007 BONDS

Ms. Donna Kreiser explained that the school district requested the ICDA to call the bonds on May 15. This resolution authorizes the Authority to proceed with the call.

Mr. Engle moved to approve Resolution 2012-02. Mr. Foley seconded the motion.

Motion carried, 3-0.

ANY OTHER BUSINESS TO COME BEFORE THE BOARD

Chairman Ingalzo advised we would proceed with the regularly scheduled meeting in March, unless advised otherwise by email.

PUBLIC COMMENT

No public comment.

ADJOURNMENT

Mr. Foley made a motion to adjourn the meeting. Mr. Engle seconded the motion.
Motion carried, 3-0.

Meeting was adjourned at 6:40 p.m.

Respectfully submitted by:

James N. Negley, Manager/Asst. Treasurer/Asst. Secretary