

**DERRY TOWNSHIP
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
600 CLEARWATER ROAD, HERSHEY, PENNSYLVANIA 17033
July 15, 2010
MEETING MINUTES**

CALL TO ORDER

Chairman Ingalzo called the July meeting of the Derry Township Industrial & Commercial Development Authority to order at 6:00 PM.

PLEDGE OF ALLEGIANCE

All present stood for the Pledge of Allegiance.

ROLL CALL

Members Present:

James Ingalzo, Chairman
Michael H. W. Pries
Domenick Argento

Members Absent:

Todd Pagliarulo, Vice Chairman
Chris Abruzzo

Also Present:

Barbara Zemlock, Post & Schell, IDCA Solicitor
Marie Sirkot, Administrative Assistant
Ardith Yahner, Stenographer

Absent:

James N. Negley, Manager/Treasurer/Assistant Secretary

Public Present:

Becky Delia, PNC Bank
Christine Drexler, Hershey Aquatic Club
Janet Duck, Hershey Aquatic Club
Justin Engle, Coldwell
Greg Fastrich, Hershey Aquatic Club
John Foley, Hess Realty

Mary Kreider, Hershey Aquatic Club
Bill Liedholm, Hershey Aquatic Club
Brittany Liedholm, Hershey Aquatic Club
Todd Logan, Hershey Aquatic Club
Chris Luttrell, Hershey Aquatic Club
Cole Luttrell, Hershey Aquatic Club
Katelyn Miller, Hershey Aquatic Club
Meghan Miller, Hershey Aquatic Club
Peggy Miller, Hershey Aquatic Club
Chris Morelli
David Nolan, Hershey Aquatic Club
Emily Nolan, Hershey Aquatic Club
Katie Nolan, Hershey Aquatic Club
Libby Nolan, Hershey Aquatic Club
Terri Nolan, Hershey Aquatic Club
Diana Reed, Diana Reed & Associates
Jennifer Rippon, Hershey Aquatic Club
Kyle Ruddle, Hershey Aquatic Club
Pamela Ruddle, Hershey Aquatic Club
Scott Stein, Hershey Volunteer Fire Company
Jeanine Surfus, Hershey Aquatic Club
Jordyn Surfus, Hershey Aquatic Club
Sam Surfus, Hershey Aquatic Club
Julie Tafuto, Hershey Aquatic Club
Paul Thompson, Hershey Aquatic Club
Bill Veith, Hershey Aquatic Club (President)
Ariana Waitkavicz, Hershey Aquatic Club
Pam Young, Hershey Aquatic Club
Scott Young, Hershey Aquatic Club
Elizabeth Zachary, Hershey Aquatic Club
Kevin Zachary, Hershey Aquatic Club
Kim Zachary, Hershey Aquatic Club

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

ANNOUNCEMENT OF EXECUTIVE SESSION

Chairman Ingalzo announced that after the May 6, 2010 meeting the Board met in executive session to receive the advice of counsel.

PUBLIC COMMENT

No public comment at this time.

APPROVAL OF MINUTES

Mr. Pries moved to accept the minutes from the May 6, 2010 meeting and Mr. Argento seconded the motion. *Motion carried, 3-0.*

HUMMELSTOWN PARKING LOT PROJECT

Jon Sheppard of Sheppard & Son Builders introduced himself and Hummelstown Mayor Brad Miller and Pastor John Schaefer of Grace United Methodist Church in Hummelstown. Mr. Sheppard presented information regarding building projects in Hummelstown. He would like the ICDA to help finance these projects and feels that this would be an excellent investment for them to consider.

The project being brought before the Board involves the economic development of the east end of Hummelstown. This involves three different sites. The first is at the site of the old East End restaurant and would be a doctor's office. On the first floor would be Dr. Todd Fisher who started a practice in Hummelstown seven years ago and wants to expand it. He is currently a tenant. There would probably be 10-20 employees in his building. The second project is also a doctor's office at 285 E. Main Street that would be occupied by Dr. Scott Stoner. Dr. Stoner has been practicing in the area for fifteen years and is currently a tenant. The third site is 283 E. Main Street that is currently has three homes on one site. One of them is a stone historic building. Mr. Sheppard's idea is to expand the commercial district on the east end of Hummelstown and to attract doctors who are currently in the community; successful businessmen who want to expand their businesses.

Parking is one of the biggest issues and in order to attract additional doctors to these medical facilities their needs to be enough parking. Mr. Sheppard has spoken to the owner of the new "Gas Station" restaurant about expanding the parking across the street from him. The property at 283 E. Main Street has a stone house that could be expanded and used for the now cramped community food bank and shepherd's closet. This would require fund raising to pay for 100% of the renovation and addition on the property. The balance of the property would be paved for parking and the Borough of Hummelstown would own the parking area and could rent spaces to doctor's offices, restaurants, etc. The ministerium would make a nominal monthly payment to the Borough for the rent of that property. The success of this project depends on adequate and affordable financing. It would be favorable to obtain financing through the ICDA.

Mayor Miller and Pastor Schaefer each spoke briefly, thanking the Board for their consideration of these projects.

Mr. Argento asked what the loan request amount would be for each project and Mr. Sheppard replied as follows:

Project #1 @ 300 E. Main Street \$2,300,000
Project #2 @ 285 E. Main Street \$1,000,000
Project #3 @ 283 E. Main Street \$ 300,000
\$3,600,000

Mr. Sheppard also added that these three properties are currently paying little or no tax into the community, but will increase the tax amount five fold when completed.

Chairman Ingalzo thanked Mr. Sheppard for coming and will review all the information with other Board members and counsel, and get back to Mr. Sheppard at a later date.

GIANT CENTER FINANCING UPDATE

Series A of 2000

Lou Verdelli of RBC advised the Board that the two Letters of Credit that support the bond issues for the Giant Center need to be renewed. There is currently \$21,085,000 outstanding on the Series A Bonds. These Bonds are enhanced by a PNC Bank Letter of Credit (LOC) at a current fee of 60 bps. This LOC expires on 11/15/10 (5 year term). These Bonds are remarketed every week by PNC Capital Markets and the debt service on the Series A Bonds is paid with Dauphin County hotel tax revenues. There is currently a swap in place that converted the variable rate interest on these Bonds to a fixed rate of 4.875%.

Series B of 2001

Mr. Verdelli reported that the Series B Bonds currently have \$26,005,000 outstanding. These Bonds are also enhanced by a PNC Bank letter of credit with a current cost of 80 bps (basis points). The cost of this Letter of Credit is slightly higher because it is supported by proceeds of the Giant Center rather than solely by Dauphin County hotel tax revenues. It is considered to be a slightly higher risk. This Letter of Credit also expires on 11/15/10 (5 year term) and these Bonds were also changed from a variable rate to a fixed rate of 5.51% with a variable rate swap.

Mr. Verdelli introduced Becky Delia of PNC Bank to explain the bank's financing further. Ms. Delia advised that instead of five banks holding the Letter of Credit for the Giant Center Series A and B bonds, just two banks will be involved in the new Letter of Credit; PNC with an 81% share and M&T Bank with 19%. The other three banks, Sovereign, Susquehanna and Bank of New York, have decided not to be involved.

Also, RBC has provided options and terms for a one, two, or three-year LOC so that the ICDA can choose the best option. The one-year option at 80 bps is more attractive than the two year at 90 bps.

The third item Ms. Delia pointed out is slight changes to the covenant and amortization schedule; specifically the amortization on the Series A Bonds reflects the changing cash

flows as a result of the hotel taxes being different than they were a few years ago. The increased Letter of Credit pricing on both Series A and B is due to the market changes in the past few years.

Ms. Delia introduced Dave Lavery to provide the PILOT payment update. Mr. Lavery advised that the decline in Hotel Tax Revenues in 2009 reduced the PILOT payment (room tax revenue declined by 12%) and the increased cost of the Letter of Credit will also reduce the payment amount available for the PILOT. Mr. Lavery reported that they would be changing the amortization schedule to defer some principal payments in order to make funds available to pay the increased cost on the Letter of Credit.

On page nine of the Giant Center Financing Update, the “Pilot Payments Made by Year” since 2004 shows a total amount paid thus far of \$4,407,262.54. Page ten includes a summary of debt service coverage from 2007 through 2009 and then estimated amounts for 2010 through 2012. Page 11 shows a PILOT shortfall of \$213,236. However, Mr. Lavery advised there is \$160,000 left over from the past two years that could be used to reduce the PILOT shortfall. This money was originally intended for long-term capital improvements. If hotel room taxes do bring in more money and the table games at Penn National do what is expected, there should be a higher stream of money to fund the long-term capital improvement fund in the future. Mr. Lavery explained that once 100% of the PILOT amount has been paid, any excess monies go into a “project enhancement fund” for capital improvement.

Mr. Pries and Chairman Ingalzo both commented that it seems the numbers should be lower now and costs should have gone down, especially with the success of the Giant Center. Mr. Verdelli explained that because of the 2008 financial market crisis and the fact that PNC is now assuming 81% of the risk, prices are higher. Becky Delia also advised the Board that PNC offered to take on the whole amount, but M & T decided to stay in.

UPDATE ON REFUNDING OF 2005 BONDS AND ACTION ON PROCEEDING (RBC)

Lou Verdelli gave the Board an update on the Guaranteed Township Revenue Bonds from 2005, which have now reached their call date. The original amount was \$10,000,000, which provided funds for the new Derry Township Municipal Complex. The Township makes 100% of the debt service payments and also guarantees the financing.

Based on current interest rates the Township would see \$250,000 of net savings with lower payments spread over the next few years.

Mr. Verdelli would like the Board to authorize the financing team to prepare all documents to allow for the refinancing and set a minimum savings amount of \$200,000. At the next meeting RBC will have locked in interest rates and a formal resolution for the ICDA to adopt.

Mr. Verdelli proposed the following schedule:

ICDA authorize to proceed	July 15, 2010
Township guaranty approval	August 10, 2010
ICDA formal approval	August 19, 2010
Settlement/Retire 2005 Bonds	September 15, 2010

Mr. Argento moved to approve the plan of refinancing introduced by Mr. Verdelli provided that it allows a savings of \$200,000 and Mr. Pries seconded the motion. ***Motion carried, 3-0.***

AQUATIC CENTER PRESENTATION

Mr. Paul Thompson spoke briefly about the championship Hershey swim team and introduced Professor Janet Duck who made a presentation to the Board. Ms. Duck spoke on behalf of a large group of citizens; swimmers and concerned parents who would like to have the ICDA's support of their proposed new community aquatic center. Also present were Mr. Bill Veith, President of the Hershey Aquatic Club and Mr. Greg Fastrich, Coach of the Hershey High School championship swim team.

Ms. Duck advised the Board that in 2013 the current recreation center and pools will be 50 years old and this group feels that the center has not kept up with the growth in population. The inside pool which the swim team uses over the winter months is not big enough for 165 swimmers. This means that 8-10 swimmers share a lane. The team must also be capped at 165 since there just isn't enough space for more. Also, in 2005 some swimmers started to have respiratory problems, which is still a concern today. These swimmers are at the facility morning and afternoon for practice.

The group is concerned about accessibility (although the facility does meet current code) to all people. Also brought up were some cracks in concrete and tile that could pose future safety hazards. The group feels that our facility is not on par with the "Hershey" standard and is inadequate for training and competition of elite swim teams, both at the club and high school levels. Also, this group feels there are many lost opportunities in both usage and funds in the current facility. We would like to host events here, which would bring revenue to the Township.

The facility that is being proposed is a 40,000 square foot aquatic center on a 29-acre parcel of land. This facility would include:

- A 75' x 60' recreational/multipurpose pool which would be accessible 0' to 52' deep.
- A competition/community pool 50 meters long by 25 yards wide, 8 lanes/24 lanes, and accessible 48' to 72' deep with seating to accommodate a minimum of 800 and up to 1,000 spectators.

- A teaching/rehabilitation pool 30 ft. long by 15 ft. wide and accessible 42' to 52' deep.
- Lastly, a fitness center with cardio theater and exercise equipment to accommodate recreational, therapeutic and training needs of the community.

Estimated costs for the facility, land, and design and engineering would be \$20,000,000. Estimated Operating Expenses would be \$1,272,405 annually. Estimated increased revenue \$1,386,852.

Ms. Duck advised that their group has 800 signatures of residents who are interested in a new aquatic center. They are aware of the challenges, such as the cost of the facility, the availability of land in a good location, and finding partnership and sponsorship. Their request of the ICDA is support and guidance in this initiative.

Domenick Argento volunteered to be on a committee for further discussion regarding the proposed Aquatic Center. Mr. Pries agrees that our Township could use a new facility. But at this time, there is a lot of debt to pay off on this municipal building. Also, a commitment has been made to the Hershey Volunteer Fire Dept. to go after gaming funds for them to replace some aging equipment. Additionally, the storm water project is underway. As far as finances go, the ICDA is pretty stretched at this time. Mr. Pries suggested reaching out to all the Hershey entities, HE&R, the Medical Center, The Hershey Co., etc. Mr. Pries also suggested including this item in a Township wide referendum for the November election.

TOWNSHIP REQUEST REGARDING STORMWATER PROJECT AND EASEMENT ACQUISITION

Solicitor Zemlock advised the Board that the Township is currently analyzing the existing storm water management system throughout the Township and has identified easements in the area of the old municipal property that are needed to continue with this project. We have confirmed that these are not permanent easements, but temporary construction easements. The Township has determined that just compensation for these easements is \$2,168 and has asked that the ICDA donate these easements to the Township. The Board needs to consider whether to donate the easements to the Township.

Michael Pries moved to donate the easements and Domenick Argento seconded the motion. *Motion carried 3-0.*

CONSIDERATION OF REINSTATEMENT & AMENDMENT AGREEMENT WITH TOWNSHIP

Solicitor Zemlock advised the Board that she and the Township solicitor, Jon Yost, drafted a Reinstatement and Amendment Agreement in regard to the deed to the old municipal authority building and parcels. This document reinstates the original agreement with some minor modifications and cleans up a couple of outstanding issues. If this

agreement is voted on favorably tonight it will be presented to the Township at its June 29 meeting for approval.

A motion to accept and approve the Reinstatement and Amendment Agreement was made by Domenick Argento and seconded by Michael Pries. *Motion carried, 3-0.*

RATIFICATION OF ROOM ONE AMENDMENTS

Solicitor Zemlock reported that the Board was presented with an amendment to a sublease agreement between Room One Corporation and the Authority and also presented with an amendment to sublease agreement between the Authority and the Derry Township School District. These agreements contemplate that the School District will increase the square footage of space, which it will use on the bottom floor with no additional consideration under the lease. Bond counsel confirmed that the tax-exempt status of the Bonds involved would not be adversely impacted if the School District increased the square footage it used of this Building pursuant to the proposed changes. Because of time constraints, the Chair executed the agreements and, if acceptable, needs to be ratified.

Michael Pries moved to ratify the above agreements and Domenick Argento seconded the motion. *Motion carried 3-0.*

RATIFICATION OF HIGH SCHOOL GRADUATION PARTY DONATION

Chairman Ingalzo announced that the ICDA Board previously decided to donate \$1,000 to the Hershey High School Graduation Party and needs a formal motion to ratify this.

Michael Pries moved to accept the ratification and Domenick Argento seconded the motion. *Motion carried, 3-0.*

CHAIRMAN'S REPORT

Chairman Ingalzo informed fellow Board members that contract negotiations with Springwood are underway and they have given the Board contract language, which was reviewed by counsel. Counsel has offered counter language and it is being reviewed again by Springwood. A special meeting will probably be called to approve the final document for signatures.

ANY OTHER BUSINESS TO COME BEFORE THE BOARD

No other business to discuss.

PUBLIC COMMENT

No public comment.

ADJOURNMENT

A motion to adjourn was made by Domenick Argento and seconded by Michael Pries.
Motion carried, 3-0.

Meeting was adjourned at 7:45 p.m.

Respectfully submitted by:

James N. Negley
Manager/Treasurer/Assistant Secretary

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