

TOWNSHIP OF DERRY
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
MEETING MINUTES
AUGUST 18, 2016

CALL TO ORDER

Chairman Justin C. Engle called the August 18, 2016 Regular Meeting of the Industrial & Commercial Development Authority to order at 6:00 pm in the meeting room of the Township of Derry Municipal Complex, 600 Clearwater Road, Hershey, PA. A roll call was completed after the pledge of allegiance.

IN ATTENDANCE:

BOARD MEMBERS

Justin C. Engle, Chairman
John W. Foley, Vice Chairman
Brian Shiflett, Treasurer
James Ingalzo, Secretary
Thomas Fowlston

ALSO PRESENT:

James N. Negley, Manager/Asst. Treasurer
Marie Sirkot, Administrative Assistant
Lauren Zumbrun, Economic Development Manager
Jeffrey Engle, ICDA Solicitor
Julie Echterling, Recorder

Public in Attendance

The following were in attendance: Lori Althoff, Diana M. Reed & Associates; David Twaddell, Rhoads & Sinon; David Breniser, PNC Bank; Dan Malpezzi, McNees, Wallace & Nurick; Lou Verdelli, RBC Capital Markets.

APPROVAL OF REGULAR MEETING MINUTES:

Mr. Ingalzo made a motion to approve the minutes for the June 16, 2016 regular meeting. Mr. Shiflett seconded the motion. **Motion carried 5-0.**

PUBLIC COMMENTS:

There were no public comments.

LETTER OF CREDIT EXTENSION - GIANT CENTER:

Mr. Lou Verdelli, RBC Capital Markets, discussed the annual renewal letters required each year and the process. He introduced David Twaddell bond counsel with Rhoads & Sinon, David Breniser with PNC Bank and Dan Malpezzi with McNees, Wallace & Nurick. He spoke about the one-year letter of credit extension for the Giant Center. He stated if the Authority approves the Resolution tonight, the new lines of credit will be in place by November. Mr. David Twaddell spoke about the 10th supplement. He stated once the resolution is adopted, then he will meet with the officers with PNC Bank to sign the documents.

Vice Chairman Foley made a motion to adopt **Resolution 2016-02**, approving the tenth amendment to reimbursement, credit and security agreement. Mr. Shiflett seconded the motion. **Motion carried 5-0.**

KMPG ENGAGEMENT LETTER FOR THE AQUATICS CENTER:

Mrs. Zumbrun spoke about the possibility of signing an engagement letter with KMPG for assistance on the Aquatics Center. She stated they have experience working with large stadiums and structuring the financing for them. She stated there is no scope of services for the agreement. The agreement would be using them on an on-call basis for answers, input, and to review documents. The blended rate would be \$440 an hour. Chairman Engle spoke about being in the early stages of this project and the possibility of using them as a resource. He spoke about not having the expertise for such a large project and would like to use them as a resource if needed. If there is a development agreement, we could have them review it. Mr. Ingalzo asked how would this work with contacting them and the approval process. Chairman Engle

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stated we could use the ICDA Manager to manage the process. The Board expressed concerns about how quickly the cost could add up.

Vice Chairman Foley asked if there was a development agreement. Chairman Engle stated it is in draft form and is not ready for the Authority. Mrs. Zumbrun stated they aren't ready to bring it to the ICDA because they are updating numbers. She spoke about different options available. Chairman Engle spoke about this being in the early stages, looking at the site and some master planning including improvements to Hershey Park Drive.

Mr. Shiflett was concerned about engaging KPMG who is known nationally for these high level kinds of facilities. Does this project warrant KPMG services. Vice Chairman Foley questioned if some of the financing can be done internally. Chairman Engle thinks KPMG can help with the high level look and we can use local resources for the detailed contract. Mr. Fowlston was concerned about signing it and giving the wrong impression that they are moving forward to the Developer. Discussion ensued. Vice Chairman Foley asked if KPMG is engaged, can the Board be made aware of each specific engagement by email with a limit of dollars spent.

Vice Chairman Foley made a motion to approve the KPMG engagement letter contingent upon the Board being emailed each time they are engaged with the subject matter and projected cost. Mr. Fowlston seconded the motion. **Motion carried 5-0.**

STREETSCAPE IMPROVEMENTS PROJECT: HRG SCOPE OF SERVICES PROPOSAL:

Mrs. Zumbrun spoke about the HRG proposal for the Streetscape Improvement Project. She stated the ICDA gave \$60,000 and the County pledged \$245,000 in liquid fuels for the project. She stated the Township received the \$60,000 from the County and transferred it to the ICDA. She spoke about the timing of the application of the grants and the possibility of it being awarded next summer.

Mr. Ingalzo made a motion to approve the HRG scope of services for the Streetscape Improvements project. Mr. Shiflett seconded the motion. **Motion carried 5-0.**

OTHER BUSINESS:

Mr. Verdelli provided an update on the Intermodal Transportation Facility (ITF) financing. He discussed the Series 2004 note. It has an outstanding balance of \$5,975,000 with a final maturity date of October 15, 2024. The interest rate formula is one month LIBOR + 149 base points * 65%. The loan is pre-payable at any time with no penalties. It was converted to a fixed rate with swap at 4.195% until October 15, 2024. The debt service is paid with Dauphin County hotel tax revenues. The Guaranty Agreement is provided by the Township of Derry.

He discussed the Series 2006 note, which has an outstanding balance of \$2,253,845 with a final maturity date of October 15, 2026. The interest rate formula is one month LIBOR + 149 base points * 65%. He stated the loan is pre-payable at any time with no penalties. The debt service is paid with Dauphin County hotel tax revenues. The Guaranty Agreement is provided by the Township of Derry. He discussed the outstanding debt and payment schedule.

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He spoke about the strategy to remove the Township as the guarantor. The reasons for this include the projected upcoming gap between the payments and hotel taxes and reducing the guarantees for the Township. The refinancing of the existing loans would set a new maturity date of May 15, 2037. HE&R would become the guarantor. The new loan will be bank qualified if it can be completed in 2016.

He stated that HE&R will have a Board meeting and will review the structure of the guaranty agreement and possibly approve it on December 7. He asked the Authority to approve the new loan in November with the settlement of the new loan and the retirement of the existing loans at the December meeting. A finance fee can be charged upfront or annually, which is normal for these projects. He asked the Board for their feedback so that it can be built into the new loan in November. Discussion ensued. The Board thanked him for his work.

ADJOURNMENT:

Vice Chairman Foley made a motion to adjourn the meeting at 6:45 pm. Mr. Ingalzo seconded the motion.
Motion carried 5-0.

SUBMITTED BY:

James N. Negley, Manager
Assistant Treasurer, Assistant Secretary