

TOWNSHIP OF DERRY
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
MEETING NOTES
FEBRUARY 21, 2019

CALL TO ORDER

Supervisor Engle called the February 21, 2019 Regular Meeting of the Industrial & Commercial Development Authority to order at 6:03 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.

THE FOLLOWING WERE IN ATTENDANCE:

BOARD MEMBERS:

Justin C. Engle, Jr., Chairman
Brian Shiflett, Vice Chairman
Marc Moyer
Thomas Fowlston

ALSO PRESENT:

Christopher Christman, ICDA Manager
Marie Sirkot, Administrative Assistant
Jeffrey Engle, ICDA Solicitor
Julie Echterling, Recorder

BOARD MEMBERS ABSENT:

James Ingalzo

Public in Attendance

The following were in attendance: Lori Althoff, Linda Eyer, Dwayne Eyer, Jonathan Crist, David Twaddell, Eckert & Seamans, Scott Shearer, PFM, Ben Kapenstein, PFM

APPROVAL OF REGULAR MEETING MINUTES:

Vice Chairman Shiflett made a motion to approve the minutes for the January 17, 2019 regular meeting. Mr. Fowlston seconded the motion. **Motion carried 4-0.**

PUBLIC COMMENTS:

There were no public comments.

PROFESSIONAL SERVICES -PUBLIC FINANCIAL MANAGEMENT (PFM)

Chairman Engle contacted PFM as they have been working with the Township. PFM could help the ICDA Board understand the refinancing process for the Giant Center better and insure the flow is proper. Vice Chairman Shiflett spoke about the models they provided, and it helped to understand the process better.

Mr. Scott Shearer, Managing Director of PFM, and Mr. Benjamin Kapenstein, Senior Analyst, provided a presentation to the Board. They spoke about the following items:

- Debt balances consists of Series A 2000 - \$15,590,000 and Series B 2001 -\$21,070,000.
- Mr. Shearer stated the overall idea is that by lowering debt services, more money will be available for long term capital needs of the Giant Center. The refinancing terms provided by PNC are favorable with moving forward on the refinancing.
- Possible by-product of the refinancing could be, after collaborating with HE&R and Dauphin County, determine where excess hotel taxes left after paying debt service can be used.
 - The Hotel tax first flow – will pay for the new series 2019 debt services
 - Any remaining surplus will be used for the debt services of another qualified project under the hotel tax law or to redeem a portion of the Series B 2019 debt.
 - Hotel tax second flow – pay for the debt services related to the Hershey Story Museum and the Intermodal Transportation Facility.

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- Any remaining funds will be used for Intermodal Facility Capital projects and for the Giant Center Capital projects.
- The Giant Center operational agreements may be modified to allow for the following waterfall of revenues: Series B of 2019 debt services payment, Giant Center operating costs, Giant Center capital reserve, PILOT payments, ground lease payments per existing agreement and management fee.
- They stated the overall goals were as follows:
 - Insure that the ICDA is living up to its commitments to fund the capital needs of the Giant Center
 - Continue successful public private partnership between the ICDA and HE&R.
 - After these goals are achieved, the final objective will be to plan for a scenario where there could be surplus funds, after all ICDA obligations are met, for other qualified projects such as the Hershey Community Center.

HOTEL TAX – GIANT DEBT RESTRUCTURING:

Chairman Engle read the following update for the hotel tax, Giant Center debt restructuring and establishing reserves for the long-term capital needs of the facility:

- Since the beginning of the Giant Center project, the TDICDA has been contractually obligated to fund maintenance and necessary capital expenditures for the Giant Center facility.
- The main objective of this effort to restructure the debt on the Giant Center is to create a mechanism that allows the TDICDA to satisfy its duty to fund these obligations. The amount for maintenance and capital expenditures is estimated at approximately \$30M between now and 2037.
- We are early in this process and still developing the framework for the debt restructuring. A number of parties need to be involved – including HE&R and the County. David Twaddell from Eckert Seamans is here to specifically address what would be required from the County.
- The County hotel tax is a total of 5%. 70% of the first 2% must go to debt service to construct a regional sports facility, this is what funds the Giant Center debt. We commonly refer to this as the “first flow”. 75% of 50% of the last 2% of the total 5% hotel tax funds debt service on the Intermodal Transfer Facility (ITF, aka, parking garage) and the Hershey Story Museum. This is often referred to as the “second flow”.
- Any excess hotel taxes received from the second flow after debt service is paid on the ITF and Museum will be used for capital improvements to the ITF and the Giant Center. This was established in an MOU between the TDICDA and HE&R in 2016.
- It is possible that after restructuring the Giant Center debt, depending on the growth of the hotel tax, that the TDICDA will receive more money annually from the first flow than the annual debt service on the Giant Center.
- Derry Township is currently out to bid for planned construction of the Hershey Community Center that will host regional swim meets and will be capable of seating in excess of 2,500. It is possible that these excess funds could be used for debt service on this project. As part of this process, the TDICDA is evaluating that possibility.
- However, the sole objective of the possible refinancing of the Giant Center debt is the creation of a dedicated capital pool for the needs of the Giant Center and Intermodal facility.

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- The creation and availability of any excess funds as a result of the proposed refinancing for other possible uses, beyond the capital needs of the Giant Center and Intermodal facility, should be solely viewed as a by-product of the primary objective of the proposed refinancing.

He noted these are the objectives for refinancing. Mr. David Twaddell discussed the broader options and spoke about the way the statues were written and the County ordinances. He spoke about Act 45 Authority. He believes if both agree and a project is qualified, the agreements wouldn't need to be changed. He spoke about the flow of money with the hotel tax and the escrow. The escrow agreement would need to be amended for additional uses. He believes it makes sense to use M&T for the escrow accounts. Vice Chairman Shiflett asked what happens to the money once the debt is paid off. Mr. Twaddell stated the statues and ordinance doesn't address this and the money could be redirected to another entity in the County. Vice Chairman Shiflett asked about the ownership of the Giant Center once the debt is paid. Mr. Twaddell stated it doesn't automatically go to HE&R but there is a purchase option with the debt.

CAPITAL CONSTRUCTION MANAGEMENT, LLC – AGREEMENT:

Chairman Engle spoke about the \$30 million of improvements HE&R has scheduled for the Giant Center. He believes it makes sense to have an agent for the ICDA to look at the numbers and validate them. Capital Construction Management would be that agent. Mr. Greg Koussis would be the go-to person for the ICDA. Vice Chairman Shiflett noticed the contract says on page 2 that ICDA would be billed direct costs plus 10% and on Attachment B it notes they would be billed without a markup. He also asked the agreement specifically to state they are representing the ICDA. Solicitor Engle stated he would contact Mr. Koussis and discuss these two items.

Vice Chairman Shiflett made a motion to enter into a professional services agreement with Capital Construction Management, LLC contingent upon Solicitor Engle's review and CCM's agreement. Mr. Fowlston seconded the motion. **Motion carried 4-0.**

PUBLIC COMMENTS:

Mr. John Crist challenged the assertion that the Hershey Community Center pool area comes close to 2,500 seats. When he counted, he saw 1,250. Chairman Engle stated that the gym, through video, would account for additional seating. Mr. Crist stated the pool area (800) + gym (450) is 1,250. He stated they can't just add more seats because of fire codes. Chairman Engle spoke about the swimming events of people cycling throughout the day could be 2,500 people but agreed that it is a valid point.

Mr. Dwayne Eyer asked about the fees for the PFM contract. Chairman Engle stated it is a per hour fee that is paid out of the transaction. Mr. Eyer spoke about the 2016 swap and how much it cost the township and asked how much this one would cost. Mr. Shearer stated the cost is included in his numbers but doesn't know exactly at this time. Those figures can be obtained. Mr. Fowlston spoke about the lend and extend concept in banking which has a penalty but lowers payments. Mr. Eyer asked the Board to look out further into the future and swap for the long term for refinancing.

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ADJOURNMENT:

The meeting was adjourned at 6:50 p.m.

SUBMITTED BY:

Christopher S. Christman, Manager
Assistant Secretary/Assistant Treasurer