

TOWNSHIP OF DERRY
INDUSTRIAL & COMMERCIAL DEVELOPMENT AUTHORITY
MEETING NOTES
AUGUST 20, 2020

CALL TO ORDER

In order to ensure public safety during the COVID-19 crisis, the August 20, 2020 meeting was held by audio and video conferencing via a Zoom Virtual Webinar and shown live on YouTube on the Derry Township YouTube page.

Chairman Abruzzo called the August 20, 2020 Regular Meeting of the Industrial & Commercial Development Authority to order at 6:02 p.m. via video conferencing with a Zoom Virtual Webinar through the on-line Meeting Room. He advised that all public meetings are recorded for providing accurate notes. After the Pledge of Allegiance, a roll call was performed.

THE FOLLOWING WERE IN ATTENDANCE:

BOARD MEMBERS

Christopher Abruzzo, Chairman
Natalie Nutt, Vice Chairwoman
Todd J. Shaffer
Jay Franklin
Jim Ingalzo

ALSO PRESENT:

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

Public in Attendance

The following were in attendance: Lori Althoff - Diana M. Reed & Associates, Louis Verdelli - RBC Capital Markets, Garrett Gallia - Hershey Entertainment & Resorts Co., Wendy McClintock - Hershey Entertainment & Resorts Co., Jennifer Beck - Hershey Entertainment & Resorts Co., Kathy Sicher - Derry Township School District, Mike Frenz - Derry Township School District, Lindsay Drew - Derry Township School District.

APPROVAL OF REGULAR MEETING MINUTES:

Vice Chairwoman Nutt made a motion to approve the minutes for the February 20, 2020 regular meeting. Mr. Franklin seconded the motion. **Motion carried 4-0-1.** Mr. Ingalzo abstained since he was not present at the February meeting.

VISITOR/PUBLIC COMMENTS:

There were no public comments.

NEW BUSINESS:

UPDATE ON THE GIANT CENTER TAXES:

Mrs. Wendy McClintock and Jennifer Beck, HE&R, discussed the hotel tax situation for the Giant Center. They spoke about the refinancing which reduced the debt and provides money for new projects. COVID hit and things are much different now. Mrs. Beck went over the hotel taxes for the Giant Center, Intermodal Center, and the Hershey Museum. She spoke about the accounts the money goes to and how the debt is paid. She highlighted the following items:

- Total Hotel taxes
 - 2020 projections for total Hotel Taxes are \$4.4 million versus \$12.5 million in 2019.
 - 2021 projections for Hotel Taxes are \$6.2 million-(50% of 2019 revenues)
 - 2020 Hotel taxes for the Giant Center, Intermodal and Museum are projected to be \$1.7 million total versus \$5.2 million in 2019.

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- Debt Service Payments-Giant Center, Intermodal and Museum
 - 2020 total debt services are \$3,070,412
 - 2021 total debt services are \$3,060,338.

- Giant Center
 - Closed since March for COVID with no activities planned. 2020 Revenues were used for operating expenses.
 - 2020-Operating Revenues are projected at \$5.6 million versus \$16.4 million in 2019.
 - 2021 -Estimating revenues to be \$7.3 million -50% of the 2019 revenues.

They noted there is enough money to pay the 2020 debt based on the beginning balance in the escrow account of nearly \$1 million. They stated no money is available to pay for the Ground Lease and Pilot payments for the years 2020 and 2021. These payments do not accumulate and will not be paid to the Township or School District.

Mrs. Beck spoke about the second portion of the 2% Hotel tax with the Museum and Intermodal. She noted the debt payment can be paid for 2020 but there is less cushion left for 2021. She went over her spreadsheet for this debt with the Board. The information provided tonight are estimates and could change and be better or worse. Mr. Gallia noted they have been forecasting for the past several months and noted this was not the worst-case estimate and are conservative numbers.

Mr. Ingalzo asked them about occupancy. Mr. Gallia noted with the Governor's restrictions, they can have 25% capacity in a venue including staff, which is impossible to operate the Giant Center. If it were raised to 50%, they would have to run the numbers to determine if it would be profitable. Chairman Abruzzo asked about the park attendance. Mr. Gallia stated they are at about 30% of normal and are keeping it open for now. Mr. Franklin asked about the Pilot program and payments. Mr. Gallia explained how they work.

Mr. Franklin asked if this continues and there is not enough money to pay the debt what would happen. He asked if the bank would sell the Giant Center. Mrs. McClintock stated they would need to have a conversation with the bank if the debt could not be paid. She believes the bank would work with them. Mr. Verdelli noted that the Township is not the guarantor for the loan and they would have to work with the bank. Mr. Ingalzo asked if there was anything in the CARES act that could help. Mr. Gallia stated the size of their company hinders them, but they have looked at it.

Chairman Abruzzo stated it sounds like HE&R will be able to see their way through this crisis. He spoke of the Township working on expenses so that taxes do not have to be raised. He asked if there could be quarterly updates on this for the Board. Mr. Verdelli noted this would be a different situation had the 2019 refinancing not been done.

MUNICIPAL BUILDING DEBT SERVICE REFINANCING OPPORTUNITY:

Chairman Abruzzo spoke about the current situation for the Township and the gap in the budget. He noted they are looking at all opportunities to help with the \$1.6-\$2.0 million shortfall of revenues. Mr. Verdelli provided the history of this debt dating back to 2005 for \$10 million for the municipal building. Every five years the debt can be refinanced, which the ICDA has taken advantage of to lower the interest rates. It can be refinanced in 2020. He spoke about the lower rates available. He discussed the Township's debt in his

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spreadsheet outlining the debt payments due from 2020 to 2040. He went over the debt payments; the debt being refinanced and how the Township could save \$700,000 in debt services and payments this year.

He noted the current debt is \$7.62 million with interest rates ranging from 2% to 3.125% with final maturity date of November 2030. The new debt would have a lower interest rate and would have a final maturity date of November 2040. He went over the schedule for the refinancing with the expectation of settling on October 22.

Mr. Ingalzo made a motion to authorize the Finance Committee to move forward with refinancing the 2005 bonds on the Municipal Building debt. Mr. Franklin seconded the motion. **Motion carried 5-0.**

PUBLIC COMMENTS:

Mrs. Kathy Sicher, President of the Derry Township School Board, noted the presentation tonight did not highlight the effect on the School District. She noted not receiving Pilot Payments for two years will have a harsh impact on the District. She is upset to hear the arrangement that these payments are paid last or not at all. She stated they have 3,500 kids in the District and spoke of the impact of COVID and the opening of the schools. She asked that the school be represented at the ICDA meetings with these types of agreements that directly impact them.

Mr. Mike Frentz, Business Manager of the School District, thanked HE&R for the information. He spoke about the difficult times we are experiencing. He noted 61% of the support for the District is from real estate taxes including the Pilot payments. These missed payments plus the increased costs is not good for the District. He hopes the County and Township can do something so that these payments are not lost forever.

Mrs. Lindsay Drew, Treasurer of the School District, echoed what Mrs. Sicher and Mr. Frentz said. She spoke about the impact on the budget for these missed payments. She asked the ICDA to address the allocation of hotel taxes with the reduced revenues.

ADJOURNMENT:

Mr. Franklin made a motion to adjourn the meeting at 7:23 p.m. Vice Chairwoman Nutt seconded the motion. **Motion carried 5-0.**

SUBMITTED BY:

Christopher S. Christman, Manager
Assistant Secretary