

BUCKS COUNTY CONSORTIUM

Thursday, September 3, 2015

Meeting Minutes

1. Call to Order:

A meeting of the Bucks County Consortium was held at 9:00 a.m. at Warrington Township, on September 3, 2015, and called to order by Consortium President Eileen M. Bradley.

2. Roll Call and Introductions:

The following Bucks County communities were represented at the meeting:

Eileen M. Bradley, New Britain Township
Angela P. Benner, New Britian Township
John McMEnamin, Lower Southampton Township
John Boyle, Yardley Borough
Jamie Gwynn, Northampton Township
Linda McNeill, Tinicum Township
Caroline Brinker, Doylestown Borough
Bob Pellegrino, Northampton Township
Kyle Seckinger, Warwick Township
Bill Cmorey, Bensalem Township
Christian Jones, Warrington Township
Joseph Golden, Upper Southampton Township
Scott Sadowsky, Northampton Township / Middletown Township
Joe Galdo, Lower Southampton Township
Virginia Wheeler, Warminster Municipal Authority
Bill Wert, Dublin Borough
Gail Weniger, Warwick Township
Michael Brown, Springfield Township
Sandra Zadell, Chalfont Borough
Vivian Bell, Warrington Township
Marianne Morano, East Rockhill Township
Ann Alker, Upper Southampton Township
Herb Schoell, Upper Southampton Municipal Authority
Barry Luber, Warrington Township
James J. Miller, Warrington Township
Autumn Carfield, Doylestown Township
Stephanie Mason, Doylestown Township
Tim Hagey, Warminster Municipal Authority
Scott Swichar, Bristol Township

Sponsors:

Jim Gray, RBC Capital Markets
Brian Bradley, RBC Capital Markets
Alan Herr, HPT Systems
Michael Davisson, Uninvest Municipal Pension Services
Jeff Hugo, InR
Ted Dorand, PECO

3. Approval of Minutes – June 4, 2015:

Upon motion by Caroline Brinker, seconded by Sandra Zadell, the Minutes of June 4, 2015 were approved as presented.

4. Treasurer's Report and Payment of Bills:

Vivian Bell reviewed the details of the Treasurer's Reports. Upon motion by Bob Pellegrino, seconded by Caroline Brinker, the Treasurer's Reports for June, July, and August 2015 were approved as presented.

5. Presentations:

Presentation: Lucien Calhoun, Calhoun Baker and DVRFA

Ms. Bradley introduced Mr. Lucien Calhoun, President of Calhoun Baker, the Program Administrator for the Delaware Valley Regional Finance Authority (DVRFA).

Mr. Calhoun presented the Consortium with information on the bond issues. Currently, DVRFA, has \$60 million available for loans out of the \$1 billion in bond issues used to fund local government projects. The cost of issuing bonds through DVRFA is low. One third of bond issues are small bond issues due to attractive interest rates. Mr. Calhoun stated that currently long-term fixed rate bonds are the best way to go with DVRFA. For short-term financing, banks are more competitive. Mr. Calhoun recommended that when looking at financing, it is always best to look at bonds through a DVRFA loan or a bank loan. The banks have been increasing as a direct lender. Mr. Calhoun stated that loans with DVRFA are private and public notice is not required. The process to receive a DVRFA loan usually takes anywhere from 8 to 10 weeks after application.

Presentation: Jamie Schlesinger, PFM

Ms. Bradley introduced Mr. Jamie Schlesinger, Senior Managing Consultant with Public Financial Management, Inc.

Mr. Schlesinger stated that PFM is an Independent Financial Advisor, which means that the Financial Advisor represents the issuer's best interest throughout the entire process of any debt issuance. They assist in selection of financing type (bond issue, bank loan, etc.), method of sale (competitive, negotiated, hybrid, etc.), negotiations of interest rates, commissions, and loan provisions, and provide an ultimate recommendation on whether or not to proceed based on current market conditions.

Mr. Schlesinger stated that commercial bank loans are a nice alternative for financing, although they are difficult to do for a longer, 30-year term. Commercial loans that are drawdown loans are great alternatives for financing \$10 million or less.

Bonding is a longer process that requires the borrower to go through a credit rating process that determines your credit rating. This process takes a couple weeks with a credit committee deciding the rate. The rating matters because it will decide your interest rate: the higher a rating, the lower your interest rate. Mr. Schlesinger also stated that with bonding, you would want to acquire bond insurance because if something happens where you are unable to pay the bond, the insurance would help. A bonding underwriter writes the bond and it is important to have the bond underwriter and lawyers involved as soon as possible.

Mr. Schlesinger reviewed other financing options: Interim Funding that is short-term borrowing prior to permanent financing; Draw Down Bank Loan where you permanently finance today, but funds are available to use gradually for a two year period; Current Funding is where you wait for construction bids; Advance Funding where you borrow all (or a portion) prior to construction bids; and Multiple Financing where you spread borrowings over different calendar years, taking advantage of IRS limits and staggering impact vs. increased costs of issuance.

Presentation: Jim Gray and Brian Bradley of RBC Capital Markets, LLC.

Ms. Bradley introduced Mr. Jim Gray, Vice President, and Mr. Brian Bradley, Director of RBC Capital Markets, LLC. (Royal Bank of Canada).

Mr. Gray stated that RBC Capital Markets is a Municipal Underwriter and has the ability to provide credit and liquidity facilities, direct purchases and derivative products directly from a stable and highly rated counterparty. RBC has the highest credit rating of any bank active in municipal financing and have \$78.3 billion in market capitalization.

Mr. Bradley discussed the general Municipal Bond Market and how bonds are used when cash is not available. Mr. Bradley stated that issuers float municipal bonds to pay for various projects. Municipal bonds are a common and popular tool and when municipal governments issue bonds, they receive a cash payment at the time of issuance in exchange for a promise to repay investors principal and interest over time. Issuers offer bonds to investors through investment banks (broker/dealers) like RBC Capital Markets, LLC.

Mr. Bradley expanded on new money considerations stating that the primary objective in selecting a financing approach is the financing of the project at the lowest possible cost. Approaches to bond financing are: current funding, advance funding, multiple funds, and reimbursement funding. Current funding is the most frequently used approach for financing projects and allows the issuer to issue debt after receipt of construction bids on a project for the exact amount of the bid, thereby allowing an issuer to avoid the risk of over- or under-borrowing. Advance funding is commonly used and is used to advance fund a project before receipt of the construction bids; therefore, the Issuer could face the possibility of borrowing too much or too little. Multiple funding is used for issuing more than one bond issue to fund a capital project, especially if it is a larger undertaking. Funds can be phased-in, mitigating the financial impact of the project to the Issuer's taxpayers. However, a disadvantage of the phase-in strategy is that an Issuer will be subject to some interest rate risk. With reimbursement financing, an issuer is permitted by the IRS to reimburse itself with proceeds of tax-exempt bonds for capital projects or extraordinary working capital expenditures made with its own funds.

Q&A from Presentations:

Barry Luber asked which were better: negotiated sales or competitive sales. Mr. Bradley stated that competitive sales usually outperform negotiated sales, however, in a volatile market with low to average credit ratings, negotiated performs better. Mr. Schlesinger added that competitive sales work best when you have a financial advisor working with you and it is best not to tackle competitive sales yourself. Financial advisors add a comfort level to the process. Mr. Calhoun added that competitive sales had a 20-point basis advantage.

Bob Pellegrino asked if anyone had a preferred credit rating agency. Mr. Schlesinger stated that municipalities do have a choice of which credit agency they use. Generally, Moody's and Standard and Poor's are the credit agencies to go with, although it depends on the market. Mr. Schlesinger also stated that if you have bank loans and Moody's does not like them, you should switch to a different rating agency. Mr. Calhoun stated that Kroll Brothers used to be a forensic accounting firm and that they are now a credit agency that DVRFA uses. They do a better write up, but you must have GASB finance statements to use them.

Tim Hagey asked what was the difference between ratings. Mr. Bradley stated that a rating of AA or higher generally means you will not have a problem being insured and receiving good rates, although Camden has a AA rating and they received horrible rates because of their reputation. Mr. Schlesinger said it all depends, the spread can be anywhere from five to 20 basis points.

6. Discussion:

Verizon and Recent Franchise Fee Late Payments: Mr. Pellegrino stated that three different local municipalities have suits filed against Verizon related to non-payment of franchise fees on collections for late fees. Mr. Pellegrino suggested that the consortium wait to see what happens with the current suits and if they were awarded the additional funds to determine if the Consortium should get involved.

7. Community Updates:

BCATO: Gail Weniger asked everyone to send her any interesting resident complaints so that she could use them in a presentation at the next BCATO meeting.

8. Other Business:

Sewage Enforcement: Mike Brown stated that a company that has an application that would track maintenance on on-lot systems had approached him about presenting to the Consortium. This app could help municipalities with sewage enforcement. Ms. Bradley stated that perhaps the presentation could be scheduled for next year, as this year's schedule was full.

9. Adjournment:

Upon motion by Bob Pellegrino, seconded by Stephanie Mason, the meeting was adjourned at 10:45 a.m.

The next meeting was scheduled for 9:00 a.m. on October 1, 2015 at Newtown Township.

Respectfully Submitted,

Angela P. Benner
Consortium Coordinator