

## **OCTOBER 15, 2012 COUNCIL MEETING MINUTES**

The October 1, 2012 Council Meeting was called to order at 7:35 P.M. in Council Chambers at the Municipal Building.

### **APPROVAL OF AGENDA ITEMS**

Good Evening, we will call this meeting to order. The Agenda will stand as presented. Please stand for the Pledge of Allegiance.

### **ROLL CALL**

Mrs. Kuhn  
Mr. Palumbo  
Mr. Underwood  
Mayor DeLuca

Also present were Manager Rayan, Secretary Davis, Planning Director Davidson, Finance Director Schrecengost and Solicitor Alexander.

### **APPROVAL OF MINUTES**

Mr. Underwood made a motion to approve the Minutes of October 1, 2012 meeting.

Mr. Palumbo seconded the motion.

There being no further discussion the motion was approved by a 4-0 vote.

### **EXPENDITURES**

Mr. Underwood made a motion to approve the Warrants dated October 15, 2012. Journal Vouchers 1- \$1,842,702.00, C.D. Requisitions 4- \$16,516.00, Master 22508-22643 in the amount of 1,157,452.85; Grand Total- \$3,016,670.85.

Mr. Palumbo seconded the motion

Mrs. Kuhn- I have a question on page 13, Check No. 22629 - Reinhart Foods, SC-HDM Food Supply, I just wasn't sure what that was Ed?

Mr. Schrecengost- It is Senior Services Home Delivered Meals.

**Mrs. Kuhn- And then I had questions on page 10 check no. 22625 for Nick's Auto, the amount is \$1782.52 description of PD-50357- Eng/cylinder head and then there is one for \$1,808.57 with the same description PD-50357- Eng/cylinder head, I didn't know what that was and if it was for the same vehicle or different vehicles.**

**Mr. Schrecengost- It was for the same vehicle.**

**Mrs. Kuhn- So it was two payments, and if we add those two figures together we can see what the engine was for.**

**Mr. Schrecengost - Yes.**

**There being no further discussion the motion was approved by a 4-0 vote. Mrs. Kuhn abstained from check #22617 to Don Kuhn Auto Body in the amount of \$275.00, yes to all others.**

## **ORDINANCES**

**Chris Shelby (of Piper Jaffray)- We have been communicating with the Municipality over the last year, just to keep an eye on any opportunity for the Municipality to save money through the refunding of existing debt. As it turns out, we identified a couple of issues that we have kept our eye on this year. That is what I have handed out tonight. In Summary, and then I'll get into this hand out to be more specific. We are looking at the Series A of 2001 and Series A of 2004, those two issues are general obligation issues of the Municipality, there were not for sewer they were just for general obligation, obviously for necessities of the Municipality for bricks and mortar type capital expenditures. With that, those two issues are very short in terms of how far out there debt goes. In both of those issues, the way they were structured originally was with fairly heavy principal payments and they have two principal payments coming due this year on December 1<sup>st</sup>, of approximately \$585,000.00 for the Series A of 2001 and \$545,000.00 for the Series A of 2004. Those two payments will be due and payable by the Municipality this December 1<sup>st</sup> and those are two payments for which you have budgeted. You do have the funds on hand, but at the same time, we identified those two payments as being possible restructuring payments. The reason we identified them for restructuring is as you are now in the midst of a budgeting process, we all know you are trying to hold the line on taxes, you are trying not to increase taxes, and not have that reason to do so. With the low interest rate environment that we have, we have the ability to take certain principal payments that may be due now and move them into another part of your debt repayment structure, not beyond the current debt structure of the municipality, within the current debt structure of the Municipality, with that I'm saying that \$585,000.00 for 01-A's and the \$545,000.00 of the 2004-A's could be move to another year where you have dollars available for debt service, down the road within your current debt structure, within the term of your current debt structure. That would alleviate those payments this year. With that, since you have already budgeted for those payments this year, it would provide you in an excess of one million dollars of relief or excess funds in this budget year, which you**

could carry over into next year. That may assist you in your budgeting process to make sure one- that you hold the line on the tax basis and two- you could possibly generate some surpluses in your budget or in your budget for next year, and at the same time, put those principal payments at a later date within your current debt structure that does not cause an increase over and above the debt service level at which you are at right now.

The last item is the Series B 2004 Sewer Bonds, which are also general obligation bonds of the Municipality, but they are for sewer purposes. The 2004 B bonds in the principal balance outstanding of about \$4.9 million now can be refunded because interest rates are flat out lower. The result in savings are what I'm going to get into. It's a cash savings, those savings would only be attributable to the sewer system, but nonetheless, cash is cash, savings are savings, it's just like doing a mortgage, the opportunity to refund and reduce your interest cost which that opportunity is here. As I'm sure you've all heard the interest rates are almost at all time historical low. If I could turn you to the hand out that I've provided, I will pull these pieces together very briefly. I'll try not to be long.

The first thing is the refunding of the Series 2001 A and Series 2004 A again, these are both general obligation of the Municipality, only for general obligation debt, non-sewer debt. On page one, we show bond proceeds of 1.2 million dollars, that 1.2 million is used to pay those two payments that are coming due on 12/1/12. Instead of it coming out of your general fund for those payments, out of your debt services fund, they would be paid for by the bond issue. There are related cost of issuance which are not terribly significant with a small loan like that. If I could turn you to page 2, what we are showing to be paid is on the Series A-2001- \$585,000.00 in principal, which comes due 12/1/12- you can even see the rate of interest on that at 5.25%. We would pay for that out of the proceeds of the bond issue, so that you would not need to come out of your general fund for those monies. The next page shows you for the Series-A for 2004, the other bond that could be paid, also coming due on 12/1/12 are \$545,000.00 of bonds and those are at a rate of 3.30% next year. That also would be an amount paid by this bond issue. What we would be doing on page 4 is putting all of that principal in the year 2026, that is where you have an opening in your existing debt service schedule to pay and even at that rate, if you look in 2026 under coupon we are at rate below either of the two bonds that are being refunded at 2.65% so that is a huge difference in what has happened in the market. You have one year bonds outstanding at over 5% and over 3% yet they could be refunded in 14 years at a rate less than the two rates are outstanding at 1 year at 2.65%. If I could turn you to the next page just to summarize the Municipal side. If you look across the page, those are all the bond issues on the general obligation debt of the Municipality, not sewer just general obligation of the Municipality. Each column is a current obligation that you have. If you look to the far right before the box that was drawn, you have the 2012-A refunding bonds that will be added into it. If you look into the box on the far right, the proposed aggregate would be where you would be after doing this restructuring versus where you are now on the far right, which are existing aggregate debt services. You can see the main impact of this adjustment would be going from an obligation of \$3,248,557.51 this year down to an obligation of \$2,094,208.76. You can see the significant difference and what you would be able to carry over in your budget year. After that you can see that the debt services schedules side by side are relatively close to the same, not any significant difference, and we

were able to put that new piece of debt into the year 2026, where you can see it is within your existing term of repayment because you can see your last payment is in 2027, but it even shows that even in 2026 you are still below even your current level debt services repayment. This is just, not to advocate this but just to show you that this is available to you, hopefully the economy is improving and we are able to move forward, but this gives you an opportunity to take another deep breath, make an adjustment in your debt structure without impacting any increases down the road, because it fits within your debt structure down the road. You can see it compares rather favorably but gives you a significant surplus to carry into next year.

**Mrs. Kuhn-** Can I ask you some questions before we go into the Sewer one. When we go into refinancing, my questions are always very simple. How long is the pay back? I don't want to add any more years to what the payback is. Going by this chart, I apologize, but just having it when the meeting started, I didn't have time to go over it. What we are saying is that if we were considering the refinancing, we are not looking at adding anymore years to the payback. Is that correct?

**Mr. Shelby-** We are not looking at putting any new debt service in years beyond or even to the current overall debt structure of the Municipality.

**Mrs. Kuhn-** Ok, and the other is, looking at this, it appears that the payback from 2012 to 2025 are relatively the same, and then it would be 2026 that the Municipalities payback would only be \$851,146.26 but if we do the refinancing it would be \$2,093,211.26.

**Mr. Shelby-** That is correct because we have moved that principal into that period versus this year.

**Mrs. Kuhn-** Now, of course, I won't be here in 2026. I don't like to make decisions in 2012 that someone in 2026 would have to pay for, because unfortunately the Mayors Administration, which I have been a part of, we have had to do that in the past, and that is very unfair to the next Administrations that come up. So, that's the difference in this, we are not adding anymore years, the payments from 2012- 2025 are basically within dollars and cents and then in 2026 the payment would jump up to 1.2 million more that what would be would be at if we stayed in this.

**Mr. Shelby-** That is essentially what you would be avoiding of terms of payment this year.

**Mrs. Kuhn-** Then I see at the bottom here, that it is not that much more difference. If we stay with what were are its \$54,633,292.75. If we go with the refinancing it's \$55,138,032.14 so that's a difference of about \$500,000.00. So, really what we are looking at is, if we go and receive the two payments of close to 1 million dollars, then the long term payback we would be paying back \$500,000.00. We would be getting close to 1.1 million and the overall payment would only be \$500,000.00.

**Mr. Shelby-** That is Correct.

**Mr. Rayan- On the same line you said the existing debt service expires in 2023 on these two Series A-2001 and Series A-2004. Correct?**

**Mr. Shelby- Let me look. Yes.**

**Mr. Rayan- The overall remains in 2027. Just a clarification, Mrs. Kuhn on these two particular bond issues, they expire in 2023.**

**Mr. Schrecengost- One is in 2023 and the other is in 2024.**

**Mr. Shelby- That is correct.**

**Mr. Rayan- Quick question on page two, the Principal is \$585,000.00 and our current schedule is showing interest of \$29,006.00. You are showing \$15,356.25. Is that the interest between October and December?**

**Mr. Shelby- That is exactly right. That is just a pro-rating of the accrual of interest. Just to finish off, probably the much easier part of all of this, and this is entirely up to your decision, is the 2004 B Sewer Bonds. 2004 B Sewer Bonds would require on Page 7 a bond issue of just over 3 Million Dollars to refund and of that 3 Million we would put \$2,746,244.38 into an escrow account to call in the old Bond issue. You have your cost of issuance estimated. And with that you have a net difference or a net cash savings to the Municipality for the sewer systems of \$235,521.46. That is in today's prevailing market and we really don't contemplate it changing significantly between tonight and if you'd like to do this bond issue this year. That is just the cash at closing. In addition, if you could turn to page 8. Page 8 shows under the annual savings column, not only will you earn the \$235,521.46 cash at closing which would go right into an account, a capital account, also we are going to make your 12/1/12 payment on the sewer bonds, under the first payment in the annual savings of 86,244.38. That is also generated by savings from the refunding issue. Those two items are what you have accruing to you. Right now you have a payment that you have currently budgeted for from the sewer fund of 12/1/12 of \$86,349.63 which will be paid for out of savings generated by the refunding, you can see all the years after that are pretty much equal, they are a little up and a little down but you can't make them perfect but they are all within a couple thousand dollars of where you are right now. Going down to the savings analysis at the bottom is then you have \$86,349.63 of immediate cash flow, because it will be paid on 12/1/12 and additionally you will have cash in hand for any sewer work that needs to be done on a capital basis of \$235,521.46. The total savings from this bond issue is \$321,871.09 and it will all be realized immediately. Going to the last page the total aggregate on page 10 which is very similar to the one we looked at for the Municipality, I guess all I can say here is if you go to the bottom or even go side by side in that box on the far right of proposed which is the new with the refunding versus the old existing, you'll see that essentially there is no change except in the first year where it is eight six thousand dollars less and ever year there after it is almost identical, and you can see that your totals for total sewer obligation debt all add up to be essentially the same as where you are right now with exception of the decrease that will take place on 12/1/12. Not**

to jump ahead but the ordinance tonight would empower you as a Council to undertake the refunding, the restructuring of the two general obligation bond issues we talked about. It doesn't obligate you to do it. It empowers you to do it. Secondly, it empowers you to undertake this refunding for the sewer bonds which is fairly simplistic and straight forward because it just saves a ton of money. What it does is it puts you in a position to do that without having to reconvene for a vote, without you having to reconvene for both advertising and for Council to meet again. The reason that was being put forth tonight was because with the 12/1/12 date, if you choose to do the restructuring and even with regard to the savings on the sewer loan for 12/1/12, if we don't get that done tonight we would not be able to get through DCED's approval process, because they have a 20 day waiting period and we wouldn't be able to get that done post your next meeting. What this does is that it empowers you to do that, but it authorizes the Mayor to review and accept as so directed by Council on a majority basis whatever decision you make tonight, and whatever you ask him to do. We have done this for the last two bond issues, I have met with the Mayor after you have empowered him to review and make sure that what the Municipality was getting was what they wanted. Then without his signature that could not occur and without his authorization it could occur but without causing Council to reconvene. In this case because of the 12/1/12 dates being so sensitive to the Municipal G.O. deals and to the Sewer Deal we wouldn't be able to get it done before 12/1/12. We wouldn't be able to close this bond issue before 12/1 which would put you in a position of not being able to restructure the two smaller issues on the Municipal side or to get the debt services reduction on the sewer side. That is why we are all here and in this kind of position. It doesn't mean you are doing anything until you have instructed yourselves to do so and authorize the Mayor to approve whatever structure you ultimately have chosen.

Mayor DeLuca- Chris, looking at the general fund for the new aging schedule, basically you went through this. Basically, if we were having problems with our budget, this would be to provide relief. Just looking at it now, I really don't think we would need to go to that step right now. If you look at it for next year, we are dropping down eight thousand and I really don't like the fact that in the end it will cost us \$500,000.00 just to do a bond issue. I think we can tough that out. For the Sewer Debt, in the end we will be saving Money, I have no problem with that.

Mrs. Kuhn- I agree, Mr. Mayor; the sewer debt is a win, win situation. That's a gift of money and it's not changing anything any way shape or form.

Mr. Rayan- I have a question, perhaps to the Bond Council. If we proceed with the transaction, the proceeds for the sewer fund, could those proceeds be utilized on existing projects?

Bond Council- It would go into your general funds, you don't have a sewer authority so it would just go into your general funds.

Mr. Rayan- the General funds of the Sewer, is that correct.

Bond Council- Yes that is correct.

**Mr. Rayan- My question is, can we use some of those proceeds to pay for existing projects that are currently going on?**

**Bond Council- Yes.**

**Mr. Rayan- How far back can we go with projects?**

**Bond Council- That is money that you have in the funds then. You can use it on projects that you have underway presently. You can go back as far as you would like.**

**Mr. Rayan- There is no sixty day limitation? My understanding was there was a sixty day limitation to go back from the date of the bond issue.**

**Bond Council- No there would not be a sixty day limitation. I will need to double check that, but it should not hinder you for the sixty days. Do you have projects that are longer than sixty days back?**

**Mr. Rayan- Yes we have a couple.**

**Bond Council- We can double check that. And for projects going forward you could certainly fund those out of the savings.**

**Mayor DeLuca- Does anyone else on Council have questions for Chris?  
Thank You.**

**Mr. Shelby- You are very welcome. Whatever the scope is that you would like to undertake, the debt ordinance would be appropriate tonight subject obviously to the scope of which you'd like to undertake. If you would like to exclude the Municipal debt and the restructuring, that's fine. What is important nonetheless is the debt ordinance as it pertains even to the sewer issue.**

**Mayor DeLuca- So we can just pass this Ordinance the way it's reading? We don't have to take action on the General Funds?**

**Mr. Shelby- As long as you have an understanding of what you'll accept. Without your acceptance, it can't happen. That is right**

**Mr. Mayor- With that I'll entertain a Motion for Ordinance No. 2012-2550.**

**Mr. Palumbo- I make a motion to approve Ordinance No. 2012-2550-- authorizing the incurring of Nonelectoral Debt for the purpose of providing funds for a Refunding Project, by the issuance of General Obligation Notes or Bonds in the aggregate principal amount not to exceed \$6,000,000; finding a sale by negotiation to be in the best interest of The Municipality; providing for maturities, interest rates and redemption features; covenanting to pay debt service; pledging full faith, credit and taxing power for the**

payment of the bonds or notes; appointing a paying agent, registrar and sinking fund depository; establishing a sinking fund; appropriating the note or bond proceeds; accepting a proposal; ratifying prior advertisement and directing further advertisement; authorizing payment of expenses; ratifying the preliminary official statement; authorizing the opening of a clearing fund; adopting a form of Bond or Note; authorizing the execution and delivery of a Disclosure Agreement; and repealing inconsistent Ordinances.

This was seconded by Mr. Underwood.

Don Sanker- 780 Long Road—is there any way this evening that council can absolutely exclude the 2001 A and 2004-A, which we have discussed, and both you and Sara have indicated you are not in favor of doing that. Is there any way this evening that you simply say that by an Amendment to this Ordinance that those two issues are excluded from this Ordinance?

C. Alexander- You can't amend it without re-advertising it because you would have to change the Ordinance. But if you could chance the Ordinance can you do that?

Bond Council- You would not have time to re-advertise as you indicated and you would not be able to get the savings on the sewer bonds that you are anticipating. This was advertised as a joint refinancing and as such you would have to advertise the Amendment.

Mrs. Kuhn- Excuse me Craig, but it's my understanding that unless the Mayor would sign off on this that this would not go into being. Is that Correct?

Mayor DeLuca- It doesn't happen without my signature.

Mr. Sanker- It doesn't happen without your signature and you're indicating that it is not your intent.

Mayor Deluca- No

Mr. Sanker- Thank You.

There being no further discussion the motion was approved by a 4-0 vote.

Mayor DeLuca- We are going to go into a brief executive session.

Mayor DeLuca- We are calling this meeting back to order, we were in executive session discussing a legal matter, Craig will explain.

Mr. Alexander- Thank you Mr. Mayor, immediately prior to this evenings meeting when we were walking into the room, an attorney for one of the property owners approached me and indicated that there may have been a defect in the advertisement for

tonight's meeting, the defect is that the advertisement, advertised a piece of property who's lot and block number is 451-B-10. That is not the property at issue for this rezoning request. The lot and block number for the rezoning request is 452-B-10. Unfortunately, Mayor and Council doesn't get the advertisement in their packets, they get the ordinance and all of the background information and everything that Mayor and Council had in their packet spoke to the proper piece of property in question, that we were discussing which is 452-B-10. While the Bond folks were giving their presentation, I wanted to research to see if there was any sort of de minimus exception to the advertisement requirement, if a typo could allow Mayor and Council to go forward, and what I found was that to the contrary, it has to be strictly complied with. The Commonwealth Court has ruled in the case of *Valianatos v. The Zoning Hearing Board of Richmond Township*, that the public notice requirements of the MPC are mandatory and must be strictly adhered to, and an improper notice renders the Ordinance invalid ab initio. Had mayor and council approved this ordinance and one of the people here in opposition to the ordinance were to file an appeal to that approval, they would win because the public notice is defective, the lot and block was improper. I apologize, I know there are a lot of people here and they want to have action taken on this Ordinance either up or down, but this Mayor and Council has to do things in strict compliance with the MPC which means we are going to have re advertise. I don't know when that is going to be. Mayor, did you indicate that this will be at the very next meeting or one month from now.

**Mayor DeLuca- I think at the next meeting. November 5, 2012**

**Mr. Davidson- You say the correct number is what?**

**Mr. Alexander- 452-B-10**

**Mr. Davidson- Did you look at our legal ad?**

**Mr. Alexander- I looked at what was presented to me- Legal Ad, Municipality of Penn Hills 451-B-10**

**Mr. Davidson- Would you like me to check the actual legal ad that is in the paper, before we send everyone home?**

**Mr. Alexander- Sure, that would be great. While the Bond folks are also here, I also pulled up the Allegheny County Assessments Office and confirmed that 452-B-10 is the D 'Andrea Property under consideration for today, there are actually two pieces of property up there, neither of which is 451-B-10.**

**Mr. Davidson- It was incorrect on the legal ad. Did you check to see if we could hear testimony today and correct the ad later?**

**Mr. Alexander- I did, what happens is, if a property owner that is not here today comes forward and would object, the case law says it's void. I think we need to do it the right way and re-advertise. The only way to cure the defect is to re-advertise.**

**Mr. Davidson- Does it matter that all adjacent property owners were notified by mail?**

**Mr. Alexander- It does not.**

**Mayor DeLuca- We will reschedule that Ordinance for November 5<sup>th</sup>. Make sure it's advertised and proofread. It is advertised in the Tribune Review.**

**Mr. Alexander- We are letting you know right now that it will be on the November 5<sup>th</sup> Meeting.**

**Mayor DeLuca-We will call this meeting back in to session.**

**ITEMS FOR CONSIDERATION**

**INTRODUCTION OF ORDINANCES & RESOLUTIONS, ETC.**

**REPORTS**

**Mayor DeLuca: I will entertain a motion to adjourn.**

**Mr. Underwood made a motion to adjourn, motion was seconded by Mr. Palumbo at 8:40 P.M.**

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**Sheree Davis  
Secretary of Purchasing**

**Date**