

Mayor Eisaman called the meeting to order at 4:45 p.m. City Administrator, Susan Trout, took roll call with the following members present: Councilwoman McCormick, Councilman Peterinelli, Councilman DePasquale and Mayor Eisaman. City Solicitor, Timothy McCormick, and City Treasurer/Fiscal Director, Mary Perez, were also present. Councilman Tridico was absent.

*****PLEDGE OF ALLEGIANCE*****Mayor Eisaman

*****COMMENTS/BUSINESS FROM THE FLOOR*****For the record, no one approached the podium to offer any comments/business from the floor.

*****ADOPTION OF BILLS AS ORDINANCES*****

Bill No. 6 as Ordinance No. 2009 – AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GREENSBURG, WESTMORELAND COUNTY, PENNSYLVANIA AUTHORIZING THE INCURRING OF NONELECTORAL DEBT BY THE ISSUANCE OF GENERAL OBLIGATION BONDS, REFUNDING SERIES OF 2011 IN THE AGGREGATE PRINCIPAL AMOUNT OF SEVEN MILLION FOUR HUNDRED FIVE THOUSAND DOLLARS (\$7,405,000); COVENANTING TO PAY, AND PLEDGING UNLIMITED TAXING POWER FOR THE PAYMENT OF THE BONDS; ESTABLISHING A SINKING FUND AND APPOINTING A SINKING FUND DEPOSITORY; FIXING THE FORM, INTEREST RATE, MATURITY, REDEMPTION AND OTHER PROVISIONS FOR THE PAYMENT THEREOF; ACCEPTING A PROPOSAL FOR THE PURCHASE OF THE BONDS; AUTHORIZING A FILING OF REQUIRED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; RATIFYING AND DIRECTING CERTAIN ACTIONS OF OFFICERS; AND MAKING CERTAIN OTHER COVENANTS AND PROVISIONS IN RESPECT OF THE BONDS. **Rob Steptoe, Investment Banker with Crews and Associates, headquartered in Little Rock, AR.** Mr. Steptoe, "I have a branch office in Morgantown, West Virginia, and recently I have been in discussions with the City Administrator, Susan Trout, and the Fiscal Director, Mary Perez, about looking at refinancing or refunding three prior transactions for the City of Greensburg. We essentially consolidated those three transactions which are all eligible to be refinanced: a 2001 Bond Transaction; a 2003 Bond Transaction; and a 2005 Bank Note. In this sustained low interest rate environment that we've had, it really made sense to go ahead and go forward and look at how much in terms of savings we could achieve. We won a competitive solicitation for proposals and we began the process of developing documents with your Bond Counsel, Wayne Gerhold. We put a preliminary offering document called a Preliminary Official Statement out and gauged investor interest and investor demand at a certain scale that we thought we could deliver for the City in terms of the savings we could achieve. I think we came in right at or slightly better than our most recent numbers were yesterday. We had projected we could save the City around \$368,000 and the pricing this morning that we are here today executing in terms of a purchase contract; those results ended up with a savings of around \$372,500. That indicates that maybe the market moved just a little bit more in the City's favor so that's where we are now. Let me talk a little bit about the actual transaction. We're looking at issuing \$7,405,000 in refunding bonds to pay off the current investors and essentially have new investors for the City with the transaction going forward. We will have a final maturity in 2026 and also in the year 2018 it gives the City the ability to redeem some or all of the bonds at the City's discretion. So

in seven years the City will have the opportunity to look to see if there's a favorable interest rate environment again and possibly look at doing what the City is doing now in seven years. We're pretty pleased with delivering that redemption in 2018. So that's really about where we are. The City wisely went out and secured bond insurance which helps with the interest rates that you pay on the bonds, so we have an average coupon, or average interest rate of around 2.67 or 2.68. So we're pretty pleased with delivering that result as well."

Mayor Eisaman, "What is our rating?"

Mr. Steptoe, "The rating on the bond is a double A-plus (AA+) and the insurer is Assured Guaranty Municipal Corporation and the rating was given by Standard & Poor."

Wayne Gerhold, Law Offices of Wayne D. Gerhold, One Gateway Center, Pittsburgh, PA, Bond Counsel for the City of Greensburg. Mr. Gerhold, "The bond insurer looked at the finances of the City and many municipalities and sewer authorities are required to get an underlying rating first, which we thought was going to delay this process, and Assured Guaranty just looked at the City's finances and said they don't have to get an underlying rating; we'll insure it. It was a complimentary comment so I thought I would bring it up."

Mr. Steptoe, "That's a testament to the City's fiscal condition. What we're going to try to accomplish tonight is, if you are satisfied with the results of the pricing, we're going to execute a Bond Purchase Agreement where we'll agree to buy the bonds and place them for you and receive an underwriter's fee called an Underwriter's Discount; our purchase price is discounted but we turn around and sell the bonds to investors for the face amount, for the par amount of bonds issued. Our fee is essentially \$7 for each \$1,000 of bonds issued and we think that's a pretty reasonable fee. You are a safe credit; our fee would be higher if you were a riskier credit, but you're not a risky credit. So that's how that works. In West Virginia we typically work with a lot of non-rated issuers because frankly there are not a lot of rated issuers in West Virginia. But we have the demand and a market for quality, non-rated issues and in those cases we're usually working for probably \$20 for every \$1,000 in bonds issued. That just gives you a little perspective or range for how our fees work."

Solicitor McCormick, "The seven years you talked about, according to the Ordinance and the Bond papers you're not permitted to refinance this borrowing for seven years, but, if the City finds the need and the ability, is free to have new borrowings during that seven-year period, is that correct? If there's some capital project, their hands aren't tied by refinancing this today?"

Mr. Steptoe, "That's correct."

Mr. Gerhold, "The numbers are in the Official Statement. You have a lot of cushion for additional debt under the Debt Act, which is why Rob deferred the question to me. I'm not encouraging you to incur a lot of debt even though it's against my financial interests, but you do have room for additional debt should you have capital project needs."

Mr. Steptoe, "Does that address your question?"

Solicitor McCormick, "Yes, I wanted Council to realize that doesn't mean if something comes up two years from now there's no way they can afford it or there's no way they can incur further debt. Again, that's not meaning to encourage them but things can come up."

Mr. Steptoe, "I think that covers most of the essentials at this point. Do you have any further questions?"

Councilman DePasquale, "I just wanted to make a couple points as the Councilperson in charge of Accounting and Finances, one, is anytime you do anything like this it's a lot of work and we have outside help and the professionals do a good bit of it, but the burden of

it does fall on the staff, so we want to thank Sue and particularly Mary who certainly has put a lot of time in on this; especially since it's \$372,000, if you could do that again next week, a couple more times and we'll be in pretty good shape. Secondly, I wanted to say just in general in terms of the total amount of debt, we're making good progress on amortizing the debt the City has had for capital projects in the past. I always like to compare this to my own personal life, and as a general rule of thumb when I work with people who put together a budget, once you get to the point where your long-term debt is less than a year's salary, you're usually in pretty good shape. So if a person buys a house they like to get the mortgage down to less than what a year's salary would be, that's pretty good. Our General Fund budget is about \$11,000,000; we're down about \$7.4 million of debt. We've cut \$3,000,000 or so out of that in the last four years or so. We're making very, very good progress. The amortization schedule moves us ahead aggressively in the next few years and all of that is very, very positive, and, Wayne and Rob, as you said, thankfully we're not in the position as so many municipalities you read about today that are worried if they're going to make payroll on Friday. You just have to look in our local newspaper and some of them are very, very bad, so again, I thank, as a resident, the supervisors and administrative structure here to be so diligent in maintaining our finances so we're not in a position as so many other places are. I would especially like to thank our Mayor and two Councilmen who are retiring this year because they've been around for a long time. Kathleen and I are relatively new, but you people have been around a long time, so I thank you very much."

Mayor Eisaman, "For your information, Councilman DePasquale is a professor at St. Vincent College and also a Certified Public Accountant."

Solicitor McCormick, "Tonight you are asking Council, if there's a motion and I presume there will be, for a vote on the Debt Ordinance and is there a separate vote on the Bond Purchase Agreement?"

Mr. Gerhold, "No. One of the reasons why it is 50 pages long is I put everything into this document so that there's text in here that specifically approves the execution of the Crews and Associates Bond Purchase Agreement. There's also a section in here that authorizes the Mayor and the City Administrator to execute any documents that may be necessary for either the Debt Act filing or the closing. There's also another section that includes any other documents that may be necessary to affect a successful closing on the transaction. So I have a catchall in there as well for any other, what I call lesser document certificates, things like that. So this is an all in one; you'll just be adopting this and it will take care of everything."

Solicitor McCormick, "For Council's purposes, if you look, the title is Formal Action Constituting a Debt Ordinance under the Local Government Unit Debt Act. When you're reading it you'll see what Wayne has said is absolutely accurate. It contains all the permissions and authorizations and tables of payments. It also talks about the savings; it's all inclusive. I have had an opportunity to review this material because Mary has been updating me through email even though I haven't been down to City Hall for the last couple of weeks because I was out of town. I have been getting this information in my office and have had a chance to look at it before tonight."

Mayor Eisaman, "Wayne, our Bill No. 6 as Ordinance No. 2009 that I read, from my beliefs, does mirror what you have, is that correct?"

Mr. Gerhold, "Yes, it's identical. Basically this Ordinance accomplishes four things. One, as I said you're accepting the proposal of Crews and Associates to purchase your bonds at the savings level they have already described to you. Second, it has all the provisions in it including factual provisions related to the bond issue that are required under the

Pennsylvania Local Government Unit Debt Act. There are two other regulatory groups we have to deal with when you're doing these transactions and it's sort of what distinguishes it from a conventional bank loan. That is there are provisions in there to ensure compliance with the Internal Revenue Service Tax Code and the regulations that have been promulgated under that and the Securities and Exchange Commission, as Rob can certify, the Securities and Exchange Commission has been reaching into the municipal finance area more and more every year that I've seen over the years. So, basically, there are provisions in here which are there because they're required by the Securities and Exchange Commission. That's the long and the short of it. This does require a roll call vote. Also the Debt Service Schedule is on page 43; if you start from the back. That's the meat of it. The debt is sort of frontloaded because some of the debt you're refinancing is paying off early but then your debt drops off significantly by 2016 and it is just a good number there." Councilman DePasquale, "That's what I meant about it being an aggressive payback schedule as was what we had before. This is the same aggressive schedule with better interest rates."

Ms. Trout, "And no extension of terms."

Mr. Gerhold, "Oh, no and the savings are wrapped in to that debt service payment; sort of like cash out front."

Mayor Eisaman, "Mary, what were our payments this year on the bond notes?"

Mr. Gerhold, "One million, two hundred eighty-three thousand."


Mayor Eisaman, "Actually in 2012 we drop down to \$975,000 and pop back up again."

Mr. Gerhold, "That just reflects the savings from 2012. Normally you'd be at \$1,280,000 but you're taking this year's savings next year."

Councilman DePasquale **MOVED** to adopt Bill No. 6 as Ordinance No. 2009, and Councilman Peterinelli **SECONDED**. No further discussion. Roll call vote was taken. **All voted unanimously to adopt Bill No. 6 as Ordinance No. 2009.**

*****ADJOURNMENT***** Councilman DePasquale **MOVED** to adjourn the meeting. **SECONDED:** Councilman Peterinelli. Unanimously all voted in favor to **adjourn**.

RESPECTFULLY SUBMITTED:


Susan M. Trout, City Administrator

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