



801 Burrows Run Road  
Chadds Ford, PA 19317

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## BOARD OF SUPERVISORS MEETING via ZOOM MINUTES

July 27, 2020  
7:02 p.m.

**Present:** Dr. Richard L. Leff, Chairman; Whitney S. Hoffman, Vice Chair; Scudder G. Stevens, Supervisor; Eden R. Ratliff, Township Manager; Amy Heinrich, Finance/HR Director

### 1. CALL TO ORDER

Chairman Leff called the meeting to order at 7:02 p.m. and explained that this is a special meeting with only one item to discuss.

### 2. EXECUTIVE SESSION ANNOUNCEMENTS (ACTION ITEM)

Hoffman announced that an executive session occurred on July 16, 2020 and July 27, 2020 to discuss a matter of potential litigation.

### 3. OLD BUSINESS (ACTION ITEMS)

#### a. Open Space Loan Refinancing

([www.kennett.pa.us/DocumentCenter/View/4157](http://www.kennett.pa.us/DocumentCenter/View/4157))

Ratliff summarized the discussions from the last Board Meeting regarding the competitive and public bid for a loan, a partial refinance plus just over \$2 million in new money, for the Open Space Fund. The Board will be presented tonight with a competitive Request for Proposal (RFP) that was submitted, with the recommendation to the Board to adopt.

Heinrich explained that the Township received three good offers with the best being a 10-year, fixed interest rate of 1.34% from TD Bank. She added that some of the conditions were slightly different than previously discussed, as the Township did allow some options within the RFP, but this was by far the most competitive offer and the 1.34% rate is a very good fixed rate. The biggest condition is that there is no draw period. There will be one draw of \$5 million right at the close, but given the low interest rate, this made more fiscal sense than having an open draw period and was still better than the second-best offer. Initially \$6 million was discussed for this loan, but \$5 million was decided on given the draw condition, plus the \$5 million should cover potential future Open Space acquisition.

Heinrich laid out the necessary legal requirements for this process, including this public meeting, the adoption of an ordinance should the Board decide to approve it, advertising requirements and TD Bank

has to perform diligence in order to close by August 31, 2020. Heinrich added that all this information is available on the website for the public (under Government > Public Meeting Documents > July 27, 2020).

Stevens asked if this was a line of credit and why is it identified as a bond. Heinrich answered that this is not a line of credit because of the full draw at the start of it; this was one of the conditions that changed. She went on to explain how this was the best fiscal option and saved \$241,000 compared to the second-best option. Chris Bamber of PFM explained that this is called a bond to replace an existing note and offers some flexibility under the Local Government Unit Debt Act. He said it is a Debt Act requirement and in the eyes of a bank, it is a debt instrument, or a bank loan, and really a nomenclature or formality about what it is called. Stevens repeated his understanding back and had it confirmed by Bamber. Stevens also stated that the distinction was confusing to one of the banks, who rejected becoming involved since they are not involved with bonds and feared it may be confusing to the public as well. Heinrich replied that the bank he was referring to was contacted and explained the distinction. She said that they did not participate due to the low rate environment.

Bamber presented the Bank Loan Sales Document, available at [www.kennett.pa.us/DocumentCenter/View/4158](http://www.kennett.pa.us/DocumentCenter/View/4158). Leff added that the current loan that this would be replacing is for a little over \$2.8 million in principal at a 4.24% interest rate and currently, the Township is paying about \$700,000 a year to pay it off. The options presented by Bamber would reduce the annual payment as well as the interest payments.

Leff asked if the \$2 million in new money does not end up being used for open space acquisition, what the options are for paying that back early. Bamber answered that this loan is pre-payable at any time and the Township would have the discretion to choose which portions to prepay, meaning the Township could choose to lower the annual debt service or chose to have the term of the loan shortened.

Leff asked if Bamber could comment on the disparity between the TD proposal, in the low 1% range, and the other proposals in the low 2% range received by the Township. Bamber said the TD proposal is a grand slam and shows a very hungry bank that wants to work with the Township. Heinrich added that the rate from TD Bank is closely aligned with highly rated bond rates (in the traditional sense of “bond”) and stressed how good of a rate it is.

Cynthia Hewitt (non-Kennett resident) added a comment about the possibility of rates dropping even lower in the next couple of years. Leff responded that this is a refinance and that if rates do go lower, the Township can always look to refinance again in the future.

Hoffman commented that she is comfortable with this and said that the Township will have to be responsible to know when and how much to prepay to save the Township the most money. This also will not monopolize the EIT that comes in every year, ensuring there is enough money to pay the ongoing expenses.

Steve Coccoresse from Salzmans Hughes presented the proposed ordinance that was prepared by Sam Wiser of Salzmans Hughes. The ordinance is a requirement of the Local Government Unit Debt Act and authorizes the refinancing of the 2018 note that was used to purchase the Spar Hill property, the borrowing of new money for the acquisition of open space and capital improvements to open space, borrowing the money specifically from TD Bank complete with a 10-year term with a fixed rate of 1.34%, the required submission of an application to the Department of Community and Economic Development (DCED) to approve the borrowing, the execution of the required documents by the proper officers of the Township in order to finalize the loan, and the issuance of the bond as a tax-exempt bank qualified obligation (AKA tax preferential designation). The ordinance also includes exhibits, all of which can be viewed online at [www.kennett.pa.us/DocumentCenter/View/4160](http://www.kennett.pa.us/DocumentCenter/View/4160). Coccoresse explained the next steps for the Township should the Board approve this ordinance tonight.

Peter Doehring (5 Nine Gates Road) asked for clarification, that his understanding of the Open Space Act would enable this money to be used for acquisition, capital improvements *and maintenance* of properties acquired under the Open Space Act. Coccoresse responded that this bond is not borrowing money for the

maintenance activities. Heinrich added that it is typical to borrow for capital expenses, not maintenance. The calculated debt services (\$540,000) does not max the earned income tax (EIT) (\$712,000) to allow for the maintenance needs to come out of the operating EIT.

**Motion presented by Hoffman to adopt Ordinance 290 in accordance with the Local Government Unit Debt Act, which ordinance authorizes the issuance of a Bond to TD Bank, NA in the amount of \$5,000,000. Stevens seconded the motion. The motion passed unanimously after the following discussion.**

Discussion:

- Matt Sabo (805 Nutes Farm Lane) asked if the tipping point for when to repay the \$2 million, if it is not spent, had been calculated. Stevens added that he had a similar question, wondering why the Township was not going for the \$6 million at such a great rate. Ratliff responded to Stevens and reiterated that it is inappropriate to borrow without a purpose. Stevens asked if the amount of time in which to realize that purpose was 14 months. Ratliff said that it is an excess of 12 months, but it could potentially go up to 24 months. He also reminded Stevens that this did not have a draw feature. Heinrich stated that there must be a reasonable expectation to use 85% of the money within three (3) years and explained why the Township went for the \$5 million over the \$6 million. To Mr. Sabo's question, Heinrich said that while a tipping point has not yet been calculated, it certainly could be and that a lot has to do with the potential open space acquisition in the near future. She added that hiring Bamber and PFM, the Township gets advised on these scenarios going forward. Bamber added that in terms of the break-even point, they recommend looking at the opportunity costs of the money, or what could be earned on cash, and this will be something he will help the Township calculate in the future. Leff reiterated that the reasonable amount of time to use 85% of the money is three (3) years, but it is his estimation that it will be used within a shorter time frame for new property acquisition or cleaning up Spar Hill. He also added that there are a lot of unknowns in the future, but the Township will continue to look at the options.
- Peter Doehring (5 Nine Gates Road) commented his appreciation for the clarification and feels the numbers calculated thus far are right on in terms of what the Township seems likely to need.

#### **4. NEW BUSINESS (ACTION ITEMS)**

There was no new business.

#### **5. PUBLIC COMMENT**

There were no public comments.

#### **6. MOTION TO ADJOURN**

**Motion presented by Hoffman to adjourn. Stevens seconded the motion. The motion was passed 3-0.**

The meeting adjourned at 7:41 p.m.

Respectfully submitted,  
Eden R. Ratliff  
Township Secretary