



Recommendation *Board of Supervisors*

RE: Open Space Loan

Meeting Date: July 27, 2020
Prepared By: Amy Heinrich

Recommended Motion:

Motion to adopted Ordinance No. 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 \$5,000,000.00.

Next Steps

- Adopt ordinance at special meeting on Monday, July 27th @ 7pm
- Advertise the ordinance and perform any other steps required by the PA Local Government Unit Debt Act (LGUDA)
- Work with PFM to support all diligence required by TD Bank to close the loan
- Settle the loan before September 1st, 2020 (before the next payment is due on the Fulton Bank loan)

Background

In the Board of Supervisors meeting on July 1st, 2020, the Board authorized staff and PFM Financial Advisors to initiate a Request for Proposal (RFP) for a new loan. This loan will refund (refinance) our existing loan with Fulton Bank that was originated for the purpose of funding Open Space purchases and well as support future Open Space purchases. The refunding will benefit the Township given the low rate environment and other inopportune terms of the current loan.

We received three responses to our RFP. A summary of all responses is in the packet attached. We received a very good rate offer from TD Bank, NA, at only 1.34% fixed for 10 years for \$6M with a full draw at settlement (no draw period).

- While we wanted a draw period, the “cost” of the full draw isn’t very much at such a low rate and is still better than the next best offer (see scenario below). Additionally, we can prepay all or any portion of the loan at any time without penalty.
- We are also recommending that we decrease the intended amount of the loan to \$5M since the best offer is for a 10-year term vs. the 15-year term of the second option considered. This will keep annual payments aligned with my recommendation to stay below \$550K out of an annual total of approximately \$710K in Open Space Earned Income Tax (EIT). This portion of EIT is dedicated to Open Space acquisition and maintenance, so there needs to be some remaining funds to care for our current initiatives and properties. We also believe that the \$5M along with other resources will be enough to support the acquisition of properties that we reasonably think could become available within the next couple of years.

I want to thank all three banks that responded for the time and effort required to put together their proposals. All of the proposals would offer a benefit vs. the current loan.

Scenario to display that full funding at settlement with TD is still more favorable than next best offer from Fulton

Annual Debt Service

	TD Bank		Fulton		TD vs. Fulton
	10 yr fixed @ 1.34%		Best case: \$3M at settlement & \$2M draw Summer 2022 @ 2.45%		
12/31/2021	\$	538,936	\$	565,698	\$ (26,762)
12/31/2022	\$	540,903	\$	565,811	\$ (24,908)
12/31/2023	\$	539,471	\$	564,103	\$ (24,632)
12/31/2024	\$	537,972	\$	562,710	\$ (24,738)
12/31/2025	\$	541,406	\$	561,073	\$ (19,667)
12/31/2026	\$	539,706	\$	564,190	\$ (24,484)
12/31/2027	\$	537,939	\$	561,940	\$ (24,001)
12/31/2028	\$	541,105	\$	564,445	\$ (23,340)
12/31/2029	\$	539,137	\$	561,583	\$ (22,446)
12/31/2030	\$	537,102	\$	563,475	\$ (26,373)
Total	\$	5,393,677	\$	5,635,027	\$ (241,350)