

October 2, 2009

McKean County Commissioners in special session assembled on Friday, October 2, 2009 at 10:30 AM in the Commissioners meeting room. Present were Commissioners Joseph DeMott, Al Pingie, and Judy Church, Deputy Chief Clerk, Judy Ordiway, and County Solicitor, Dan Hartle. Also present were Mike McCaig, Tom Lynch, and Martha Knight.

Mr. DeMott – Stated that the purpose of this meeting is to work on our bond issue. Turned the meeting over to Mike McCaig and Tom Lynch.

Mr. Lynch – Mike is going to do a presentation and he will hand that out. I will hand out the bond debt ordinance which will be the action you need to take.

Mr. McCaig – Stated that the Commissioners had contacted him that they were interested in borrowing funds for 2 projects – the prison project and the courthouse project and after settling on the dollar figures of a little over \$2.2 million dollars for the prison project and nearly \$1.7 million dollars for the courthouse project – PNC Capital Markets went out into the market place to sell bonds yesterday and our timing was good in terms of interest rates – we are actually nearly a half of percent lower than the interest rates we saw last time and that is partially to do with the favorable rating we were expecting from the rating agency and also from the interest rates dropping in the timing of the bond issue. The total size of the bond issue is \$3,995,000 and the yield of the bonds is 3.86 %. There is no debt service that is due for fiscal year 2009 and in fiscal year 2010 the debt service will begin. Originally we had figured that there was going to be a little over a million dollars of total principle and interest debt service a year and because the drop in the size of the principle because you reduced the amount you are borrowing and the reduction in the interest rates in fiscal year 2010 your over all debt service is going to be \$938,900 and from then on it is going to be roughly about \$960,000 so it is going to be \$40,000 less per year and the term of the bonds were going to go out to 2026, but by reducing the amount of the principle and the interest rates dropping the term of this bond issue is going to be 2025. The only other thing I wanted to mention is the ratings report from Standard & Poor's that is attached. A lot of work went into the report – this is something that we didn't do in prior bond issues – this is just a rating of McKean County on its own and Standard & Poor's Ratings Services assigned its "A" rating which is a very very solid credit rating. The rating reflects the county's very strong financial position, which has been restored over time. Remember this is somebody that sits in New York City looking at the county's audits, we had a thirty to forty-five minute phone call with them to go over all the demographics of the county and this is really something that the county should feel very good about. This is a very strong rating.

Mr. Lynch – Went over the debt ordinance – the county under the ordinance does a lot of designations for the Unit Debt Act and the United States Government to get it tax free – you have a very comprehensive ordinance because you don't want to have to go back and have meetings with your paying agent directing them on how to administer the bonds so the first 10 sections of the ordinance explain what the purpose of the bonds are,

excepting the bond purchase agreement to sell your bonds to PNC, your incurring the debt in the amount of the bond issue, your setting forth the interest rates and maturities and that is done by a reference to exhibits that replicate what Mike has handed out to you. Within the ordinance there is a format of actually the bond itself that will be replicated for the book entry bond issues and that is contained in there for the Unit Debt Act people to look at. The next sections of the ordinance deal with authorization to the paying agent or house keeping items. We don't need the paying agents calling you and making you adopt separate resolutions. The next sections of the ordinance deal with various funds and pledging of the general obligation, establish a Clearing Fund for the issuance cost, establishing the Construction Fund in which you will disburse the funds to the contractors as the project goes along, you have to designate a Sinking Fund separately to pay the bond holder their debt service payments, authorizing you to contract with that paying agent, and to follow all the proceedings which would be composed of this ordinance, the bond purchasing agreement, all the legal notices, and all the documents that show that this bond borrowing is within your debt limitations to the Pennsylvania Department of Community and Economic Development. The balance of the ordinance deals with the legalese, the covenants to get the arbitrage bonds, there is a section for unclaimed bonds to make sure that the moneys that are unclaimed go back to the county, etc.

Moved by Mr. Pingie, seconded by Mrs. Church, to adopt the following ordinance.

#### DEBT ORDINANCE NO. 2 OF 2009

AN ORDINANCE OF THE COUNTY OF McKEAN AUTHORIZING THE ISSUANCE BY THE COUNTY OF GENERAL OBLIGATION BONDS, SERIES OF 2009, IN THE TOTAL AGGREGATE PRINCIPAL AMOUNT OF \$3,995,000, TO PROVIDE FOR (i) THE RENOVATIONS AND IMPROVEMENTS TO THE McKEAN COUNTY JAIL, (ii) THE RENOVATIONS AND IMPROVEMENTS TO THE McKEAN COUNTY COURTHOUSE, AND (iii) TO PAY THE COSTS OF ISSUANCE OF SAID BOND ISSUE; APPROVING THE PRIVATE NEGOTIATED SALE OF SAID BONDS TO THE UNDERWRITERS; FIXING THE FORMS, NUMBERS, DATE, INTEREST RATES, AND MATURITIES THEREOF; PLEDGING THE GENERAL REVENUES AND CONTINUING THE LEVYING OF ANY NECESSARY TAX FOR PAYMENT OF DEBT SERVICE CHARGES; AUTHORIZING EXECUTION, SALE AND DELIVERY THEREOF; PLEDGING THE REPAYMENT OF THE SERIES OF 2009 BONDS; APPROVING PAYMENT OF THE ISSUANCE COSTS; APPOINTING SINKING FUNDS DEPOSITARY AND PAYING AGENT; ESTABLISHING A 2009 CLEARING FUND, ESTABLISHING A 2009 CONSTRUCTION FUND, ESTABLISHING THE SERIES OF 2009 BONDS SINKING FUND; APPROVING THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND ALL OTHER DISCLOSURE DOCUMENTS; AND AUTHORIZING THE FILING FOR APPROVAL OF SAID NONELECTORAL DEBT WITH THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, AND AUTHORIZING THE PAYMENT OF THE REQUIRED FILING FEE THEREFORE. (A complete copy of the debt ordinance is on file in the Office of the McKean County Commissioners)

Vote on the above resolution, DeMott – yes. Pingie – yes. Church – yes. Three – yeas. No – nays. Carried.

Mr. Lynch – Stated that the closing on the bond is November 4, 2009 and the money will be wired that day – the Commissioners presence is not required – they will be sending closing documents for Joe’s signature as the Chairman and the Chief Clerk will attest to all of them.

Mr. DeMott – Thanked both Mike McCaig and Tom Lynch for a job well done. This has really been great news.

Mrs. Church – The rates are excellent.

Mr. DeMott – Opened the meeting for public comment.

Martha Knight – Would you mention again where these funds will be available from the county resources – how are you handling the payments?

Mr. DeMott – The payments will be made using the interest from our capital reserve fund.

Ms. Knight – And the source of that was the sale of some county assets?

Mr. DeMott – Right, the sale of the landfill and the sale of Sena Kean.

Ms. Knight – So there will be no impact on tax rates.

Mr. DeMott – No, it won’t affect the general fund budget – there won’t be any increase in costs to the general fund budget.

Ms. Knight – How soon can you proceed with actual projects – can you proceed before November 4, 2009 the closing date?

Mr. DeMott – It is my understanding that once we adopted the ordinance then we can refund ourselves for expenditures on these projects.

Mr. McCaig – That is correct.

Ms. Knight – So you can start spending from other funds with reimbursement from the capital reserve fund?

Mr. DeMott – Yes, we won’t have the cash until November 4, 2009. When you report on this, would you report the total amount rather than the amounts of the individual projects because our bids are due for the jail project on October 8, 2009 and I don’t want

to influence those bids by showing how much money we have assigned to each of those projects?

Ms. Knight – I have had to do that in the past in similar situations.

Moved by Mr. Pingie, seconded by Mrs. Church, to adjourn the meeting.

Vote on the above resolution, DeMott – yes. Pingie – yes. Church – yes. Three – yeas. No – nays. Carried.

Deputy Chief Clerk