

A special meeting of the Fayette County Board of Commissioners was held at 10 a.m. on Friday, December 20, 2013 in the commissioner's meeting room of the Fayette County Courthouse, Uniontown, Pa.

In attendance-

Commissioner Al Ambrosini
Commissioner Vincent Zapotosky
Commissioner Angela M. Zimmerlink
Chief Clerk Amy Revak
Assistant County Solicitor John Cupp

Commissioner Ambrosini called the meeting to order at 10:03 a.m.

A silent prayer was observed.

The pledge of allegiance was recited.

Public Comment on Agenda Items

None

Commissioner Ambrosini said the purpose of the meeting was to consider approval of a TRAN note with PNC Bank, series 2014, issuance date of January 2, 2014, maturity date December 31, 2014, interest rate of 1.49 percent, principal amount of \$9,500,000. Commissioner Zapotosky said there is no question this is a very low interest rate. He said it is a taxable interest rate. Commissioner Zimmerlink said let's start from the beginning because the only conversation the commissioners had regarding a TAN note was at the agenda meeting where they were going to approve to advertise and seek some proposals although for some reason it was placed on the agenda to approve the TAN and you can't approve until you decide what kind of TAN and what procedure we are going to use. She said it was on the agenda and before they were able to have any discussion a Mark Lundquist approached the podium and informed the commissioners that if the commissioners were going to issue a bond in 2014 for the prison that we may want to consider using a different type of method for the TAN for 2014. She said our traditional method would be the tax exempt and he explained at the agenda meeting the difference.

Commissioner Zimmerlink said how that ended was he would get back to us and provide us with some viable options and then the county would seek, there was a brief discussion that he would provide that information to us that the county would then seek letters of interest through various banks so we could determine the types of interest rates and what was available. She said after the agenda meeting nothing occurred so she needs to know, well apparently something occurred so after the Tuesday agenda meeting he was supposed to provide that information and he said he would give that

information to the Chief Clerk and nothing transpired as far as communication with the commissioners, at least with me, she doesn't know about anyone else, there was no e-mail conversation or documents between the agenda meeting and the commissioner's regular meeting and on the commissioner's regular meeting it just said approve a 2014 TRAN note and they had to table it because, again, nothing transpired between the agenda and the other meeting. She said she asked the Chief Clerk if Susquehanna provided any language or any other documents and the Chief Clerk said that he had not. She said that was Tuesday and then on Wednesday she received an e-mail that said the two commissioners scheduled a meeting to approve a TAN. She said she needs to know and it needs to be discussed what occurred between the Tuesday agenda meeting and today to have the documents and everything, so.

Commissioner Zapotosky said his understanding was that he thought they were prepared to that we had done the due diligence and that was what brought us here today. He said the due diligence that brought us here today would have been. Commissioner Zimmerlink said they can tell us because Tuesday at the agenda meeting, that was the end of it. Commissioner Zapotosky said he understands the need to act upon the TAN is pressing and that is why he agreed to a meeting. Commissioner Zimmerlink said she understands why he agreed, it is the lack of, she needs- we have Sam Lynch here, we have John Cupp here, we have Amy here, she is the Chief Clerk in charge of that. She said Sam Lynch is the one who is paid the money to help with the budget under a contract and we have John Cupp. She said she wants to specifically ask you three to provide information to me. She said Amy I did send you an e-mail and I know you were here in the morning but you were off the rest of the day so that is apparently why you didn't respond. She said just tell us what occurred and explain what the type of method this is, is this a line of credit, go ahead.

Commissioner Ambrosini said he wanted to say something first. He said first, he was at the agenda meeting and he recollects Mark Lundquist from Susquehanna Group who is our financial consultant explaining a lot more than what Commissioner Zimmerlink just portrayed. Commissioner Zimmerlink said she did it in two minutes and he was there for 15. She said she isn't going to repeat everything, they were all sitting there, so. Commissioner Ambrosini said let me add to what you said, with Commissioner Zimmerlink responding, fine, go ahead. Commissioner Ambrosini said Mr. Lundquist indicated that we had a lot of options and because of this particular method that we are going through right now it wasn't something that we had to issue letters, it was something that we could just call the banks and gather the information we needed to make the decision hopefully we will make today. Commissioner Zapotosky said in the past there have been banks that have shown interest in participating with the TAN. He said he forgot PNC was the financial institution last year, he thought it was Scottdale. But he said we did circulate, he is asking. Commissioner Zimmerlink said she is asking.

Commissioner Zapotosky said they found the best borrower or lender was PNC at the lowest rate. He said he is assuming that is why we have a 1.49 percent. Commissioner Zimmerlink said specifically she is asking what happened, the individual came up and told us something that is a new method and told us that we may as commissioners for

the county may want to consider a different type of method of financing the TAN. She said he gave us in a 15 minute summary what that was. She said that we said give us the specific language, provide us with the various options, and it was advanced stating that he would get with us to provide us the information. She said Sam, I am specifically asking what happened between Tuesday and now. What kind of letters went out, who received the letters or the calls. She said granted you may only have to talk with one bank but that may not be the best thing to do. She said you may have talked to 10, she doesn't know, that is why she is asking. She said they need to go through those because this here was just put on the table now and she is trying to read this in very quick fashion.

Sam Lynch of Susquehanna Group Advisors said basically after the agenda meeting they went back to analyze and the option was discussed, adding that he wasn't at the meeting, but possibly they would draw down a line of credit basically with a particular bank so you get, let's say you wanted maybe \$4 million right off the bat to take care of what you had to do and you have the rest of the \$5 million sitting out there that you can draw down. He said they looked at that but it became an expensive endeavor. Commissioner Zimmerlink asked who looked at that. Mr. Lynch said he and Mark Lundquist looked at that and talked to a couple banks regarding that. He said they made phone calls to various banks regarding to this. Commissioner Zimmerlink said the first option to do a \$4 million or \$5 million and the ability to draw down the balance you believe was not in the best interest of the county, or too costly, is that what you just said?

Mr. Lynch said his recommendation was that it was too costly because what they would give you two different interest rates. He said one is a fixed rate for what you pull down in January and then you would have a different rate for the money that is still out there which would be a percent plus prime and that could be very dangerous because if you have 1.49 percent, you could even have it at 2.5 or 3 percent on the other part of it, so that became very expensive. Commissioner Zimmerlink said after you and Mark discussed option number one and you two decided that wasn't the most viable option, then you went to option number two? Mr. Lynch said that is basically what we have done in the past. Commissioner Zimmerlink said is that what this is? Mr. Lynch replied yes and Commissioner Zimmerlink asked for him to tell about option two. Mr. Lynch said you do a TRAN and anticipate what your needs are and then you get a fixed rate regarding what that would be. He said that is what he got locked in.

Commissioner Zimmerlink said correct her if she is wrong, but when Mr. Lundquist was on the agenda and suggested that they look at this alternative of a line of credit, that in retrospect by getting the numbers, it would not be best so to go back to the traditional TAN, adding that she calls it the traditional TAN because that is exactly what it is, we would be using our tax exempt status. Mr. Lynch said no, we are taxable. Commissioner Zimmerlink asked if that was different from the last. Mr. Lynch said it is different because it still allows you in 2014 to go out and borrow up to \$10 million as tax exempt. Commissioner Zimmerlink said in prior years they utilized all of the tax exempt or they did a tax exempt and. Mr. Lynch said they did a tax exempt. Commissioner

Zimmerlink said for prior years, and this year is with Mr. Lynch replying that it is a taxable rate at 1.49 percent.

Commissioner Zimmerlink said the reason it would be a taxable rate for the full 9.55, taxable rate, correct? She said the reason it would be taxable is to allow for a future bond issuance because we could use the exempt status for a future bond issuance. For the prison, for anything. Mr. Lynch said they could borrow up to \$10 million tax exempt. Commissioner Zimmerlink said the documents in front of us, that is one check like we have had before or is it 9.55 and you get an amount and at any time you can go back and take the money through the bank and it would be, the interest would be charged only on what was borrowed. Mr. Lynch said it will be one amount that will be settled on January 2 for \$9.5 million. Commissioner Zimmerlink said it would be the full amount, not as you go along. Mr. Lynch said that is correct but what he put in this year, which is different than years past is a repayment schedule that I want done. Commissioner Zimmerlink said they talked about that for six years.

Mr. Lynch said he is forcing the issue so starting on April 30 is the first payment. He said the county can still put as much as we want in any of that schedule, adding that he will recommend even at April 1 that we make a payment then. Commissioner Zimmerlink said she understands and Commissioner Zapotosky said it is a good thing. Commissioner Zimmerlink said she and Commissioner Zapotosky have said that they do not like for the Controller's office to wait until the end of the year. She said it is her understanding that the \$5 million for 2013 has not been received yet. She said we have said that he as the Controller needs to make the payments but you are saying with these documents that when it is approved and signed that it actually has a repayment schedule which would by virtue of this being signed and voted on would authorize the Controller to make a repayment under these terms. Mr. Lynch said he insisted on that as a part of negotiations with Mark and they were able to get a better structure with PNC because they loved that idea and the bank was thrilled that we would put that in.

Commissioner Zimmerlink asked what other banks he and Mark, and she said she will say this, between last Tuesday and today, we should have had this conversation, you and I, I don't know if you spoke with anyone else in this room, if you did fine, but obviously you and I as well. She asked what other banks were sought. Mr. Lynch said most of the banks on the list could not handle the rate or amount that we wanted, at the 9 1/2. He said this is what we put in and we negotiated with PNC. He said this was different in this too, because of the short time frame we were under we required and asked PNC that we would want all the other banks that has been on the mailing list to participate in this \$9 1/2 million. He said for United Bank, we talked to him yesterday and he couldn't handle the full amount, but we offered him and he was very excited that if he wants part of the 9 1/2 he could share into it. Let's say he will get \$1 million, Mr. Lynch said. Commissioner Zapotosky asked if it was the same interest rate and Mr. Lynch said that was between him and PNC. He said we are just with PNC and with PNC, they will entertain any other ones that will come back to them and be part of the 9 1/2.

Commissioner Zimmerlink asked what other banks he and Mark made contact with. Mr. Lynch said they also spoke with First Commonwealth and United. Commissioner Zimmerlink said First Commonwealth, United and PNC. Mr. Lynch said First Commonwealth was hired in the interest and Commissioner Zimmerlink asked how much higher. Mr. Lynch said there were higher by a few basis points and Commissioner Zapotosky asked how much higher "in English." Commissioner Zimmerlink said First Commonwealth was at 1.8 percent, and United couldn't handle the full amount. She said United could bargain with PNC and the county would be entering into an agreement with PNC for 1.49 for 9.55 but out of that monies, United could negotiate. She said any savings that PNC could have by not having to render the entire amount, they would see that savings because we have a fixed 1.49. Commissioner Zimmerlink asked if Mr. Cupp had looked at the documents and he said they were e-mailed to him at 8:58 a.m. this morning. He said he did look over them and they seemed to be very similar to the ones he was asked to look over. Mr. Lynch said bond counsel, Patrick Healy, worked on these.

Commissioner Zimmerlink asked who Patrick Healy was and Mr. Lynch said he was the attorney recommended by Sean (Lally) that we should use. Commissioner Zimmerlink asked who Patrick Healy is. Mr. Lynch said he is an attorney, with Commissioner Zapotosky asking is he is PNC's attorney and Mr. Lynch said he isn't PNC's attorney, he is an attorney who looked over the documents. Commissioner Zimmerlink said, who is Patrick Healy, what firm is he from? She asked if he is under contract with the county, adding that she never heard of him. She asked if we were paying Patrick Healy to perform this work and Mr. Lynch said he would have to get back to her on that. Commissioner Zimmerlink asked Mr. Cupp if he looked over the documents, and he responded yes. Commissioner Zapotosky said based on his review in his illustrious Juris prudence career he has looked at dozens of tax anticipation notes. Solicitor Cupp said he looked at last years. Commissioner Zimmerlink said in your hour of looking at this, with Commissioner Zapotosky asking if there is anything that sticks out like a red herring and Solicitor Cupp said absolutely not. Commissioner Zapotosky said we have done business with PNC previous and last year they provided us with the TAN as well.

Commissioner Zapotosky said the 1.49 interest rate, if you can find anything lower, let me know. Commissioner Zimmerlink said she thinks they had 1.2 last year, 1.27 on \$5 million. Commissioner Zapotosky said it still is relatively low by interest definition. Solicitor Cupp said the letter they want him to write is identical except for one portion regarding the tax exempt status of the note. Commissioner Zapotosky said we are going that route because if we undertake the project of a new correctional facility, if we would go with the tax deferred we would hinder our ability to borrow X amount of monies that may be needed for construction costs, thus the reason why Mr. Lundquist had made the recommendation to go with the taxable TAN so that we did not reduce our ability to borrow tax exempt. Commissioner Zapotosky said he understands, he was just repeating himself. Commissioner Zimmerlink asked what a definition of a local governmental unit is. Solicitor Cupp said a county.

Commissioner Zimmerlink said a local government unit. She said they are coming up with 9.55 and as we all know, the budget isn't completed. She said she looked at the New World screen and this was yesterday but the bottom number had fluctuated that was on the expense side. She said she wasn't going to hold him to that bottom number because on the revenue side you may not have adjusted it yet. She said she doesn't want to throw out a number to say where we are at right now because of the problems that exist on balancing on the revenue side we don't have all the information. She asked Mr. Lynch if he made any changes to the budget in calculations, not decisions because obviously we can't put anything in if we haven't had any budget meetings and from the decisions have already been are you any closer to changing the revenue side and the expense side to change the bottom figure that she saw last night. Mr. Lynch said no and Commissioner Zimmerlink said if that is the case, with that last input of numbers that you did, is the revenue side exactly the way it is, it's not just that you haven't had time to update the revenue side? She asked if there is information sitting on his desk and he needs to update it to change that bottom line or is it that you are waiting for us to work with you to change it. Mr. Lynch said he is waiting. Commissioner Zimmerlink said she doesn't like that bottom number and Mr. Lynch said he doesn't either.

Commissioner Zimmerlink asked why there is a recommendation for the 9.55 when historically, in the past three years there have been a 4 and a 5. Mr. Lynch said one of the things we are going to do is pay the ARC payment in January. Commissioner Zimmerlink said that is a million and Mr. Lynch said it is 1.7 million. Commissioner Zimmerlink confirmed that the \$1.7 million for the 2013 hasn't been paid yet nor has the \$5 million of the 2013 TAN. She said in looking at these documents, you just confirmed that it says the local government unit is the county. She said her name is not on there. She said it has for authorizing signatures, it has Al Ambrosini, Zapotosky and Revak. She said it says the following persons are the officers of the local government unit, Ambrosini, Zapotosky, Revak and those are the ones for the signatures. Commissioner Zapotosky pointed out one page, and Commissioner Zimmerlink said that is for the vote. "My name needs to go on there, plain and simple," Commissioner Zimmerlink said.

Commissioner Zimmerlink said she is a sitting commissioner and she is also the secretary. She said people conveniently forget that and people should look up what the duties of the secretary of a local government unit is and then go from there. She said there are a couple pages. She said that is looking at it very quickly. She said that and she sees the 9.55. She said at least he got it an hour ahead, she got it when she walked in here. Solicitor Cupp said he didn't say he was there at 8:58 and Commissioner Zapotosky said he just saw it for the first time too. Commissioner Zimmerlink said it is difficult to ask legitimate questions if you don't have a chance to review. She said not all of it is exactly the same. She said she just wanted to have an opportunity to do due diligence. She said she understands Susquehanna and what his role is, but the bottom line falls on us. She said she doesn't have any other questions. Commissioner Zapotosky said he doesn't have any questions but he is a little confused about the ability of other banks to buy into the debt but that has nothing to do with us.

Mr. Lynch said due to the short time frame in which they looked at different options, we asked PNC would they be willing to do this so everybody could be a part of the process. Commissioner Zapotosky said if other banks want to participate that is fine but he thinks we are getting a very good interest rate. He said he didn't realize we were at 1.27 last year, he didn't know that. Mr. Lynch said that was tax exempt and you get a better rate. Commissioner Zimmerlink asked Mr. Lynch to look at Exhibit A for the repayment schedule. She said it has the date column, the principal column, which is 9.5. She asked, it isn't 9.55, adding that is what she thought Commissioner Ambrosini said. She said it is 9.5. Commissioner Zapotosky said they would commence the payment as of 4/30/14, correct? Commissioner Zimmerlink said April 30 of 2014 and then the interest, look at the bottom, they don't add up, look at the total. She said \$9.5 million plus \$106,783 does not add up to 8.5 or \$8,546,000. She said she wished, she would love it if the county borrowed \$9.5 million and paid in interest \$107,000 and the repayment is only 8.5. She said that would be great but if you do the calculations, that is not what that says.

Mr. Lynch said it should be 9.6. He said you are not locked into that interest rate and it would change. He said it is based on how you make your payments and when you make your payments throughout the year it is a different amount in the calculations. He said that is the maximum amount right now. Commissioner Zimmerlink said they are not talking about the interest rate, they are talking about the total amount. Mr. Lynch said it should be \$9,606,783.33. Commissioner Zimmerlink said OK, thank you. Commissioner Zapotosky said he wanted to thank Mr. Lynch, adding that this wasn't easy. He asked him to convey his gratitude to Mark for bringing this to our attention because they were not aware of the situation regarding the taxable, tax deferred and all that stuff.

A motion was made by Commissioner Zapotosky and seconded by Commissioner Ambrosini to approve a 2014 TRAN note at 1.49 taxable interest rate with PNC Bank at \$9,500,000 with an issuing date of January 2, 2014 and a maturity date of December 31, 2014.

Commissioner Ambrosini yes
Commissioner Zapotosky yes
Commissioner Zimmerlink no

Motion passed 2-1

After the vote, Commissioner Zimmerlink said she doesn't like the 9.5 too much. She said number five should say public comment and number six should say adjournment.

Public Comment

Julie Toye asked if the foster parents got paid. Commissioner Zimmerlink said the Treasurer's office signed the checks. Marybeth Homistek said the Supreme Court made a ruling on future Marcellus Shale. Commissioner Zimmerlink said, you mean the Supreme Court ruling? It has no effect on the impact fee, it has an effect on the ability of

the local municipalities to do their local zoning. She said the state ruling did not even address the impact fee. Mrs. Homistek said she is stunned that the figures were not correct and that they didn't even add up. She said she is amazed at how things go. Commissioner Ambrosini said in drafts it happens all the time. Mrs. Homistek said they weren't checked before people received them and people only got them an hour before. Commissioner Ambrosini said it was a pretty short thing from the agenda meeting until now. Mrs. Homistek said it is a week and three days. Commissioner Zimmerlink said it isn't just a week and three days, we start the budget process in October. She said the county code requires that the budget process be started on a specific date so it isn't that anybody thought that we didn't have to get a TAN note. Mrs. Homistek asked if the budget will be done by December 31. Commissioner Zimmerlink asked, an adopted budget? "We are required to do that," she said.

Adjournment

A motion was made by Commissioner Ambrosini and seconded by Commissioner Zimmerlink to adjourn the meeting.

Commissioner Ambrosini yes
Commissioner Zapotosky yes
Commissioner Zimmerlink yes

Motion passed unanimously