

**ORDINANCE NO. _____
OF THE BOARD OF COMMISSIONERS
OF THE TOWNSHIP OF CALN,
CHESTER COUNTY, PENNSYLVANIA**

AN ORDINANCE THAT AUTHORIZES THE INCURRENCE OF NONELECTORAL DEBT BY THE TOWNSHIP OF CALN, CHESTER COUNTY, PENNSYLVANIA (THE "TOWNSHIP") PURSUANT TO THE ISSUANCE OF THE GENERAL OBLIGATION NOTES, 2022 SERIES (THE "NOTES") IN THE AGGREGATE PRINCIPAL AMOUNT OF \$8,100,000.

WHEREAS, the Board of Commissioners has reviewed the Capital Improvement Program (the "CIP") and has obtained preliminary cost estimates for the projects from persons qualified by experience; and

WHEREAS, the incurrence of nonelectoral debt by the issuance of the General Obligation Notes, 2022 Series (the "Notes") is necessary to provide the funding for the projects; and

WHEREAS, certain capital projects of the CIP (collectively, the "CIP Projects"), consisting of: (i) construction and repair to infrastructure, and (ii) payment of the costs of issuance of the Notes, will benefit the health and welfare of the residents of the Township; and

WHEREAS, the CIP Projects shall be for the benefit and use of the general public, and no private party shall have any special legal entitlement to the beneficial use of the CIP Projects, through a lease, management contract, or any other arrangement that would result in a private business use under the *Internal Revenue Code of 1986*, as amended; and

WHEREAS, the proposed increase of nonelectoral debt from the issuance of the Notes, together with the nonelectoral and lease rental debt presently outstanding, will not cause the constitutional or statutory debt limitations of the Township to be exceeded; and

WHEREAS, the Delaware Valley Regional Finance Authority ("DeIVal"), a public authority within the meaning of the *Local Government Unit Debt Act*, 53 Pa. C.S.A. §8001, *et seq* (the "*Debt Act*"), has from time to time issued Local Government Revenue Bonds (the "DeIVal Bonds"), to provide funds for loans to local government units and municipal authorities (the "Loan Program"); and

WHEREAS, from time to time, DeIVal has entered into interest rate swap agreements

related to the DelVal Bonds (collectively, the “DelVal Swap Agreement”) in order to provide a more cost effective Loan Program and to allow participants in the Loan Program to manage interest rate risk more efficiently; and

WHEREAS, Calhoun Baker Inc. (the “Financial Advisor”) is an “Independent Financial Advisor”, as such term is defined in the *Debt Act*, to DelVal, and the Financial Advisor has prepared an “Interest Rate Management Plan” (the “Plan”), as such term is defined in the *Debt Act*, and an Interest Rate Swap Management Policy (the “Swap Policy”) that have been adopted by the Board of DelVal; and

WHEREAS, DelVal established minimum rating criteria for any counterparty to the DelVal Swap Agreement of long term, senior, unsecured debt ratings in the “AA-” or “Aa3” category or higher, or ratings equal to or higher than any active counterparty, by a Nationally Recognized Statistical Rating Organization registered with the Securities and Exchange Commission, and the Board of Directors of DelVal found that the award of transactions under the

DelVal Swap Agreement by negotiation in private sales were in the best financial interests of DelVal and the participants in the Loan Program, and the Financial Advisor concluded that the financial terms and conditions of the DelVal Swap Agreement were fair and reasonable as of the dates of award; and

WHEREAS, the Township wishes to utilize the DelVal Loan Program by issuing the Notes to DelVal; and

WHEREAS, under the terms of the Loan Agreement with DelVal, interest payments on the Notes (the “Loan Interest”) will equal the amounts allocable to the Notes for interest on the DelVal Bonds, periodic scheduled payments on the DelVal Swap Agreement, and other costs and liquidity requirements incurred by DelVal to administer the Loan Program; and

WHEREAS, under the terms of the Loan Agreement with DelVal, the principal amount outstanding of the Notes (the “Loan Principal”) will equal the notional amount of the DelVal Swap Agreement related to the Notes; and

WHEREAS, the Board of Commissioners intends to (i) designate the Loan Agreement and the allocable portion of the DelVal Swap Agreement as a Qualified Interest Rate Management Agreement related to the Notes, (ii) approve the Plan as the Interest Rate Management Plan required by the *Debt Act*, and (iii) adopt the Swap Policy.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE BOARD OF COMMISSIONERS OF THE TOWNSHIP OF CALN, CHESTER COUNTY, PENNSYLVANIA, AND IT IS HEREBY ORDAINED AND ENACTED BY THE AUTHORITY OF SAID BOARD OF COMMISSIONERS THAT:

SECTION 1. APPROVAL OF THE CIP PROJECTS AND AUTHORIZATION TO ISSUE THE NOTES

Pursuant to §8142(a)(2) of the *Debt Act*, the thirty-year weighted average useful life of the CIP Projects exceeds the thirty-year terms of the Notes. The principal of the Notes shall be amortized to provide more level annual debt service on all of the Township’s debt outstanding, pursuant to §8142(b)(2) of the *Debt Act*. The amortization of the principal amounts of the Notes shall begin within two years of the date of issue in accordance with §8142(c) of the *Debt Act*.

The Board of Commissioners hereby authorizes and approves the CIP Projects. The Board of Commissioners hereby authorizes and directs the incurrence of nonelectoral, general obligation debt in the aggregate principal amount of \$8,100,000 by the issuance of the Notes.

SECTION 2. APPROVAL OF THE LOAN COMMITMENT

The Board of Commissioners, after due deliberation and investigation, hereby determines that a private sale by negotiation of the Notes to DelVal is in the best financial interests of the Township. The Board of Commissioners hereby accepts the Loan Commitment from DelVal to purchase the Notes at an aggregate price of \$8,100,000 from the proceeds of the DelVal Bonds. The Township shall be responsible for paying DelVal’s costs of origination in an amount not to exceed \$40,500, as directed by DelVal’s Program Administrator upon the issuance of the Notes. The 2022 Notes shall be purchased by DelVal on or about May 2, 2022, or in such installments and/or at such other times as the President or Vice-President of the Board of Commissioners and DelVal’s Program Administrator shall determine.

SECTION 3. APPROVAL OF THE FORMS OF THE LOAN DOCUMENTS AND AUTHORIZATION TO EXECUTE AND DELIVER ALL NECESSARY DOCUMENTS

The substantial forms of the Loan Agreement and Notes (collectively, the “Loan Documents”) attached to the Loan Commitment are hereby approved. The President or Vice-President of the Board of Commissioners, and the Secretary (collectively, the “Authorized Officers”) are hereby authorized and directed to execute and deliver the Loan Documents, in the substantial forms attached to the Loan Commitment, but with such alterations, deletions and

additions as the Authorized Officers may approve (such approval to be conclusively established by the execution of the Loan Documents by the Authorized Officers). The Authorized Officers also are hereby authorized and directed (i) to execute and deliver such other certificates, instruments, and agreements (including those required by any institution issuing a financial guaranty insurance policy, municipal bond insurance policy, letter of credit, or similar instrument related to the DeVal Bonds or the Notes) and (ii) to take all actions that may be necessary or beneficial to issue the Notes.

SECTION 4. AMORTIZATION SCHEDULE AND MAXIMUM ANNUAL DEBT SERVICE PAYMENTS

The indebtedness of the Notes shall be nonelectoral debt and a general obligation of the Township and shall be evidenced by Promissory Notes in the aggregate par amount of EIGHT MILLION ONE HUNDRED THOUSAND DOLLARS (\$8,100,000). The Notes shall bear interest (the "Loan Rate") at the rate specified in the Loan Agreement and the Notes, the substantial forms of which are attached to the Loan Commitment and hereto as Exhibit A. The Notes shall be subject to optional redemption by the Township as set forth in the Notes and the Loan Agreement. The amortization schedule of the Loan Principal and the maximum Loan Interest payments under the Notes, based upon the maximum Loan Rate of 15%, are shown below:

General Obligation Notes, 2022 Series Principal Amortization Schedule and Maximum Annual Debt Service Payments

<i>Bond Year</i> <i>Ending</i>	<i>Principal</i> (1)	<i>Maximum</i> <i>Interest</i> <i>Rate</i>	<i>Maximum</i> <i>Interest</i> <i>Payment</i> (2)	<i>Maximum</i> <i>Annual</i> <i>Debt Service</i>
25-Mar-23	\$ 187,000.00	15%	\$ 1,154,250.00	\$ 1,341,250.00
25-Mar-24	192,000.00	15%	1,186,950.00	1,378,950.00
25-Mar-25	196,000.00	15%	1,158,150.00	1,354,150.00
25-Mar-26	201,000.00	15%	1,128,750.00	1,329,750.00
25-Mar-27	206,000.00	15%	1,098,600.00	1,304,600.00
25-Mar-28	211,000.00	15%	1,067,700.00	1,278,700.00
25-Mar-29	216,000.00	15%	1,036,050.00	1,252,050.00
25-Mar-30	221,000.00	15%	1,003,650.00	1,224,650.00
25-Mar-31	226,000.00	15%	970,500.00	1,196,500.00
25-Mar-32	232,000.00	15%	936,600.00	1,168,600.00
25-Mar-33	237,000.00	15%	901,800.00	1,138,800.00
25-Mar-34	243,000.00	15%	866,250.00	1,109,250.00
25-Mar-35	249,000.00	15%	829,800.00	1,078,800.00
25-Mar-36	255,000.00	15%	792,450.00	1,047,450.00
25-Mar-37	261,000.00	15%	754,200.00	1,015,200.00
25-Mar-38	268,000.00	15%	715,050.00	983,050.00
25-Mar-39	274,000.00	15%	674,850.00	948,850.00
25-Mar-40	281,000.00	15%	633,750.00	914,750.00
25-Mar-41	287,000.00	15%	591,600.00	878,600.00
25-Mar-42	294,000.00	15%	548,550.00	842,550.00
25-Mar-43	301,000.00	15%	504,450.00	805,450.00
25-Mar-44	309,000.00	15%	459,300.00	768,300.00

25-Mar-45	316,000.00	15%	412,950.00	728,950.00
25-Mar-46	324,000.00	15%	365,550.00	689,550.00
25-Mar-47	331,000.00	15%	316,950.00	647,950.00
25-Mar-48	339,000.00	15%	267,300.00	606,300.00
25-Mar-49	348,000.00	15%	216,450.00	564,450.00
25-Mar-50	356,000.00	15%	164,250.00	520,250.00
25-Mar-51	365,000.00	15%	110,850.00	475,850.00
25-Mar-52	<u>374,000.00</u>	15%	-	<u>374,000.00</u>
Total	<u>\$ 8,100,000.00</u>		<u>\$ 20,867,550.00</u>	<u>\$ 28,967,550.00</u>

- (1) Principal is payable annually, commencing on: 25-Mar-23
Principal is amortized to provide more level total annual debt service.
(2) Interest is payable monthly on the 25th, commencing: 25-Apr-22
Interest is calculated for the period beginning on: 13-Apr-22

SECTION 5. AUTHORIZATION AND AWARD OF A QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT

The Township is incurring indebtedness under the *Debt Act* that will be issued to DelVal, a public authority, and the Township, by execution of the Loan Agreement, will become obligated for a notional amount of the DelVal Swap Agreement equal to the outstanding principal amount of the Notes. The Board of Commissioners hereby accepts and adopts the Plan as the Interest Rate Management Plan fulfilling the requirements of §8281(b)(2) of the *Debt Act*. The Board of Commissioners hereby adopts the Swap Policy, accepts and ratifies the minimum criteria used by DelVal to select the counterparties of the DelVal Swap Agreement, and accepts and ratifies the award of the DelVal Swap Agreement in a private sale by negotiation. The Board of Commissioners hereby authorizes and awards the Loan Agreement and the portion of the DelVal Swap Agreement allocable to the Notes as the Qualified Interest Rate Management Agreement with respect to the Notes, pursuant to §8281(a)(2) of the *Debt Act*. The Board of Commissioners hereby authorizes and directs the filing, to the Department of Community and Economic Development (“DCED”) within fifteen days of enactment, of a certified copy of this Ordinance and the following documents, in accordance with §8284(a)(1) of the *Debt Act*:

- 1) Form of the Loan Agreement, the Qualified Interest Rate Management Agreement pursuant to §8281(b)(1) of the *Debt Act*, and the form of the confirmation related to the Notes,
- 2) The Interest Rate Management Plan pursuant to §8281(b)(2) of the *Debt Act*, and
- 3) The finding of the Financial Advisor that the financial terms and conditions of the DelVal Swap Agreement were fair and reasonable as of the date of the award by DelVal, pursuant to §8281(e)(5) of the *Debt Act*.

SECTION 6. PLEDGE OF THE FULL FAITH, CREDIT, AND TAXING POWER

The Township hereby covenants to:

- 1) Include all payments of Loan Interest and Loan Principal payable under the Loan Agreement and the Notes in the budget of the fiscal year in which such amounts are due and payable,
- 2) Appropriate such amounts from its taxes and other general revenues, and
- 3) Pay, or cause to be paid, punctually and duly, such amounts that are due and payable under the Notes and the Loan Agreement on the dates, at the places, and in the manner stated in the Notes and the Loan Agreement.

For such budgeting, appropriation, and payment, the Township irrevocably pledges its full faith, credit, and taxing power. As provided by the *Debt Act*, this covenant shall be specifically enforceable.

SECTION 7. OBLIGATIONS OF THE TOWNSHIP RELATED TO THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT

The Township's obligations related to the Qualified Interest Rate Management Agreement are set forth in the Loan Agreement. In accordance with §8281 of the *Debt Act*:

- 1) The Township pledges its full faith, credit, and taxing power to make any periodic scheduled payments due and payable under the DeVal Swap Agreement related to the Notes and Loan Agreement (the "Periodic Payments"). The Township covenants to (a) include all Periodic Payments in the budget of the fiscal year in which such amounts are due and payable, (b) appropriate such amounts from its taxes and other general revenues, and (c) pay, or cause to be paid, punctually and duly, such amounts that are due and payable on the dates, at the places, and in the manner stated in the Notes and the Loan Agreement. As provided by the *Debt Act*, this covenant shall be specifically enforceable.
- 2) The notional amount of the DeVal Swap Agreement related to the Notes is equal to the outstanding principal amount of the Notes, initially \$8,100,000.
- 3) The Township's obligations under the DeVal Swap Agreement end when the Township repays or prepays the amounts outstanding under the Notes and the Loan

Agreement. The scheduled term of the Township's obligations related to the DelVal Swap Agreement ends on March 25, 2052.

- 4) The Township pledges to budget, appropriate, and pay any termination payment due and payable under the DelVal Swap Agreement related to the Notes and Loan Agreement (the "Termination Charge"). The Township covenants to (a) include any Termination Charge in the budget of the fiscal year in which such amounts are due and payable, (b) appropriate such amounts from its taxes and other general revenues, and (c) pay, or cause to be paid, punctually and duly, such amounts that are due and payable on the dates, at the places, and in the manner stated in the Notes and the Loan Agreement. The Township's obligations to make Periodic Payments are senior to any obligation for a Termination Charge.
- 5) The maximum annual Periodic Payments, not including any Termination Charge, shall not exceed the maximum annual debt service payments authorized for the Notes. The maximum Loan Rate under the Loan Agreement and the maximum floating rate payable under the DelVal Swap Agreement is 15%.

SECTION 8. APPOINTMENT OF SINKING FUND DEPOSITORY AND CREATION OF SINKING FUND

Pursuant to §8221 of the *Debt Act*, Board of Commissioners hereby appoints Computershare Corporate Trust (the "Depository"), or its successors or assigns, as the Sinking Fund Depository for the Participant Note, and Board of Commissioners hereby irrevocably creates and establishes a sinking fund (the "Sinking Fund") to be used exclusively for the repayment of the Notes. The Participant shall deposit sufficient amounts into the Sinking Fund for debt service payments on the Notes no later than the date upon which such payments shall become due. The Depository shall maintain a separate account for the Sinking Fund until the Notes are paid in full. The Depository shall, as and when said payments are due, without further action by the Township, withdraw available monies in the Sinking Fund and apply said monies to payment of interest and principal of the Notes. Board of Commissioners hereby authorizes and directs the Authorized Officers to contract with the Depository, by the execution of the Loan Agreement, to serve as the Sinking Fund Depository and paying agent for the Participant Note.

SECTION 9. AUTHORIZATION TO SUBMIT STATEMENTS TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

The Board of Commissioners hereby authorizes and directs the Authorized Officers to prepare and submit an application for approval of the incurrence of the nonelectoral debt evidenced by the Notes to DCED, including the proceedings that authorize issuance, the debt statement, and any other documents required by the *Debt Act* or DCED.

SECTION 10. LEGAL ADVERTISEMENTS

The Board of Commissioners hereby ratifies and directs the advertisement of a summary of this Ordinance as finally enacted, as required by the *Debt Act*, in the *Daily Local News*, a newspaper of general circulation in the Township, within fifteen (15) days following the date of final enactment.

SECTION 11. CONFLICTING ORDINANCES

All Ordinances or parts of Ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

IN WITNESS WHEREOF, we, the undersigned Authorized Officers, have hereunto set our signatures and affixed hereto the Seal of the TOWNSHIP OF CALN, Chester County, Pennsylvania.

Dated: March 31, 2022

ON BEHALF OF
CALN TOWNSHIP
BOARD OF COMMISSIONERS

PAUL MULLIN
President, Board of Commissioners

[Seal]

ATTEST:

KRISTEN DENNE
Township Secretary