

The February 3, 2016 Special Meeting of the Greater Hazleton Joint Sewer Authority was called to order by Chairman George at 7:00 PM. All in attendance gave a pledge of allegiance.

Roll Call:

Boyarski – Present

Carsia – Present

Cuozzo – Present

Fay – Present

Fayock – Absent

George – Present

Grink – Present

Milot – Present

Sherrock – Present

Also in Attendance:

Christopher Carsia – Director of Operations

Gregory Olander – Operations Manager

Attorney Joseph D. Ustynoski – Solicitor

David M. Payne Jr. – PNC Capital Markets

PUBLIC COMMENT

There was no public comment.

Chairman George introduced Mr. David Payne and then asked him to begin his presentation to the Board. Mr. Payne informed the Board that PNC Capital Markets has worked as Bond Underwriter for the Authority on two \$10 million bond issues in 2007 and 2008. He said PNC Capital Markets also acted as Underwriter when the 2007 and 2008 bonds were refunded in 2012 (Series 2012A & 2012B). He stated that his firm is quite familiar with the Authority and its operation. He said this is important since it is the underwriter's responsibility to gather factual information to prepare a packet for perspective bondholders.

Mr. Payne reviewed the Authority's current debt service structure, which consists of three (3) Pennvest Notes and two (2) Series of 2012 Bonds, with annual payments totaling about \$3.5 million from years 2017 through 2032. He said the Authority's current debt structure is a level debt service meaning that the payments are about the same each year until the debt is retired. He then presented different scenarios as requested to borrow \$5 million for upcoming capital projects. He said the first scenario is a bond issue with level debt service. He said the new money debt service would add approximately \$375,000 to \$380,000 annually to the existing debt service for a total of about \$3.9 million per year until 2032. He said the interest repayment in the level debt scenario is about \$1.3 million over the term of the bond with an all-in True Interest Cost (TIC) of 2.92%. He then reviewed costs for a bond issue with a wrap structure where the majority of principal is carried until repayment in 2033 and 2034. He said the new money debt service in the wrap scenario would add approximately \$175,000 to \$185,000 annually to the existing debt service for a total of about \$3.66 million per year until 2033-2034. He said the interest repayment in the wrap scenario is about \$2.6 million over the term of the bond with an all-in True Interest Cost (TIC) of 3.36%. He then stated that any number of other scenarios can be structured in between the level and the wrap scenarios.

Mr. Payne stated that the Authority could get a shorter call date with new bonds under \$10 million, so a \$5 million bond would probably have a five year call date. He informed the Board that the refunding of 2007 and 2008 bonds saved the Authority approximately \$750,000 because they were able to issue the 2012A and 2012B bonds at a lower interest rate. He said two of the strongest investments when there is instability in the world are US Treasury Bonds and Municipal Bonds. He then stated that the Authority has a very good underlying rating of A1, which is the highest tier rating below Aa. He said the reason for the low interest rates for this bond issue is the Authority's strong rating, which is based on their operation and financial statements. He stated that PNC Capital Markets would work closely with the Solicitor and Bond Counsel as they have in the past to mesh with the current Trust Indenture and to deliver a very protected product. Board Member Sherrock asked how the rating is determined. Mr. Payne responded that the rating agencies, Moody's or Standard & Poor's, review the entire operation, financial statements, customer base, demographics,

etc. to issue a rating. He said they have charts that compare other authorities of the same type and size to determine the category of rating. He said the better the rating, the better the interest rate you can expect to receive. He said a BBB rating is not where you want to be because you can expect interest rates above 4% for the same bond issue. He also noted that once the bonds are issued, rating agencies can ask for a review of the rating at any time.

Mr. Payne then informed the Board that following the disruption in the markets in 2008, the regulators found that continuing disclosure information for many municipal entities was not being uploaded to the Municipal Securities Rulemaking Board' EMMA website as required. He said the MSRB has gotten much stricter to ensure the bondholders have access to the operating data and financial statements of the bond issuer as promised in their trust indenture. He noted that the Authority has met its responsibilities with a timely annual submission of financial statements as required in their trust indenture.

David Payne, Jr. exited the meeting at this time.

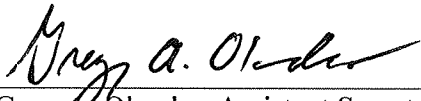
Grink & Cuzzo moved to approve payment to Mesko Glass and Mirror, Inc. in the amount of \$96,300.00, for Payment Estimate #1 (Final), for the Control Building Window Panel Replacement Project as recommended by the engineer. Total project cost is \$96,300.00. Total of payments to date including this payment is \$96,300.00, which leaves a zero balance.

Roll Call: Boyarski-yes, Carsia-absent, Cuzzo-yes, Fay-yes, Fayock-yes, George-yes, Grink-yes, Milot-yes

Chairman George appointed Board Member Sherrock to the Financial Assessment Committee to replace the seat formerly held by Dr. Eyerly. Board Member Sherrock accepted his appointment.

Milot & Carsia moved to adjourn. Passed: Aye-98, Nay-0, Absent-1
The meeting was adjourned at 8:01 PM.

Respectfully submitted,
Greater Hazleton Joint Sewer Authority



Gregory Olander, Assistant Secretary