

ORDINANCE NO. 26-02

**TOWNSHIP OF TOWAMENCIN,
MONTGOMERY COUNTY, PENNSYLVANIA**

AN ORDINANCE THAT AUTHORIZES THE INCURRENCE OF NONELECTORAL DEBT BY THE TOWNSHIP OF TOWAMENCIN, MONTGOMERY COUNTY, PENNSYLVANIA (THE “TOWNSHIP”) PURSUANT TO THE ISSUANCE OF THE GENERAL OBLIGATION NOTES, 2026 SERIES (COLLECTIVELY, THE “PARTICIPANT NOTE”) IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,000,000 AND APPROVES CERTAIN CAPITAL PROJECTS; APPROVES THE NEGOTIATED SALE OF THE PARTICIPANT NOTE TO THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY; APPROVES THE SUBSTANTIAL FORMS OF THE LOAN DOCUMENTS AND AUTHORIZES EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS; STATES THE AMORTIZATION SCHEDULE AND MAXIMUM ANNUAL DEBT SERVICE PAYMENTS; AUTHORIZES AND AWARDS A TRANSACTION UNDER A QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT AND AUTHORIZES AND DIRECTS A FILING TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; PLEDGES THE FULL FAITH, CREDIT, AND TAXING POWER OF THE TOWNSHIP FOR THE TIMELY REPAYMENT OF THE PARTICIPANT NOTE, INCLUDING THE PERIODIC PAYMENTS DUE UNDER THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT; COVENANTS TO PAY ANY TERMINATION CHARGES; CREATES AND APPOINTS A SINKING FUND DEPOSITORY; AUTHORIZES THE APPLICATION FOR APPROVAL OF THE ISSUANCE OF THE PARTICIPANT NOTE TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AUTHORIZES ADVERTISEMENT OF ENACTMENT; AND REPEALS INCONSISTENT ORDINANCES.

WHEREAS, the Board of Supervisors has reviewed its 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, 2026 Series (the “Participant Note”) is necessary to provide the funding for certain capital

projects of the CIP (collectively, the “2026 Project”), consisting of: (i) Skippack Creek pollution reduction projects, storm water projects, road and sidewalk projects, park and trail projects, building improvements, acquisition of vehicles, acquisition of computer equipment and software, acquisition of other equipment and furnishings, and other construction projects and (ii) payment of the costs of issuance of the Participant Note; and

WHEREAS, the 2026 Project will benefit the health and welfare of the residents of the Township; and

WHEREAS, the 2026 Project 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 2026 Project, through a lease, management contract, or any other arrangement that would result in a private business use under the *Code*; and

WHEREAS, the proposed increase of nonelectoral debt from the issuance of the Participant Note, 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 (“DelVal”), 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 “DelVal Bonds”), to provide funds for loans to local government units, authorities, and other political subdivisions of Pennsylvania (the “Loan Program”); and

WHEREAS, from time to time, DelVal has entered into interest rate swap agreements (collectively, the “DelVal Swap Agreement”) and executed interest rate swap transactions (each a “Swap Transaction”) to hedge the interest rate and basis risk of the DelVal Bonds, to hedge its interest rate risk of providing fixed interest rates on loans, to minimize the cost of funds of the Loan Program, and to minimize the interest rates of Participants in the Loan Program; 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 DelVal Board of Directors; 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 Swap Transactions 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 Swap Transactions were fair and reasonable as of the dates of awards; and

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

WHEREAS, under the terms of the loan agreement (the “Loan Agreement”) by and between the Township and DelVal, interest payments on the Participant Note (the “Loan Interest”) will equal the amounts allocable to the Participant Note for: (i) interest on the DelVal Bonds, (ii) periodic scheduled payments on Swap Transactions (the “Periodic Payments”), and (iii) other costs and liquidity requirements incurred by DelVal to administer the Loan Program; and

WHEREAS, under the terms of the Loan Agreement the principal amount outstanding of the Participant Note (the “Loan Principal”) will equal the notional amounts of the Swap Transactions allocable to the Participant Note; and

WHEREAS, the Board of Supervisors intends to (i) designate the Loan Agreement as a Qualified Interest Rate Management Agreement related to the Participant Note, (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 SUPERVISORS OF THE TOWNSHIP OF TOWAMENCIN, MONTGOMERY COUNTY, PENNSYLVANIA, AND IT IS HEREBY ORDAINED AND ENACTED BY THE AUTHORITY OF SAID BOARD OF SUPERVISORS THAT:

SECTION 1. APPROVAL OF THE 2026 PROJECT AND AUTHORIZATION TO ISSUE THE PARTICIPANT NOTE

Pursuant to §8142(a)(2) of the *Debt Act*, the fifteen-year term of the Participant Note does not exceed the twenty-three-year weighted average useful life of the 2026 Project. The principal of the Participant Note shall be amortized to provide level or declining annual debt service, pursuant to §8142(b)(1) of the *Debt Act*. The amortization of the principal amounts of the Participant Note shall begin within two years of the date of issue in accordance with §8142(c) of the *Debt Act*.

The Board of Supervisors hereby authorizes and approves the 2026 Project. The Board of Supervisors hereby authorizes and directs the incurrence of nonelectoral, general obligation debt in the aggregate principal amount of \$5,000,000 by the issuance of the Participant Note.

SECTION 2. APPROVAL OF THE LOAN COMMITMENT

The Board of Supervisors, after due deliberation and investigation, hereby determines that a private sale by negotiation of the Participant Note to DelVal is in the best financial interests of the Township. The Board of Supervisors hereby accepts the Loan Commitment from DelVal to purchase the Participant Note at an aggregate price not to exceed \$5,000,000 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 \$25,000, as directed by DelVal's Program Administrator upon the issuance of the Participant Note. The Participant Note shall be purchased by DelVal on or about April 27, 2026, and in such installments and at such other times as the President or Vice-President of the Board of Supervisors 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 Participant Note (collectively, the "Loan Documents"), the substantial forms of which are attached to the Loan Commitment, are hereby approved. The President or Vice-President and the Secretary of the Board of Supervisors (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 and (ii) to take all actions that may be necessary or beneficial to issue the Participant Note.

SECTION 4. AMORTIZATION SCHEDULE AND MAXIMUM ANNUAL DEBT SERVICE PAYMENTS

The indebtedness of the Participant Note shall be nonelectoral debt and a general obligation of the Township and shall be evidenced by the Participant Note, the substantial form of which is attached hereto as Exhibit A, in the aggregate par amount not to exceed FIVE MILLION DOLLARS (\$5,000,000). The Participant Note shall bear interest (the “Loan Rate”) at the rate specified in the Loan Agreement and the Participant Note. The Participant Note shall be subject to optional redemption by the Township as set forth in the Participant Note and the Loan Agreement. The amortization schedule of the Loan Principal and the maximum Loan Interest payments under the Participant Note are shown below:

**General Obligation Notes, 2026 Series
Principal Amortization Schedule and
Maximum Annual Debt Service Payments**

<i>Bond Year</i> <u>Ending</u>	<u>Principal</u>	<u>Maximum Loan Rate</u>	<u>Maximum Interest Payment (2)</u>	<u>Maximum Annual Debt Service</u>
27-Apr-26				
25-Apr-27	\$ 255,000.00	15.000%	\$ 745,833.33	\$ 1,000,833.33
25-Apr-28	265,000.00	15.000%	711,750.00	976,750.00
25-Apr-29	275,000.00	15.000%	672,000.00	947,000.00
25-Apr-30	285,000.00	15.000%	630,750.00	915,750.00
25-Apr-31	295,000.00	15.000%	588,000.00	883,000.00
25-Apr-32	306,000.00	15.000%	543,750.00	849,750.00
25-Apr-33	318,000.00	15.000%	497,850.00	815,850.00
25-Apr-34	329,000.00	15.000%	450,150.00	779,150.00
25-Apr-35	341,000.00	15.000%	400,800.00	741,800.00
25-Apr-36	354,000.00	15.000%	349,650.00	703,650.00
25-Apr-37	367,000.00	15.000%	296,550.00	663,550.00
25-Apr-38	381,000.00	15.000%	241,500.00	622,500.00
25-Apr-39	395,000.00	15.000%	184,350.00	579,350.00
25-Apr-40	409,000.00	15.000%	125,100.00	534,100.00
25-Apr-41	425,000.00	15.000%	63,750.00	488,750.00
Total	\$ 5,000,000.00		\$ 6,501,783.33	\$ 11,501,783.33

(1) Principal is payable annually, commencing on: 25-Apr-27
(2) Interest is payable monthly on the 25th, commencing: 25-May-26
Interest is calculated for the period beginning on: 27-Apr-26

SECTION 5. PLEDGE OF THE FULL FAITH, CREDIT, AND TAXING POWER

The Loan Interest payments include the amounts allocable to the Participant Note for: (i) interest on the DelVal Bonds, (ii) the Periodic Payments of the Swap Transactions executed by DelVal to hedge interest rate and basis risk, and (iii) the administrative costs and liquidity requirements of the Loan Program.

The Township hereby covenants to:

- 1) Include all payments of Loan Interest, including the allocable Periodic Payments, and Loan Principal payable under the Loan Agreement and the Participant Note 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 Participant Note and the Loan Agreement on the dates, at the places, and in the manner stated in the Participant Note 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 6. 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 to pay Periodic Payments and termination payments (each, a “Termination Charge”) of hedging Swap Transactions allocable to the Participant Note. Due to these obligations, the Loan Agreement is also a Qualified Interest Rate Management Agreement (“QIRMA”) under the *Debt Act*.

The Board of Supervisors 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 Supervisors 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 allocable Swap Transactions in a private sale by negotiation. The Board of Supervisors hereby authorizes and awards the Loan Agreement as the Qualified Interest Rate

Management Agreement (the “QIRMA”) with respect to the Participant Note, pursuant to §8281(a)(2) of the *Debt Act*.

The Board of Supervisors hereby authorizes and directs the filing to the Department of Community and Economic Development (“DCED”), within fifteen days of enactment, 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 QIRMA pursuant to §8281(b)(1) of the *Debt Act*, and the form of the confirmation related to the Participant Note,
- 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 Swap Transactions allocable to the Participant Note were fair and reasonable as of the date of the award by DelVal, pursuant to §8281(e)(5) of the *Debt Act*.

The Township’s obligations related to the QIRMA 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 the Periodic Payments that are included in the calculation of Loan Interest.
- 2) The notional amounts of the Swap Transactions related to the Participant Note are equal to the outstanding principal amount of the Participant Note, initially \$5,000,000.
- 3) The Township’s obligations under the QIRMA end when the Township repays or prepays the amounts outstanding under the Participant Note and the Loan Agreement. The scheduled term of the Township’s obligations related to the QIRMA ends on April 25, 2041.
- 4) 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 Participant Note 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 Participant Note. The maximum Loan Rate under the Loan Agreement and the maximum rate payable under the QIRMA is 15%.

SECTION 7. APPOINTMENT OF SINKING FUND DEPOSITORY AND CREATION OF SINKING FUND

Pursuant to §8221 of the *Debt Act*, Board of Supervisors hereby appoints Computershare Corporate Trust (the “Depository”), or its successors or assigns, as the Sinking Fund Depository for the Participant Note, and Board of Supervisors hereby irrevocably creates and establishes a sinking fund (the “Sinking Fund”) to be used exclusively for the repayment of the Participant Note. The Township shall deposit sufficient amounts into the Sinking Fund for debt service payments on the Participant Note 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 Participant Note is 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 Participant Note. Board of Supervisors 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 8. AUTHORIZATION TO SUBMIT STATEMENTS TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

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

SECTION 9. LEGAL ADVERTISEMENTS

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

SECTION 10. CONFLICTING ORDINANCES

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

DRAFT

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

Dated: March 25, 2026

JOYCE F. SNYDER
Chairperson, Board of Supervisors

[Seal]

ATTEST:

KOFI OSEI
Secretary

DRAFT

Exhibit A
Form of the Participant Note

DRAFT