

Upper Macungie Township

Financing Discussion

August 1, 2024

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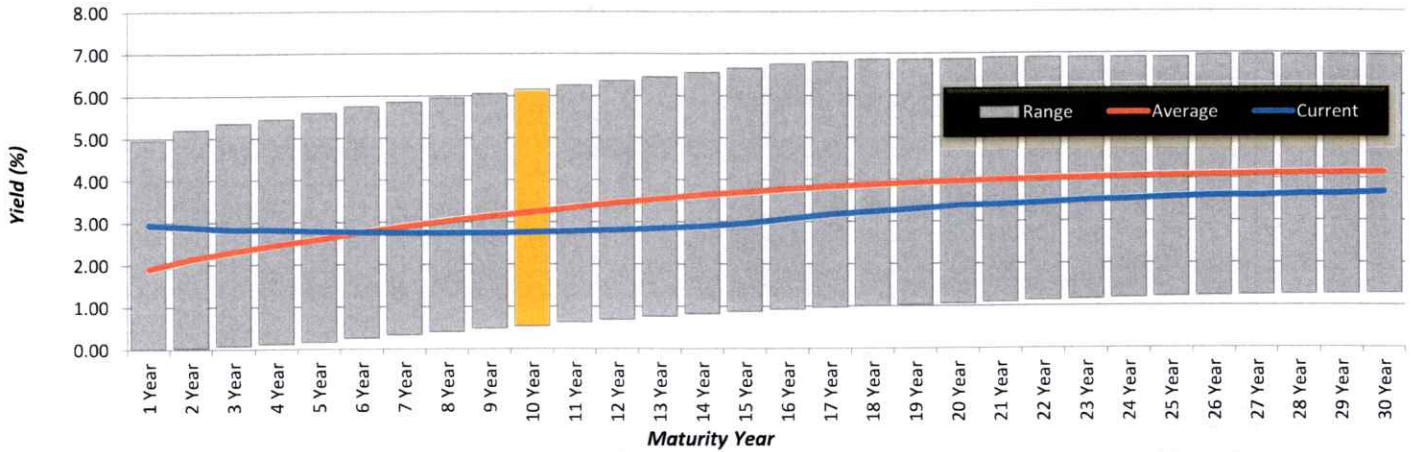
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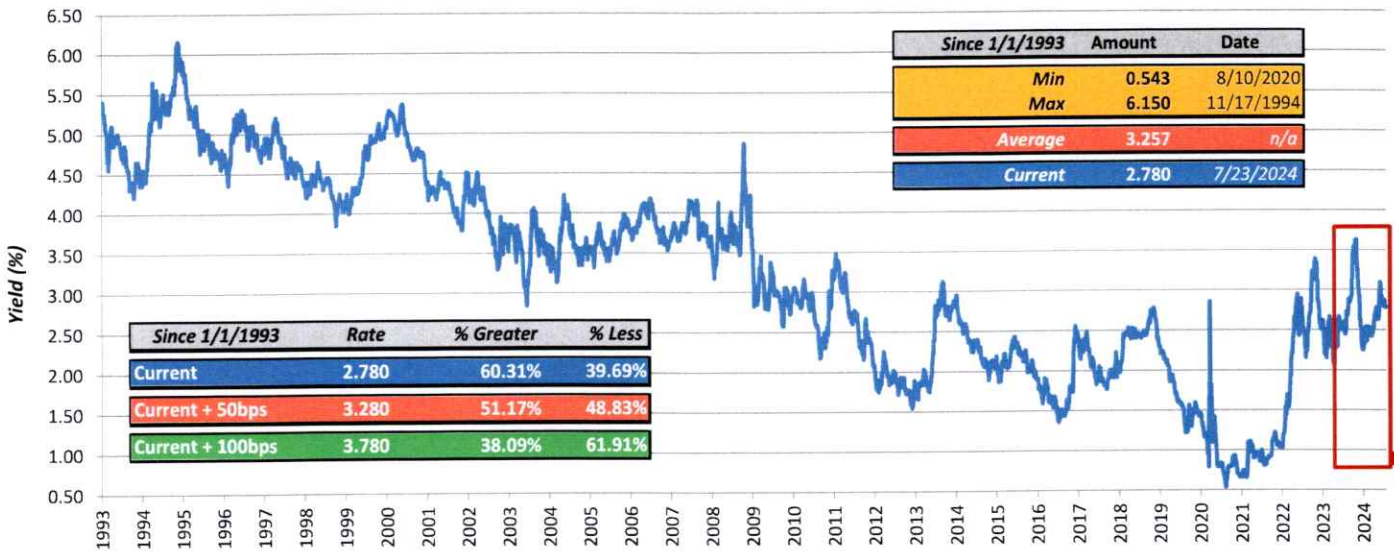
MUNICIPAL MARKET UPDATE

July 23, 2024

HISTORICAL BVAL CURVE ILLUSTRATION - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 2023



[1] Datapoints prior to January 4, 2010 are provided by MMD, datapoints after January 4, 2010 are provided by BVAL.

Upper Macungie Township
Financing Discussion
August 1, 2024

Series of 2024 – Project Funding

- 1) Upper Macungie Township (the “Township”) is in the preliminary stages of planning for the community center.
 - a. The Township provided estimated project costs of approximately \$49 million for the community center.
 - b. Construction timeline is between 18 – 24 months from start to finish.
 - c. The Township could be eligible for exceptions to tax law prohibitions against generating and keeping arbitrage profits (a recent consequence of higher interest rates). Unrestricted investment earnings vary according to bond issue size and project timing. Consultation with Bond Counsel will be required.
 - d. We have been advised of cash reserves, grants, and donations, which could potentially be used to pay capital costs, but a decision has yet to be made whether to use those funds for the current projects, for reasonably foreseeable future projects or for other defensible budgetary reasons. A summary of outside funds are listed below:
 - i. \$750,000 in current grant and
 - ii. ARPA Capital Project Wi-Fi Grant
 - iii. \$4.5 million of founding partner donations (over time)
 - iv. Application for RACP grant(s) (no timeline or award amount known)

Federal and State Legal Considerations

Debt issuance is governed by the Local Government Unit Debt Act, which has certain requirements including:

- 2) Non-Electoral Debt Limit & Borrowing Capacity
 - a. 250% of the 3-year average of total revenues
- 3) Board Adopted Debt Ordinance
 - a. Prepared by Bond Counsel
- 4) Useful Life of Project
 - a. Maturity of related debt cannot be longer than useful life of the project.
- 5) Federal tax laws permit an Issuer to borrow at a tax-exempt interest rate and invest the proceeds at an unlimited (taxable) yield subject to arbitrage requirements during the period of project construction, but only if the following three tests can be satisfied. The governing board must reasonably expect at the time the borrowing:
 - a. Expenditure Test – issuer will spend 85% of the proceeds within three years.
 - b. Time Test – issuer will incur a substantial binding obligation (sign a design contract, award a construction bid) within six (6) months, equal to at least 5% of the borrowing amount.
 - c. Due Diligence Test – construction of the project will proceed, and the bonds funds will be spent, with due diligence to completion.

**The above list is not exhaustive. Please consult Bond Counsel with any questions related to legal requirements or LGUDA.*

Bonds

- 6) Usually up to 30 years in length
- 7) Fixed interest rate for the entire term
- 8) For bank qualified issues, callable after 5 years and for non-bank qualified issues, callable between 7-10 years
- 9) Higher up front financing costs, but lower long term interest rates

*Upper Macungie Township
Financing Discussion (cont.)
August 1, 2024*

Bank-Qualified Bonds Review

- 10) Current IRS tax law states that a tax-exempt issuer can issue \$10 million of Bank Qualified (“BQ”) bonds per calendar year.
 - a. Holders of BQ bonds enjoy certain additional tax benefits, resulting in higher demand.
 - i. BQ bonds typically have lower interest rates and a shorter call feature than non-BQ bonds.
- 11) Depending on market conditions, it is typically in the best interest to issue BQ bonds when possible, to take advantage of the lower rates and a shorter call feature.

Reimbursement Resolution

- 12) A reimbursement resolution satisfies a tax law requirement that allows an issuer to pay (reimburse) itself back from future borrowed funds for expenditures related to the project, such as land acquisition or early construction costs.
- 13) Such reimbursements are limited to expenses paid from cash within 60 days prior to the date the resolution is adopted, though many preliminary expenses (design, feasibility etc.) would still be eligible for reimbursement.

UPPER MACUNGIE TOWNSHIP

Summary of Estimated Construction Draws - 25 Year Scenario

1	2	3	4			5	6	7				8	9	10	11
Month	Date	Beginning Project Balance	USES			Total Draws	SOURCES				Total Sources	Ending Capital Balance			
			Community Center ⁽¹⁾	Estimated Cost of Issuance			Bond Proceeds	External Funds ⁽³⁾	Interest Earnings ⁽⁴⁾						
			\$48,754,814							3.00%					
1	Jan-24	15,000,000									38,219	38,219		15,038,219	
2	Feb-24	15,038,219									38,317	38,317		15,076,536	
3	Mar-24	15,076,536									35,936	35,936		15,112,472	
4	Apr-24	15,112,472									38,506	38,506		15,150,977	
5	May-24	15,150,977	(500,000)			(500,000)					37,359	37,359		14,688,336	
6	Jun-24	14,688,336	(500,000)			(500,000)					37,425	37,425		14,225,761	
7	Jul-24	14,225,761	(500,000)			(500,000)					35,077	35,077		13,760,838	
8	Aug-24	13,760,838	(500,000)			(500,000)					35,062	35,062		13,295,900	
9	Sep-24	13,295,900	(500,000)			(500,000)			750,000		33,877	783,877		13,579,777	
10	Oct-24	13,579,777	(1,217,232)			(1,217,232)					33,484	33,484		12,396,030	
11	Nov-24	12,396,030	(1,217,232)	(199,963)		(1,417,194)	9,996,476				31,584	10,028,061		21,006,896	
12	Dec-24	21,006,896	(1,217,232)			(1,217,232)			2,000,000		51,798	2,051,798		21,841,462	
13	Jan-25	21,841,462	(1,217,232)			(1,217,232)					55,651	55,651		20,679,881	
14	Feb-25	20,679,881	(1,217,232)			(1,217,232)					52,691	52,691		19,515,340	
15	Mar-25	19,515,340	(1,217,232)			(1,217,232)					44,912	44,912		18,343,020	
16	Apr-25	18,343,020	(1,217,232)	(256,438)		(1,473,669)	18,191,624				46,737	18,238,361		35,107,711	
17	May-25	35,107,711	(1,217,232)			(1,217,232)					86,567	86,567		33,977,046	
18	Jun-25	33,977,046	(3,651,696)			(3,651,696)					86,572	86,572		30,411,922	
19	Jul-25	30,411,922	(3,651,696)			(3,651,696)					74,988	74,988		26,835,215	
20	Aug-25	26,835,215	(3,651,696)			(3,651,696)					68,375	68,375		23,251,893	
21	Sep-25	23,251,893	(3,651,696)			(3,651,696)					59,245	59,245		19,659,442	
22	Oct-25	19,659,442	(3,651,696)			(3,651,696)					48,475	48,475		16,056,222	
23	Nov-25	16,056,222	(3,651,696)			(3,651,696)					40,910	40,910		12,445,436	
24	Dec-25	12,445,436	(3,651,696)			(3,651,696)			2,000,000		30,687	2,030,687		10,824,428	
25	Jan-26	10,824,428	(1,217,232)			(1,217,232)					27,580	27,580		9,634,776	
26	Feb-26	9,634,776	(1,217,232)			(1,217,232)					24,549	24,549		8,442,093	
27	Mar-26	8,442,093	(1,217,232)			(1,217,232)					19,428	19,428		7,244,289	
28	Apr-26	7,244,289	(1,217,232)			(1,217,232)					18,458	18,458		6,045,515	
29	May-26	6,045,515	(1,217,232)			(1,217,232)					14,907	14,907		4,843,190	
30	Jun-26	4,843,190	(1,217,232)			(1,217,232)					12,340	12,340		3,638,298	
31	Jul-26	3,638,298	(1,217,232)			(1,217,232)					8,971	8,971		2,430,038	
32	Aug-26	2,430,038	(1,217,232)			(1,217,232)					6,192	6,192		1,218,997	
33	Sep-26	1,218,997	(1,217,232)			(1,217,232)					3,106	3,106		4,871	
TOTALS			(48,754,814)	(456,400)	(49,211,214)		28,188,100	4,750,000	1,277,985	34,216,085					

[1] Estimated draws for illustrative purposes. Actual draw schedule to be provided by Township's architect.

[2] Estimated timing and borrowing amounts. Actual timing and borrowed amounts to be determined based on the Township's draw schedule and cash flows.

[3] Estimated grants and external funds as discussed with the Township. Actual external funds and grants available to be provided by Client. Does not include estimated \$4.5 million of founding partner donations to be received over 10 years.

[4] Estimated Interest Earnings. Actual interest earnings to be provided by client.

Moody's Available Fund Balance Ratio as of 2/22/2024:	PA Aaa Median
	98%

UPPER MACUNGIE TOWNSHIP
 Summary of New Money Financing Plan
ESTIMATED - FOR ILLUSTRATIVE PURPOSES ONLY

	1	2
	Step 1	Step 2
Principal ^[1]	\$9,995,000	\$17,525,000
Timing ^[1]	November 2024	April 2025
Term	25 Years	25 Years
Structure	Level	Level
Estimated Yield ^[2]	4.51%	4.54%
Total Interest ^[2]	\$6,990,614	\$14,261,125

3	4	5	6	7
Fiscal Year Ending	Estimated New Debt Service ^{[1][2]}	Total Overall Debt Service ^{[1][2]}	Estimated New Debt Service ^{[1][2]}	Total Overall Debt Service ^{[1][2]}
12/31/2024				
12/31/2025	401,951	401,951	438,125	840,076
12/31/2026	689,500	689,500	881,250	1,570,750
12/31/2027	689,500	689,500	1,271,000	1,960,500
12/31/2028	689,100	689,100	1,271,250	1,960,350
12/31/2029	693,300	693,300	1,270,500	1,963,800
12/31/2030	691,900	691,900	1,268,750	1,960,650
12/31/2031	690,100	690,100	1,271,000	1,961,100
12/31/2032	692,900	692,900	1,272,000	1,964,900
12/31/2033	690,100	690,100	1,271,750	1,961,850
12/31/2034	691,900	691,900	1,270,250	1,962,150
12/31/2035	693,100	693,100	1,267,500	1,960,600
12/31/2036	693,700	693,700	1,268,500	1,962,200
12/31/2037	688,700	688,700	1,268,000	1,956,700
12/31/2038	693,300	693,300	1,271,000	1,964,300
12/31/2039	691,088	691,088	1,267,250	1,958,338
12/31/2040	693,238	693,238	1,267,000	1,960,238
12/31/2041	689,538	689,538	1,270,000	1,959,538
12/31/2042	689,063	689,063	1,271,000	1,960,063
12/31/2043	687,688	687,688	1,270,000	1,957,688
12/31/2044	690,413	690,413	1,267,000	1,957,413
12/31/2045	690,713	690,713	1,267,000	1,957,713
12/31/2046	689,825	689,825	1,269,750	1,959,575
12/31/2047	692,750	692,750	1,270,000	1,962,750
12/31/2048	689,250	689,250	1,267,750	1,957,000
12/31/2049	693,000	693,000	1,268,000	1,961,000
12/31/2050			1,270,500	1,270,500
TOTAL	16,985,614	16,985,614	31,786,125	48,771,739

[1] Estimated timing and borrowing amounts. Actual timing and borrowed amounts to be determined based on the Township's draw schedule and cash flows.

[2] Estimated rates. Actual rates to be determined at time of pricing. Rates assumes to be tax-exempt. Actual tax status to be determined by bond counsel.

**UPPER MACUNGIE TOWNSHIP
PRELIMINARY FINANCING TIMELINE**

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Time Period	Action
July 18th	Bid Opened
August 1st	Project Bids Accepted. Financing Team Receives Authorization to Proceed.
Early August	Request for Information to Draft Preliminary Official Statement
Mid to End of August	PFM Begins to Draft Preliminary Official Statement
End of August/Early September	Information Sent to Rating Agency
End of August	Pre-Advertisement of Ordinance
September 5th	Township Meeting to Adopt Parameters Ordinance
Mid September	Post-Advertisement for Ordinance
Mid September	Rating Call
Mid/Late September	Preliminary Official Statement Completed
Early October	Pricing of Bonds
Early October/Mid October	Bond Counsel Files with DCED
End of October / Early November	Bond Issue Settlement



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