

**ORDINANCE NO. 448**  
**OF THE BOARD OF SUPERVISORS**  
**OF THE TOWNSHIP OF EAST NORRITON,**  
**MONTGOMERY COUNTY, PENNSYLVANIA**

AN ORDINANCE THAT AUTHORIZES THE INCURRENCE OF NON-ELECTORAL DEBT BY THE TOWNSHIP OF EAST NORRITON (THE "PARTICIPANT") PURSUANT TO THE ISSUANCE OF THE GUARANTEED SEWER REVENUE NOTES, SERIES OF 2003 (THE "PARTICIPANT NOTES") IN THE AGGREGATE PAR AMOUNT OF \$1,500,000 AND APPROVES CERTAIN CAPITAL PROJECTS; APPROVES THE NEGOTIATED SALE OF THE PARTICIPANT NOTES TO THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY; APPROVES THE SUBSTANTIAL FORMS OF THE PARTICIPANT NOTES, LOAN AGREEMENT, AND CONTINUING DISCLOSURE AGREEMENT AND AUTHORIZES EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS; STATES THE AMORTIZATION SCHEDULE AND MAXIMUM ANNUAL DEBT SERVICE PAYMENTS; PLEDGES SEWER REVENUES AND THE FULL FAITH, CREDIT, AND TAXING POWER OF THE PARTICIPANT FOR THE TIMELY REPAYMENT OF THE PARTICIPANT NOTES; CREATES AND APPOINTS A SINKING FUND DEPOSITORY; AUTHORIZES THE APPLICATION TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AUTHORIZES ADVERTISEMENT OF ENACTMENT; AND REPEALS INCONSISTENT ORDINANCES.

WHEREAS, the East Norriton/Plymouth/Whipain Joint Sewer Authority (the "Sewer Authority") owns and operates a wastewater treatment system (the "Treatment Plant") that services the Township of East Norriton; and

WHEREAS, the Participant owns and operates the wastewater collection system (the "Collection System") that services the Township of East Norriton; and

WHEREAS, the Participant assesses and collects sewer rental fees and may assess and collect tapping fees and other types of user charges (collectively, the “Sewer Revenues”) to pay the costs incurred from the Treatment Plant and the Collection System; and

WHEREAS, certain capital projects consisting of (i) capital contributions to the Sewer Authority for the Participant’s allocable share of the capacity at the Treatment Plant and (ii) the payment of the costs of issuance of the Participant Notes (collectively, the “2003 Project”) will benefit the health and welfare of the residents of the Township of East Norriton; and:

WHEREAS, the incurrence of non-electoral debt by the Participant is necessary to fund the 2003 Project; and

WHEREAS, the 2003 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 2003 Project, through a lease, management contract, or any other arrangement; and

WHEREAS, the Participant expects that the Sewer Revenues will be sufficient to pay the operating costs incurred from the Treatment Plant and Collection System and to pay the debt service due on the Participant Notes; and

WHEREAS, the Participant wishes to reimburse expenditures paid before the issuance of the Participant Notes from the proceeds of the Participant Notes; and

WHEREAS, the *Internal Revenue Code* requires the adoption of a statement of official intent under Regulation 1.150-2 (the “Reimbursement Regulations”) for the reimbursement of expenditures from the proceeds of a tax exempt obligation; and

WHEREAS, the Participant adopted a resolution on February 25, 2003, (the “Reimbursement Resolution”) that stated the official intent of the Township as required by the Reimbursement Regulations; and

WHEREAS, the proposed increase of non-electoral debt from the issuance of the Participant Notes, together with the non-electoral and lease rental debt presently outstanding, will not cause the constitutional or statutory debt limitations of the Participant to be exceeded.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE BOARD OF SUPERVISORS OF THE TOWNSHIP OF EAST NORRITON, MONTGOMERY COUNTY, PENNSYLVANIA, AND IT IS HEREBY ORDAINED AND ENACTED BY THE AUTHORITY OF SAID BOARD OF SUPERVISORS THAT:

**SECTION 1. APPROVAL OF THE 2003 PROJECT AND AUTHORIZATION TO ISSUE THE PARTICIPANT NOTES**

Pursuant to Section 8142(a)(2)(i) of the *Local Government Unit Debt Act*, 53 Pa. C.S.A. §8001, *et seq* (the “*Debt Act*”), the estimated useful life of the 2003 Project is thirty years, a period in excess of the ten year term of the Participant Notes. The principal of the Participant Notes shall be amortized to provide approximately level, annual debt service, pursuant to Section 8142(b)(1) of the *Debt Act*. The amortization of the principal amounts of the Participant Notes shall begin within two years of the date of issue in accordance with Section 8142(c) of the *Debt Act*. The Board of Supervisors hereby authorizes and approves the 2003 Project. The Board of Supervisors hereby authorizes and directs the incurring of non-electoral debt in the aggregate par amount of \$1,500,000 by the issuance of the Participant Notes.

The Participant shall reimburse only expenditures incurred no more than sixty (60) days prior to the adoption of the Reimbursement Resolution. This limitation shall not apply to the reimbursement of qualified “preliminary expenditures” as defined in Regulation 1150.2(f), provided that the amount of preliminary expenditures shall not exceed 20% of the par amount of the Participant Notes.

**SECTION 2. APPROVAL OF THE PURCHASE PROPOSAL AND AUTHORIZATION TO EXECUTE AND DELIVER ALL NECESSARY DOCUMENTS**

The Board of Supervisors, after due deliberation and investigation, hereby determines that a private sale by negotiation of the Participant Notes is in the best financial interest of the Participant. The Participant Notes shall be sold at negotiated sale in accordance with the terms of a Purchase Proposal (the “Purchase Proposal”) submitted by the Delaware Valley Regional Finance Authority (the “DVRFA”). The DVRFA’s Purchase Proposal for the Participant Notes at an aggregate price of \$1,500,000 from the proceeds of DVRFA’s Local Government Revenue Bonds, Series of 1998 (the “DVRFA Bonds”) is hereby accepted. The Participant shall be responsible for paying the DVRFA’s costs of issuance in an amount not to exceed \$6,000, as

directed by the DVRFA's Program Administrator upon the issuance of the Participant Notes. The Guaranteed Sewer Revenue Note, Series A of 2003 shall be purchased by the DVRFA on or about April 25, 2003, the Guaranteed Sewer Revenue Note, Series B of 2003 (shall be purchased by the DVRFA on or about January 15, 2004, and the Guaranteed Sewer Revenue Note, Series C of 2003 shall be purchased by the DVRFA on or about January 14, 2005, or at such other times as the Chairman of the Board of Supervisors and the DVRFA's Program Administrator shall determine.

**SECTION 3. APPROVAL OF THE FORMS OF THE PARTICIPANT NOTES, LOAN AGREEMENT, AND CONTINUING DISCLOSURE AGREEMENT**

The substantial forms of the Participant Notes, Loan Agreement, and Continuing Disclosure Agreement (collectively, the "Loan Documents") attached to the Purchase Proposal are hereby approved. The Chairman or Vice Chairman, and the Secretary are hereby authorized and directed to execute and deliver the Loan Documents, in the substantial forms attached to the Purchase Proposal, but with such alterations, deletions and additions as the Chairman or Vice Chairman may approve (such approval to be conclusively established by the execution of the Loan Documents by the Chairman or Vice Chairman). The Chairman or Vice Chairman and the Secretary also are hereby authorized and directed (i) to execute and deliver such other certificates, instruments, and agreements (including those required by any institution issuing any financial guaranty insurance policy, letter of credit or similar instrument securing the Participant Notes) and (ii) to take all actions that may be necessary or beneficial to issue the Participant Notes.

**SECTION 4. AMORTIZATION SCHEDULE AND MAXIMUM ANNUAL DEBT SERVICE PAYMENTS**

The indebtedness of the Participant Notes shall be evidenced by three Notes in the aggregate par amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000). The Participant Notes shall bear interest at the floating rate specified in the Loan Agreement and Participant Notes, the substantial forms of which are attached to the Purchase Proposal. The principal amortization schedule and maximum annual debt service payments as defined in the Participant Notes and Loan Agreement for the Participant Notes (based upon the maximum interest rate of 15%) are shown below:

**Township of East Norriton**  
**Guaranteed Sewer Revenue Notes, Series of 2003**  
**Principal Amortization Schedule and**  
**Maximum Annual Debt Service at 15% Interest Rate**

<i>Period</i> <i>Ending</i>	<i>Principal Repayments</i>				<i>Maximum</i> <i>Interest</i> <i>Rate</i>	<i>Maximum</i> <i>Interest</i> <i>Payment (2)</i>	<i>Maximum</i> <i>Annual</i> <i>Debt Service</i>
	<i>2003 A Note</i>	<i>2003 B Note</i>	<i>2003 C Note</i>	<i>Total (1)</i>			
25-Apr-03							
25-Mar-04	\$ 128,000.00	\$ -	\$ -	\$ 128,000.00	15%	\$ 83,333.33	\$ 211,333.33
25-Mar-05	66,000.00	66,000.00	-	132,000.00	15%	145,591.67	277,591.67
25-Mar-06	46,000.00	46,000.00	45,000.00	137,000.00	15%	186,000.00	323,000.00
25-Mar-07	47,000.00	47,000.00	48,000.00	142,000.00	15%	165,450.00	307,450.00
25-Mar-08	49,000.00	49,000.00	49,000.00	147,000.00	15%	144,150.00	291,150.00
25-Mar-09	51,000.00	51,000.00	50,000.00	152,000.00	15%	122,100.00	274,100.00
25-Mar-10	52,000.00	52,000.00	53,000.00	157,000.00	15%	99,300.00	256,300.00
25-Mar-11	54,000.00	54,000.00	55,000.00	163,000.00	15%	75,750.00	238,750.00
25-Mar-12	7,000.00	81,000.00	80,000.00	168,000.00	15%	51,300.00	219,300.00
25-Mar-13	-	54,000.00	120,000.00	174,000.00	15%	26,100.00	200,100.00
Total	<u>\$ 500,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 1,500,000.00</u>		<u>\$ 1,099,075.00</u>	<u>\$ 2,599,075.00</u>

(1) Principal is amortized to provide approximately level annual debt service at 3.50%. Principal is payable annually on March 25, commencing March 25, 2004.

(2) Interest is payable monthly on the 25th day of the month, commencing May 25, 2003. Calculated for the period beginning on April 25, 2003, for the 2003 A Note, January 15, 2004, for the 2003 B Note, and January 14, 2005, for the 2003 C Note.

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

The Participant hereby pledges the Sewer Revenues for the payment of principal of and interest on the Guaranteed Sewer Revenue Notes, Series of 2003. The Participant covenants to budget, appropriate, and pay promptly, from Sewer Revenues or other available funds, when due, the interest and principal payable on the Participant Notes and any other charges, including Administrative Fees and Expenses (if any) and any deficiencies of reserves, due under the Loan Agreement. As long as the Participant Notes remain outstanding, the Participant hereby covenants to assess rates and charges to generate Sewer Revenues, which together with other available funds, shall be sufficient (i) to pay all costs allocable to the Participant from the operation of the Treatment Plant and Collection System and (ii) to provide 115% coverage of the debt service on the Participant Notes and any other debt that the Participant may issue to fund capital costs of the Treatment Plant, Collection System, or any other facility for the conveyance

or treatment of wastewater. The Participant hereby covenants not to issue any additional debt with a pledge of the Sewer Revenues that would be senior to the pledge for the Participant Notes.

The Participant hereby covenants, in the event of a deficiency of Sewer Revenues, (i) to include all amounts due and payable under the Participant Notes (including interest and principal due on the Participant Notes and any Administrative Fees and Expenses or deficiencies of reserves due under the Loan Agreement) in the budget of the fiscal year in which such amounts are due and payable, (ii) to appropriate such amounts from its taxes and other general revenues, and (iii) to pay, or cause to be paid, punctually and duly, such amounts that are due and payable under the Participant Notes from its sinking fund or any other of its revenues or funds at the dates and places and in the manner stated in the Participant Notes according to the true intent and meaning thereof. For such budgeting, appropriation, and payment, the Participant irrevocably pledges its full faith, credit, and taxing power. As provided by the *Debt Act*, this covenant shall be specifically enforceable.

#### **SECTION 6. SINKING FUND DEPOSITORY**

The Board of Supervisors hereby finds and acknowledges that under the terms of the Loan Agreement for the Participant Notes, Commerce Bank/Pennsylvania, National Association (the “Bank”), or its successors, shall serve and is hereby appointed as the Sinking Fund Depository, shall maintain separate accounts, subaccounts and subfunds for Repayments (as defined in the Loan Agreement) to be made by the Participant until such Participant Notes are paid in full. These accounts, subaccounts and subfunds shall, collectively, constitute the “Sinking Fund” required by the *Debt Act* for the Participant Notes. The Board of Supervisors hereby authorizes, empowers, and directs the Chairman or Vice Chairman and the Secretary to contract with the Bank (to the extent any further contract is deemed necessary) to serve as Sinking Fund Depository for the Participant Notes.

#### **SECTION 7. AUTHORIZATION TO SUBMIT STATEMENTS TO THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**

The Solicitor and the Secretary are hereby authorized and directed to prepare and to submit to the Department of Community and Economic Development (the “DCED”) the debt statement required by the *Debt Act*, any statements or certificates required to qualify the

Participant Notes as self-liquidating debt pursuant to Section 8026 of the *Debt Act*, and any other documents required by the *Debt Act* or DCED.

**SECTION 8. LEGAL ADVERTISEMENTS**

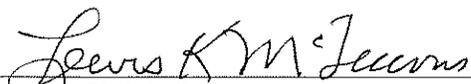
The advertisement of a summary of this Ordinance as finally enacted, as required by the *Debt Act*, in *The Times Herald*, a newspaper of general circulation in the Township of East Norriton, is hereby approved, ratified, and confirmed. The advertisement is hereby directed within fifteen (15) days following the day of final enactment.

**SECTION 9. CONFLICTING ORDINANCES**

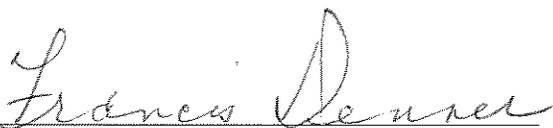
All ordinances or parts of ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

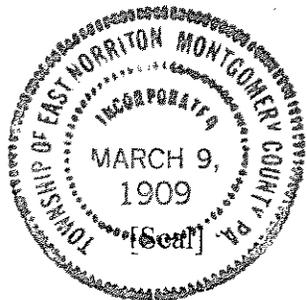
IN WITNESS WHEREOF, we, the undersigned authorized officials of the Township of East Norriton, have hereunto set our signatures and affixed hereto the Seal.

Dated: March 25, 2003

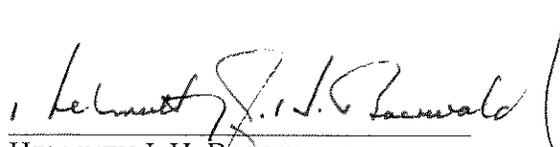
  
LEWIS K. MCQUIRNS  
Chairman of the Board of Supervisors

  
DONALD J. GRACIA  
Supervisor

  
FRANCIS DENNER  
Supervisor



ATTEST:

  
HELMUTH J. H. BAERWALD  
Secretary