



*Robert J Harvie, Chairman
David E. Landau, Esq.
Anand D. Solanki
David A. Nasatir, Esq
Gregory C. McCarthy, Esq.*

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

Minutes of the Agenda Meeting on March 10, 2025

On March 10, 2025, at 1811 Bethlehem Pike, Flourtown Commons, Suite C350, Flourtown, Pennsylvania 19031, the Agenda Meeting of the Board of Directors of the Delaware Valley Regional Finance Authority was conducted as advertised.

Robert J. Harvie called the meeting to order and called the roll. The following members were also present: David E. Landau, Anand Solanki, David A. Nasatir, and Gregory C. McCarthy. Jeffrey T. Calhoun and Lfrom Calhoun Baker Inc., the Administrator, and Carmen P. Belefonte, Esq., the Authority Solicitor, were also in attendance.

The Administrator discussed the Administrator's report and briefed the Board on the agenda for the public meeting.

No action was taken on the Requisitions or Resolutions.

A handwritten signature in blue ink that reads "Anand D. Solanki". The signature is written in a cursive, flowing style.

ANAND D. SOLANKI
Secretary
Delaware Valley Regional Finance Authority



*Robert J Harvie, Chairman
David E. Landau, Esq.
Anand D. Solanki
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Gregory C. McCarthy, Esq.*

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

Agenda Meeting March 10, 2025

Call to Order and Roll Call

Requisitions to be considered

Requisition 25-18: Eckert Seamans, \$3,437.50, review of the annual swap resolution and opinions to swap counterparties

Resolutions to be considered

Resolution 25-15: Approve Loan of up to \$1,000,000 to Chadds Ford Township Sewer Authority, Delaware County, to fund upgrades and repairs to pumping stations

Program Administrator's Report

- a) Loan portfolio
- b) Market conditions
- c) Swap transactions and market values



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**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS ON MARCH 10, 2025**

The Board of Directors of the Delaware Valley Regional Finance Authority, as duly advertised, held a public meeting, on March 10, 2025, at 1811 Bethlehem Pike, Flourtown Commons, Suite C350, Flourtown, Pennsylvania 19031.

Robert J. Harvie called the meeting to order and called the roll. The following members were also present: David E. Landau, Anand Solanki, David A. Nasatir, and Gregory C. McCarthy. Jeffrey T. Calhoun and Lucien B. Calhoun from Calhoun Baker Inc., the Administrator, and Carmen P. Belefonte, Esq., the Authority Solicitor, were also in attendance.

The Pledge of Allegiance was recited by all present.

Upon a motion of Ms. Nasatir, seconded by Mr. Landau, the Board unanimously approved the Minutes of the Meeting of February 10, 2025.

Upon a motion of Mr. Landau, seconded by Mr. McCarthy, the Board unanimously approved the payment of **Requisition 25-18**, as described below.

Requisition 25-18: the Board of Directors of the Delaware Valley Regional Finance Authority hereby authorizes the payment of **\$3,437.50** to **Eckert Seamans** for review of the annual swap resolution and opinions to swap counterparties.

Upon a motion of Mr. Solanki, seconded by Mr. McCarthy, the Board unanimously adopted the resolution below.

Resolution 25-15: RESOLVED, the Board of Directors of the Delaware Valley Regional Finance Authority hereby approves a Loan to the **Chadds Ford Township Sewer Authority**, Delaware County, in an amount not to exceed **\$1,000,000 for upgrades and repairs to pumping stations**; approves the form of the Interest Rate Management Plan; and hereby authorizes and directs the execution and delivery of the Loan documents.

Jeffrey Calhoun presented the monthly Administrator's Report. Mr. Calhoun discussed trends of the municipal finance market, the overall economic outlook, changes in the Loan portfolio, compliance with the Covenant Agreement, and the book of swap transactions.

Upon a motion of Mr. Nasatir, seconded by Mr. McCarthy, the Board unanimously approved adjourning the Public Meeting.

Anand Solanki

ANAND D. SOLANKI
Secretary
Delaware Valley Regional Finance Authority

Delaware Valley Regional Finance Authority
Program Administrator's Report
March 10, 2025

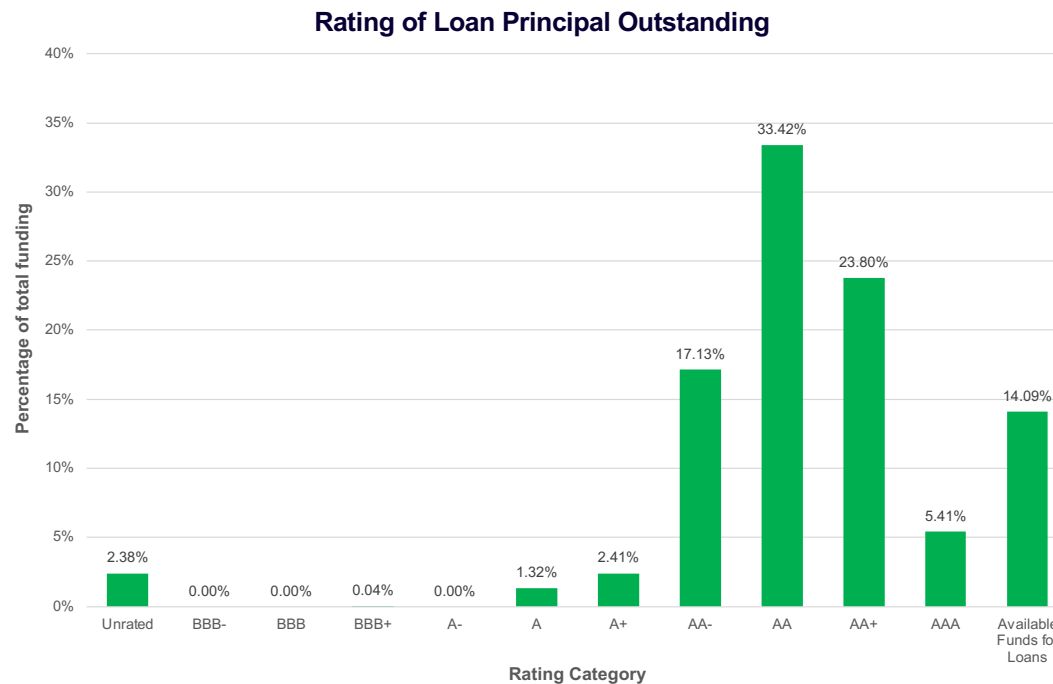


Discussion Points

- Loan portfolio
- Market conditions
- Swap transactions and market values

Loan Portfolio Covenant Agreement Rating Test

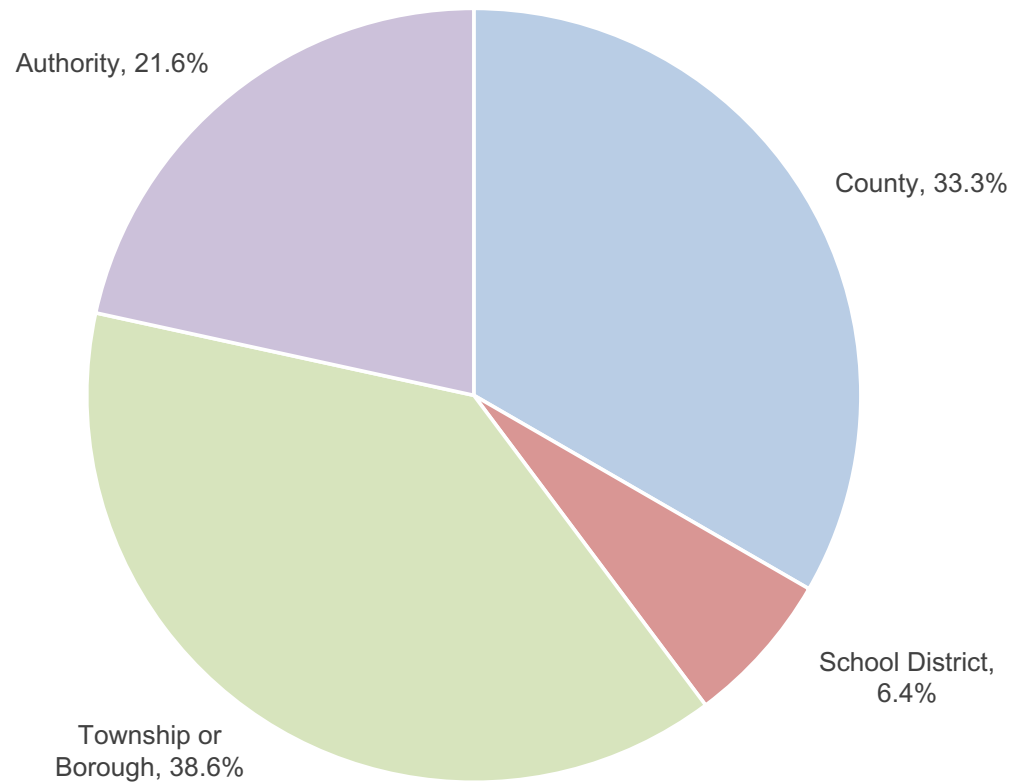
Highly Rated \$1 Billion Loan Portfolio



- The weighted average, enhanced rating of borrowers in the DeVal Loan Program is “AA”.
- The DeVal Indentures and Covenant Agreement require DeVal to monitor and maintain the quality of the Loan Portfolio.

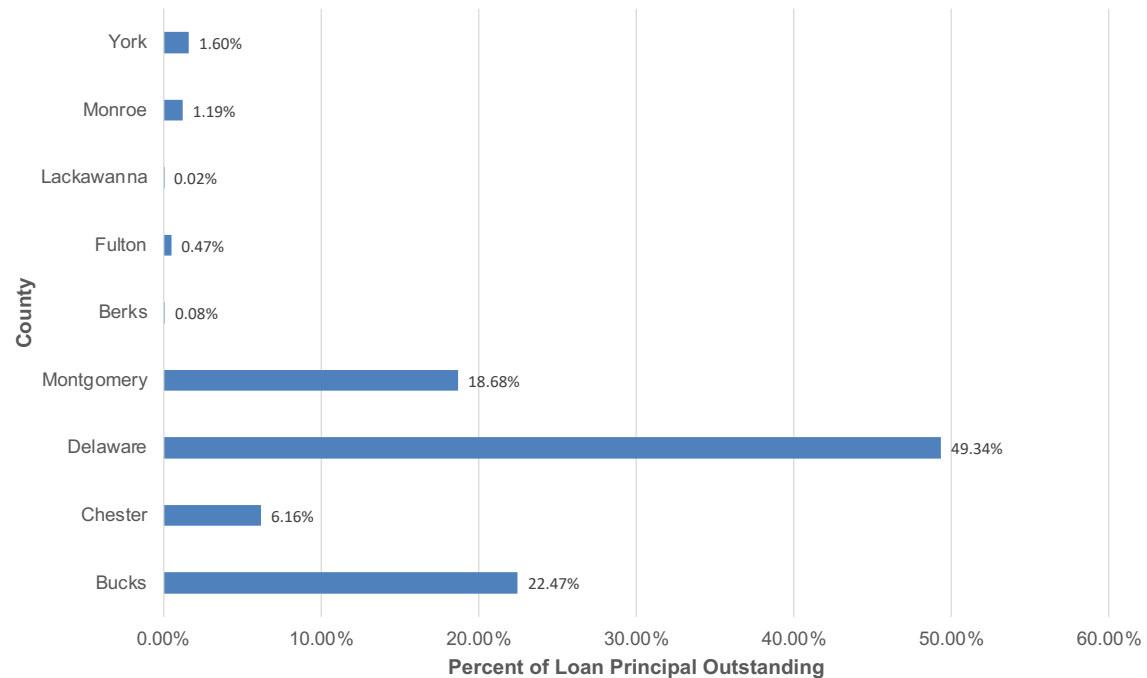
Loan Principal by Type of Local Government

DeVal Is Well Diversified by Borrower Type



Loan Principal by County of Borrower

DelVal Exposure to the Best Areas within the Commonwealth



97% of DelVal's Loan Portfolio is in Bucks, Chester, Delaware, and Montgomery Counties, the wealthiest, most diversified, and most stable region in the Commonwealth.

Loans Originated During the Past 12 Months

DelVal Originated \$59.0 Million in Loans

Loans Originated for the Year Ending February 28, 2025

<u>No.</u>	<u>Loans Closed</u>	<u>County</u>	<u>Guarantor or Underlying Rating</u>				<u>Amount</u>	<u>Closing</u>
			<u>Insurer</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&P</u>		
1	Nether Providence Township	Delaware	--	--	--	--	\$ 600,000	25-Mar-24
2	Upper Southampton Municipal Authority	Bucks	--	AA	--	--	3,000,000	14-Jun-24
3	Delaware County Solid Waste Authority	Delaware	--	--	Aa1	AA+	35,000,000	18-Jun-24
4	Norwood Borough	Delaware	--	--	--	--	1,450,000	20-Jun-24
5	Marcus Hook Borough	Delaware	--	--	--	--	1,000,000	10-Sep-24
6	Aldan Borough	Delaware	BAM	--	--	--	4,000,000	26-Sep-24
7	Hatfield Borough	Montgomery	--	--	--	--	2,900,000	4-Nov-24
8	Upper Dublin Township	Montgomery	--	--	Aa1	--	10,000,000	8-Nov-24
1	Brookhaven Borough	Delaware	--	--	--	--	1,000,000	6-Feb-25
	Total						<u>\$ 58,950,000</u>	

Loan origination has declined over the past year due to:

- Higher project costs due to inflation, supply chain issues, and labor shortages,
- Higher interest rates that increase debt service burdens,
- Fewer refunding opportunities due to higher interest rates, and
- Availability of CARES and ARPA grants that displaced financings.

Applications and Loans in Process

DelVal Has Applications for \$13.3 Million in Loans

Applications and Loans in Process as of February 28, 2025

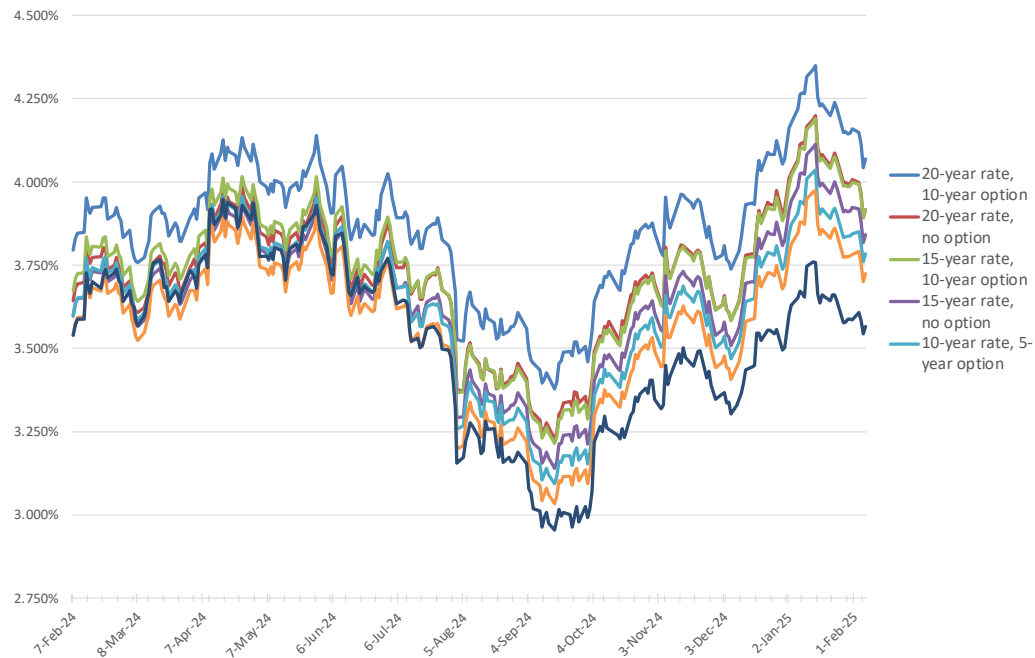
<u>No.</u>	<u>Loans in Process</u>	<u>County</u>	<u>Underlying Rating</u>				<u>Amount*</u>	<u>Scheduled Closing*</u>
			<u>Insurer</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&P</u>		
1	Upper Dublin Township	Montgomery	--	--	Aa1	--	\$ 11,400,000	11-Apr-25
2	Chadds Ford Township Sewer Authority	Delaware	--	--	--	--	300,000	17-Apr-25
3	Morrisville Borough	Bucks	*	--	--	--	<u>1,900,000</u>	*
	Total						<u>\$ 13,600,000</u>	

* To be determined.

Activity is increasing as borrowers adjust to the new regime of higher costs and higher interest rates. The lingering effects of ARPA grants will weigh on the the volume and size of issuances in 2025.

DeVal Loan Rates for the Past Year

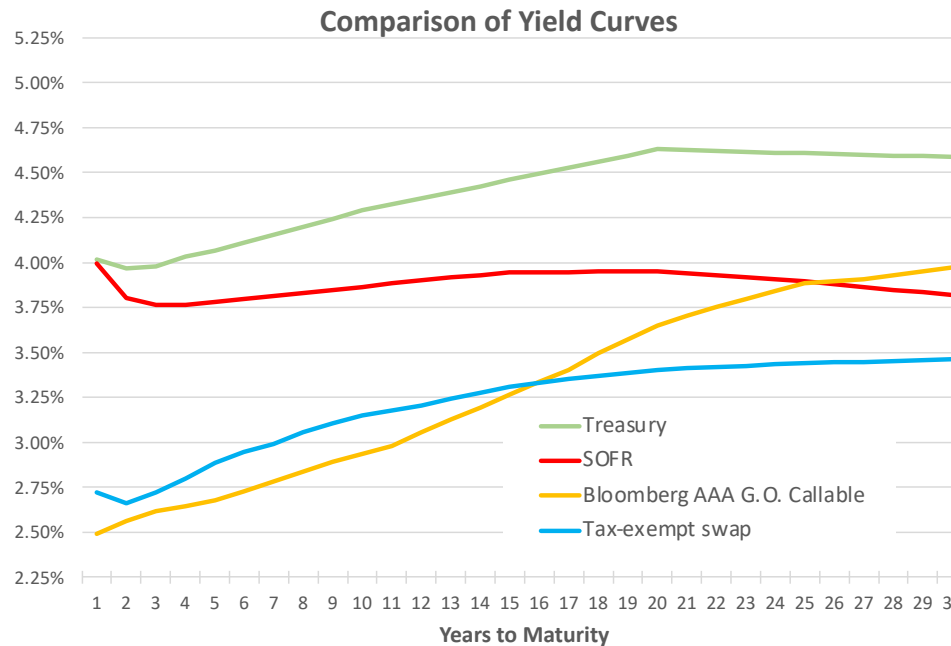
Interest Rates Have Been Volatile



The market is currently anticipating no further rate cuts at the next FOMC meetings due to the Fed Chair's remarks and the continued rising inflation indicators. Economic uncertainty surrounding the duration and extent of tariffs levied by the US has increased the expected number of 0.25% rate decreases from 2.5 to 3. As a result, interest rates have fallen from their 12-month highs. Further volatility should be expected until the market receives more clarification on the status of tariffs.

Comparison of Yield Curves

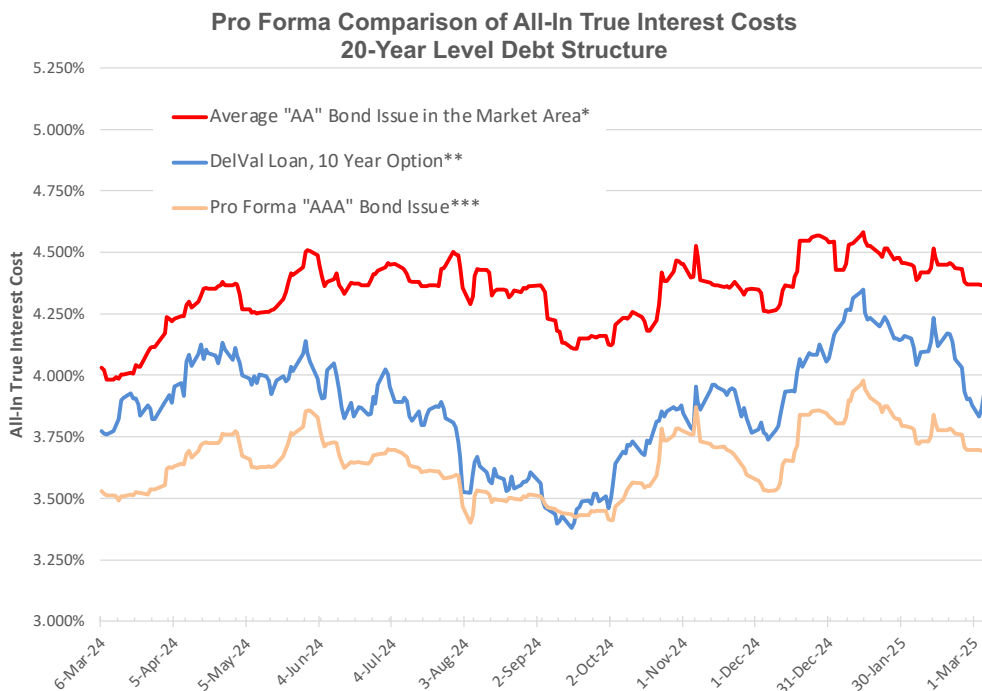
Yield Curves Inversion Ends, But Slightly Steep



The yield curves have uninverted following the December Fed rate cut and have steepened in the 2–20-year range. The Treasury yield curve remains high due to the magnitude of the auctions necessary to finance the Federal deficit and the continued hawkish expectations of the market. The relationship between the “AAA” tax-exempt bond and tax-exempt swap curves has begun to normalize as inflationary dangers take a back seat to expectations of economic uncertainty. Municipal bond purchasers continue to require a higher spread to the AAA yield curve to compensate for the lack of yield curve movement.

Market Update: Cost-effectiveness of DeVal Loans

Bond Issuers Consistently Overpaid When Compared to DeVal Borrowers



*Based on actual weighted average spreads to "AAA" indices and actual issuance costs.

**Based on actual rates and issuance costs. The option is not likely to be economic when the Loan rate is over 2.50%.

*** Based on Bloomberg "AAA" General Obligation indices, 5% coupon, 10-year option, and actual costs of issuance.

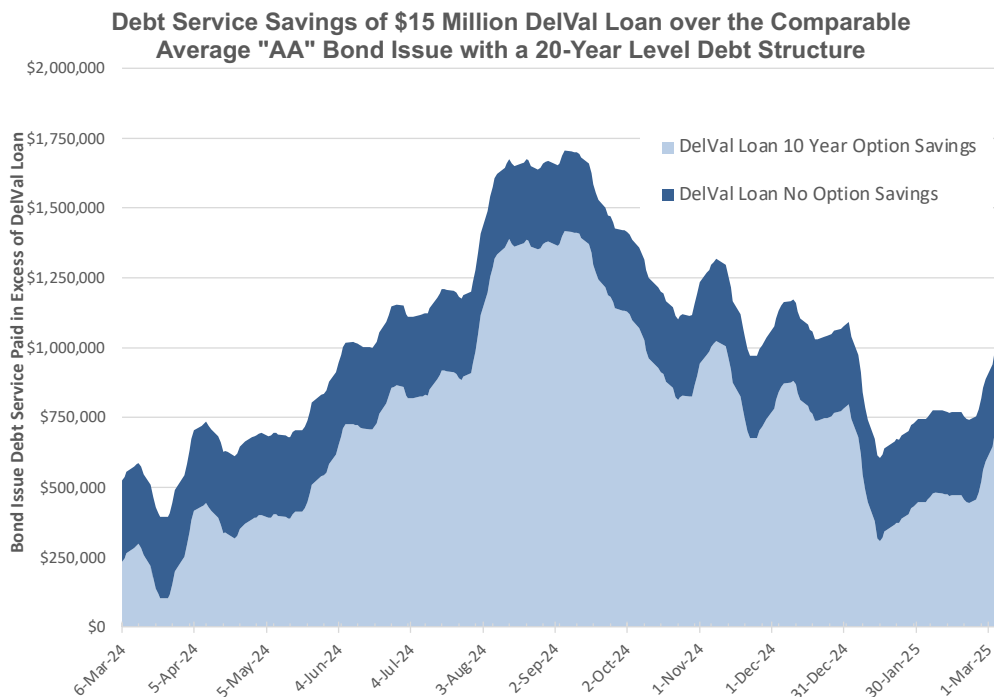
Past results are not a predictor of future spreads and costs.

Note: DeVal tracks every bond issue in its market area. DeVal compares each bond issue to the comparable DeVal Loan on the sale date. The size, liquidity, and transparency of the interest rate derivatives market allows DeVal to quote and provide Loan rates, even when issues and trades in the tax-exempt bond market are not transacted.

- Bond Issuers have consistently paid a higher cost of financing than they would have with a comparable DeVal Loan.
- The average Bond Issuer **paid \$688 thousand more debt service** than a comparable DeVal Loan.
- This comparison ignores the additional costs of issuance that the Bond Issuer would pay to refund the Bond Issue, ranging in the hundreds of thousands, which could have been avoided with a DeVal Loan. DeVal assesses no fees to exercise an option and reset the rate, effectively a refunding with zero fees. This amounts to hundreds of thousands to millions in avoided costs with a DeVal Loan per issuer.

Market Update: Cost-effectiveness of DeVal Loans

Bond Issuers Consistently Paid More Debt Service When Compared to DeVal Borrowers



Based on actual weighted average spreads to "AAA" indices and actual issuance costs.
Based on actual rates and issuance costs. The option is not likely to be economic when the Loan rate is under 2.50%.
Past results are not a predictor of future spreads and costs.

- A pro forma "AA" G.O. bond issue, based on the average of actual sales, with net proceeds of \$14.9 million, calculated daily over the last year, would have **cost the issuer \$751 thousand more in debt service than a DeVal Loan with a 10-year option.**
- The **pro forma G.O. bond issuer would have paid \$1.04 million more in debt service** when compared to a DeVal Loan with no option (a proxy for an optimized DeVal Loan).
- This comparison ignores the additional refunding costs of issuance avoided with a DeVal Loan, **amounting to an additional \$200-300 thousand in avoided costs.**

Note: DeVal tracks every bond issue in its market area. DeVal compares each bond issue to the comparable DeVal Loan on the sale date. The size, liquidity, and transparency of the interest rate derivatives market allows DeVal to quote and provide Loan rates, even when issues and trades in the tax-exempt bond market are not transacted.

Bond Issues in DeVal's Market Area

The Average Bond Issuer Lost \$688 Thousand with a Bond Issue When Compared to a DeVal Loan

<u>Bond issues in the Market Area*</u>	Bond Issues in DeVal's Market Area*				<u>Annual Total</u>
	<i>Bonds in the "AA" Rating Category</i>				
	<i>Sold in the Quarter Ended</i>				
	<u>31-May-24</u>	<u>31-Aug-24</u>	<u>30-Nov-24</u>	<u>28-Feb-25</u>	
Number of issues	30	27	35	25	117
Average par amount	\$ 16,776,000	\$ 18,444,444	\$ 15,745,857	\$ 26,348,400	\$ 18,898,248
Weighted average rating	AA	AA	AA	AA	AA
Weighted average maturity (years)	13.46	15.06	12.77	15.42	14.23
Weighted costs of issuance (% of par amount)					
Bond issues in Market Area	1.488%	1.506%	1.575%	1.539%	1.529%
Less Comparable DeVal Loans**	<u>0.613%</u>	<u>0.591%</u>	<u>0.582%</u>	<u>0.569%</u>	<u>0.587%</u>
Savings from comparable DeVal Loan	0.875%	0.915%	0.993%	0.969%	0.941%
Weighted average All-In True Interest Cost					
Bond issues in Market Area	4.131%	4.375%	4.209%	4.442%	4.307%
Less Comparable DeVal Loans**	<u>4.154%</u>	<u>3.994%</u>	<u>3.964%</u>	<u>4.337%</u>	<u>4.137%</u>
Savings from comparable DeVal Loan	-0.023%	0.381%	0.245%	0.105%	0.170%
Average debt service costs					
Bond issues in Market Area	\$ 27,305,512	\$ 31,780,438	\$ 24,723,983	\$ 45,365,398	\$ 31,424,885
Less Comparable DeVal Loans**	<u>27,240,237</u>	<u>30,544,772</u>	<u>24,020,161</u>	<u>44,543,058</u>	<u>30,736,736</u>
Savings from comparable DeVal Loan	<u>\$ 65,274</u>	<u>\$ 1,235,666</u>	<u>\$ 703,822</u>	<u>\$ 822,339</u>	<u>\$ 688,149</u>

* Preliminary, some official statements may not have been posted yet or may have been missed inadvertently.

**DeVal Loan rates are based on actual end of day rates and include a comparable option and rating agency or insurance fees.

Past results are not a predictor of future spreads and costs.

Bond Issues in DeVal's Market Area

All Bond Issuers Combined YTD Would Have Avoided Over \$183 Million of Debt Service with a DeVal Loan

<i>Month</i>	<i>Number of Bond Issues</i>	<i>Total Issuance</i>	<i>Total Cost of Bond Issue Over Comparable DeVal Loan</i>	<i>Total Cost of Bond Issue Over Comparable DeVal Loan and Avoided Costs</i>	<i>Total Cost of Bond Issue Over Optimized DeVal Loan</i>	<i>Total Cost of Bond Issue Over Optimized DeVal Loan and Avoided Costs</i>
February	12	\$ 396,725,000	\$ 16,489,870	\$ 21,430,935	\$ 32,465,471	\$ 37,406,536
January	10	220,475,000	1,836,055	5,274,647	9,813,018	13,251,610
December	6	94,850,000	1,489,623	2,307,062	2,855,269	3,672,707
November	11	117,095,000	4,533,889	6,221,640	7,461,039	9,148,789
October	19	269,750,000	13,358,638	17,292,360	23,429,272	27,362,995
September	15	285,395,000	6,378,184	7,809,999	10,244,729	11,676,543
August	8	199,585,000	13,395,281	15,137,162	18,370,201	20,112,083
July	6	85,970,000	3,147,032	4,328,579	4,955,259	6,136,806
June	13	212,445,000	16,820,663	18,354,419	29,711,159	31,244,915
May	12	222,480,000	4,792,915	7,229,094	10,823,784	13,259,963
April	10	158,365,000	157,530	1,988,998	3,694,751	5,526,219
March	13	208,495,000	(1,871,683)	281,907	1,894,203	4,047,792
Total	135	\$ 2,471,630,000	\$ 80,527,997	\$ 107,656,802	\$ 155,718,155	\$ 182,846,959

- The four comparisons of DeVal Loans to bond issues illustrate the different ways DeVal Loans save borrowers money.
- The consistent use of Original Issue Premium (OIP) in bond issuances, caused by selling bonds with higher coupons than yields, all but guarantees that refunding will occur in the future.
- A bond refunding incurs additional costs of issuance on a borrower, while a DeVal Loan rate reset does not (shown under the "... Avoided Costs" columns).

Example Market Area Bond Issue Comparison

Issuer Lost \$1.2 Million with Bond Issue When Compared to DeVal Loan

Hatboro-Horsham School District General Obligation Bonds, 2025 Series Comparison with DeVal Loan Rates on the Sale Date February 27, 2025		
	<i>Actual</i>	<i>DeVal Loan*</i>
Sources of Funds		
Par Amount of Bonds	\$ 19,245,000.00	\$ 20,604,000.00
Original Issue Premium (Discount)	<u>1,554,705.80</u>	<u>-</u>
Total sources	<u>\$ 20,799,705.80</u>	<u>\$ 20,604,000.00</u>
Uses of Funds		
Project Costs	\$ 20,500,000.00	\$ 20,500,000.00
Underwriting Fees	129,903.75	103,020.00
Other Issuance Costs	<u>169,802.05</u>	<u>980.00</u>
Total uses	<u>\$ 20,799,705.80</u>	<u>\$ 20,604,000.00</u>
Total debt service	\$ 36,299,550.00	\$ 35,103,993.06
DeVal debt service savings (costs)		\$ 1,195,556.94
All-In True Interest Cost (All-In TIC)	4.442%	4.172%
DeVal All-In TIC savings (costs)		0.270%
Weighted Average Maturity (years)	17.724	17.194
Costs of Issuance		
Underwriters' Fees	0.625%	
Other Costs	<u>0.816%</u>	
Total	1.441%	
Type of Sale:	Negotiated	
Underwriter:	Raymond James, RBC	
Bond counsel:	Eckert	
Advisor:	PFM	
S&P Rating:	***	
Moody's Rating:	Aaa	

* Loan rate includes same option as the Actual.

- Hatboro-Horsham School District **paid \$1.20 million more debt service on its bonds** than a comparable DeVal Loan.
- The School District **paid \$2.07 million more debt service on its bonds** than an optimally structured DeVal Loan
- The School District will incur **additional costs of issuance of \$249 thousand if rates stay the same or drop in the future and the bonds are refunded** (assuming the refunding on the call date at the same costs of issuance percentage). DeVal assesses no fees to exercise an option and reset the rate on a DeVal Loan, effectively a refunding with zero fees.
- Factoring in the assumption of one bond refunding, **the School District will pay \$1.44 million more debt service** than a comparable DeVal Loan or **\$2.32 million more debt service** than an optimized DeVal Loan
- The School District would have avoided the cost, time, effort, and risk to secure a rating, to coordinate a bond sale, to create an Official Statement, and to refund the bond issue in the future by using a DeVal Loan.

Market Value of Interest Rate Swaps

DelVal is \$89.5 Million in the Money

Delaware Valley Regional Finance Authority Market Value of Interest Rate Swaps

	<u>Rating</u>		<u>Notional Amount</u>	<u>Market Value 28-Feb-25</u>
	<u>Moody's</u>	<u>S&P</u>		
<i>Bond Swaps</i>				
1997 Series	A1	***	\$ 11,660,000	\$ 692,170
1998 Series	A1	***	179,885,000	14,421,936
2002 Series	A1	A+	125,000,000	13,710,775
Master Series	A1	A+	<u>585,150,000</u>	<u>(4,354,662)</u>
Total Bond Swaps			<u>901,695,000</u>	<u>24,470,219</u>
<i>Loan swaps</i>				
1997 Series	A1	***	5,210,000	21,353
1998 Series	A1	***	100,401,000	1,847,080
2002 Series	A1	A+	106,321,000	3,200,587
Master Series	A1	A+	<u>719,344,600</u>	<u>60,341,034</u>
Total Loan Swaps			<u>931,276,600</u>	<u>65,410,054</u>
<i>Investment swaps</i>			<u>21,700,000</u>	<u>(382,755)</u>
TOTAL			<u>\$ 1,854,671,600</u>	<u>\$ 89,497,518</u>
<i>Counterparty</i>				
Bank of America	Aa1	A+	\$ 952,155,200	\$ 66,206,190
Barclays Bank PLC	A1	A+	18,890,000	904,131
Citibank	Aa3	A+	110,050,000	1,283,926
PNC Bank	A1	A	374,130,000	14,197,351
Royal Bank of Canada	Aa1	AA-	399,165,400	6,903,241
Toronto-Dominion Bank	Aa2	A+	<u>281,000</u>	<u>2,679</u>
TOTAL			<u>\$ 1,854,671,600</u>	<u>\$ 89,497,518</u>