

CITY OF TWINSBURG, OHIO

Finance Committee Meeting

Tuesday, September 22, 2020

5:30 pm

Meeting Called to Order: Mr. Barr called meeting to order at 5:30 PM

1. Present: Mr. Bellan, Mr. Barr, Mr. Furey, Mayor Yates, Mr. Scaffide, Mrs. Walker, Mrs. Stauffer, Ms. McFearin, Mrs. Buccigross, Mr. Maistros, Angelo Carcioppolo, Members of Capital Improvement Board

2. Audience Participation: None

3. CIB Presentation of Approved Capital & Infrastructure requests:

The Capital Improvement Board started with all of the requests from department heads to consider for next year's budget. They prioritized requests to be considered by the finance committee for next year's budget.

Angelo Carcioppolo stated that the committee met four times. The original requests totaled \$5,940,840. Each Department Head presented their requests and \$2.66 million in requests were cut from those original requests. The goal to cut was \$1.7 million dollars.

Mr. Scaffide and other finance committee members stated their appreciation for the work the CIB members completed. Discussing the process, questions were asked about any item that was difficult to cut or difficulty in prioritizing the requests. Mr. Carcioppolo stated that through detailed discussions, decisions were made and projects were prioritized.

Sarah Buccigross presented the packet distributed containing CIB budget recommendations.

Committed lease payments: There were a couple of reductions, these were place holders numbers from the year before. This is reduced to the real lease payment for next year. If agreeable, Sarah will have an appropriation amendment to change the Life Pak Monitor payment for this year. Fire would like to change the five year lease to a three year lease in order to take advantage of a zero percent interest offer. We would like to move forward and will need an additional \$10,000 for this year to increase that payment. This will decrease payment years by two years with no interest.

Service: Some 2020 budget items were delayed due to Covid-19 budget reductions. Community center roof was temporarily repaired but will there will be structural improvements

to be done next year. The budget number is a place holder as this project will go to bid in the future.

Waste Water: There are no reductions. Sewer fund is taking care of itself and is growing reserves. Five year Capital Plan expects some large upgrades and projects coming at the plant.

Engineering: Copier and Plotter requests were both approved by CIB for next year.

Infrastructure Program:

Road Striping program is both the striping and thermoplastic and it is City wide.

Catch Basin repair is for about 12 basin repairs, which are a priority.

East Idlewood project was in this year's budget, but was delayed due to the pandemic. This was requested to be brought back for next year.

Dooridge Project is 50% funded by OPWC loan, which can be continued until next fall. This OPWC loan is interest free.

Land and Development: The Tree and Sidewalk Programs were approved by CIB. There may also be a need for approximately \$120,000 in repairs or replacement for the East Idlewood Bridge. This budget will need to be prioritized by Finance Committee as to which project will be funded. This can be voted on at November meeting after additional information is provided from Amy Mohr.

Cannon Road is a project that can be rolled into a larger project on Cannon Road. This can be put in the five year plan for that road.

Emergency Repairs are put in budget each year.

Parks & Rec/Senior Center: Derek Schroeder pulled all requests. All projects are delayed. The committed lease for Fitness Center equipment budget remains.

Police: Law Enforcement Drone request and Simunition defensive tactics training request remain as a priority budget request.

Citywide Wireless Camera Network starts with an information hub and 24 cameras beginning with four major intersections, i.e. 480 interchange and roundabouts. This is real time monitoring for Police Dispatch. It is a base package that can be added to over time.

Fitness Center: All requests items have been removed, per Derek Schroeder. Coming in the five year capital plan there will be a need for the pool pack and the roof. The year 2023 is the last possible year to make that decision to keep the indoor pool open.

Fire: Utility Vehicle request is to be used for fire investigation. It is replacing two currently unused vehicles and will provide investigation equipment storage.

Access Control and Surveillance is for entrance to buildings.

Cold Storage (ship container) unit remains as a request for equipment storage and can also be used for training purposes.

Station Alerting System is an upgrade to current system.

Furniture request is to replace beds, office furniture and recliners at the fire stations.

Golf Maintenance: A request for new pavilion furniture will be delayed and will be discussed with new restaurant operators.

Reel Grinder and Golf Cart with bed did get approved for this year's budget.

Sprayer- CIB requested Mr. Roberts to look for a used 300 gallon sprayer instead of purchasing a new one. CIB is asking to approve ½ the original budget request for a used sprayer.

IT: Server Redundancy request is to be used for the Police Department to decrease the downtime if the current server fails.

4. Clubhouse Bond – Matt Stu

Earlier this year the City issued a \$7.138 million note, the note comes due on February 25, 2021. At the request of the City, the note also has a prepayment option beginning November, 26, 2020. We would like to ask council to convert the note to bonds this fall. This has been the strategy from the beginning. The legislation before Council is to convert the note or BAN (Bond Anticipation Note) to bonds. The note is being split as we contemplate converting to bonds. One being a Taxable Bond Issue of \$3,570,000 and the other being a Tax Exempt Bond Issue in the amount of \$3,570,000. The intent is to issue both series of bonds for the duration of 25 years.

The tax exempt bond is straight forward. There were no committee questions at this time.

As this relates to the Taxable Bond Issue, there is currently an agreement with a private enterprise who is operating within the facility. Federal Tax Law takes over as it relates to what can operate when you contemplate financing that is part of a public facility that may have an enterprise within the public facility that is for profit.

Federal tax law provides for some small allowances. An example: If we have a rec center built with a tax exempt bond and a small corner of the rec center has a small childcare center enterprise, less than 10%, this is allowable. If this is beyond the 10%, then federal law takes over. Federal Law says no for profit entity can benefit from tax exempt financing. If over 10% usage then financing must be taxable. Taxable bond issues give the city more latitude. Having flexibility to use this facility is more liberal as to the use of the Clubhouse.

To determine the 50/50 usage split, Bond Counsel and City Administration did a review of the building plans and made an allocation of the square footage usage and evidenced shared areas of the building that have both taxable use and tax exempt use. Mr. Maistros worked with the City Engineer and determined the square footage breakdown and what the operators are using, what the city is using and the common areas.

Early rate projections based on where the levels are today, the tax exempt for 25 year option would come in around 3%, this is all in costs, yields to investors, bond council, municipal advisor, rating costs, underwriters, etc. the rate would be about 2%. Taxable bond rates are historically low as well. This process will take 60-90 days. The note is eligible to be paid in November which aligns well with our schedule. Council will decide on how to proceed. The marketplace is relatively stable and safe for the remainder of the year. Interest rates are relatively stable. Council will review and consider passage of the legislation and an official statement will be completed. An official statement is a perspective document that goes to municipal bond investors. Then a conversation will take place with the rating agency, and we then receive a rating and review. As of April 2020 our rating is AA2 with a negative outlook. The legal obligation is to review the rating yearly and contact the City for accuracy. The City's rating shows well. As we move higher and improve on the bell curve in terms of the variables, the rating agency will look at peer groups for comparison. Our rating could move according to the rest of the country, to make sure it is consistent with other data points across the country. The negative outlook relative to our peers' means we have a weaker profile and might within the next two years have a potential for a down grade in the rating. This all depends on the changes throughout the country.

Questions: Will our rating be reviewed when we issue the bond?

Anytime the city issues long term debt, the City will apply for a rating. The Rating Agency works for the investors and will complete a credit assessment and review of the City, measuring the credit worthiness, including Regional Income Tax Agency (RITA) information, monies provided from CARES Act, etc. A full assessment will be completed and the agency will assign a rating.

On the November ballot, residents requested a ballot initiative to limit the number of mills that City Council has available from 7 mills to 2 mills. Mr. Stu stated that any reduction in financial flexibility weakens the City's financial profile. This is an event that would weaken the City's

financial profile. However, the rating agency measures multiple factors, the biggest factor is finance. This would absolutely weaken the City's financial profile. This millage provides the City with a financial tool with benefits to be utilized instantly. Mr. Bellan asks if just the fact that the issue is on the ballot will be a negative. Mr. Stu confirms this.

Mayor Yates asked if it would be better to use the .6 millage we are required to use for police and fire pensions and keep the remaining 1.4 mills unused should the ballot issue be successful? Mr. Stu stated that a rating analyst would look at the flexibility to go to an unused source as a positive, even though it has been reduced. Referencing the Performance Audit of June 2020 that suggested expenses could be cut, which the City has done, and the audit also mentioned revenue raising that might be appropriate. It is good guidance to keep the remaining millage as a reserve should the City need it. Income taxes are disrupted more than they were 10-12 years ago. There is also potential litigation in Columbus that could structurally change how income tax is collected and distributed. It makes sense to preserve millage until we get through some of these variables and unknowns.

No additional questions were presented by Finance Committee for Mr. Stu at this time.

5. Income Tax Collections Update: Ms. Buccigross referenced packets distributed to attendees. She stated September tax collections are down \$1.57 million from last year. She is not sure if we will see another uptick, we are past the extended deadline. This gives us a better idea of where we will be next year, 2021. To offset the reduced income taxes, we did our capital delays, our personnel reductions, and revenue and operating budget reductions for 2020.

6. COVID-19 Relief Funds – Local Coronavirus Relief Fund 283:

Covid-19 Summit County: This is safety services payroll relief money, (Police 15% and Fire and Dispatch 25%) has been used.

Covid-19 State of Ohio: \$400,000 has been received. Ms. Buccigross discussed Covid-19 related upgrades. Bathroom upgrades, ten temperature check kiosks installed at various City buildings, will also continue to purchase hand sanitizers, cleaning supplies and masks, etc. Further discussion and questions took place regarding various possible projects, community options and how projects must be Covid-19 related. If the committee wants to move forward with a grant program there is approximately \$170,000 left for possible small business grant use or it can be used for continued offset of fire, police, dispatch payroll, but not limited to this option. A unanimous consensus from Committee members is to use the remaining funds for safety services payroll relief and use the 3rd round (possibly \$600,000) of Covid-19 monies for grant programs, continued payroll relief, and/or additional projects.

7. Revenue & Operating Budget Reductions for 2020: This will be discussed at Caucus.

8. 2021 Temporary Budget Progress: We will postpone meeting with Department Heads and move forward with a trimmed down 2021 temporary budget. In the first quarter of 2021 we can have Department Heads present.

9. Comments/Questions: None

10. Miscellaneous: No miscellaneous items presented.

11: Next meeting date: October 27, 2020 at 6:00pm

12 Adjournment: Mr. Barr adjourned meeting at 7:02pm.