

Cuyahoga Falls City Council
Minutes of the Finance and Appropriations Committee Meeting

October 3, 2016

Members: Carol Klinger, Chair
Russ Iona
Mike Brillhart

Mrs. Klinger called the meeting to order at 6:31 p.m. All members were present.

The minutes from the July 18, 2016 Finance Committee meeting were approved as written.

Legislation Discussed

Temp. Ord. A-76

Temp. Ord. A-77

Temp. Ord. A-78

Discussion:

Temp. Ord. A-76

An ordinance providing for the issuance and sale of Notes in the maximum principal amount of \$2,150,000, in anticipation of the issuance of Bonds, for the purpose of paying a portion of the costs of constructing a community recreation center and acquiring real estate and interests in real estate therefor, and declaring an emergency.

Mr. Brian Hoffman, Finance Director, stated that this is a routine piece of legislation regarding the notes that are outstanding for the construction and acquiring of real estate for the Natatorium. There is no new money. This is actually a pay-down of the existing notes. They anticipate issuing \$1,650,000 of notes. The amount of \$2,150,000 is the maximum amount.

Mr. Iona stated that he noticed it mentioned there is an outside accounting firm and an outside law firm. He asked Mr. Russ Balthis, Law Director, if it is normal practice to have outside entities involved. Mr. Balthis stated that any time governmental entities issue bonds, they always retain what is called a Bond Counsel. The reason that matters is they have to issue a bond opinion that says that the interest on the bonds is tax exempt as income to the investors. Investors demand that those letters come from accredited law firms. They are in what is called the Red Book. They have to make sure that that is someone they trust and that has expertise in doing that, so if they are audited by the IRS for not paying income on the interest they receive from the bonds, there is proof that they are tax exempt. What those firms do is help, from beginning to end, with drafting the legislation and making sure that the right policies are in place to make sure they don't run afoul of any IRS rules and to make sure that money stays tax exempt. That is the Squire's portion. Umbaugh, the accounting firm, is actually a newer thing. That is what is called a Municipal Advisor. In the past, underwriters would perform a lot of that function. What an underwriter is the person in a direct sale who actually purchases the bonds and then resells them to the investors. They make their money in the middle of that transaction. The rules started changing in 2013, 2014. They changed the rules to where underwriters are limited now in what they can do and they

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have to register as a Municipal Advisor. They existed in the past, but they're more common now as Municipal Advisors. Instead of being the middleman who has a fiduciary duty to the investors, the Municipal Advisor has a fiduciary duty to the community that is selling the bonds and actually works for the municipality. What happened in the marketplace is the price of the underwriter went down, because they had to start paying this Municipal Advisor. The total cost stayed the same, but the ethics rules shifted the burden of work for ethics purposes, because the underwriter does not have a fiduciary duty to the community. Mr. Balthis stated that, as far as he knows, Cuyahoga Falls has never had issues, but some communities felt that maybe some were being taken advantage of and it was important to change those type of rules. They are both very common. Bond Counsel has always been around and then the Municipal Advisor is very common, although 10 years ago, not nearly as common. It is not a new expense. It is an expense that has come off the fees that have been paid to underwriters. Mr. Iona stated that he assumes those costs have been budgeted; just with different terminology. Mr. Balthis stated that they are paid for out of the costs of the issuance of the money.

Mrs. Klinger stated that they were planning on staying in notes until these are paid off. They are not anticipating going to bonds. It is just the way the legislation has to be written. Mr. Brillhart asked Mr. Hoffman what interest rates the City has now and what the proposed interest rate will be. Mr. Hoffman stated that they do not have an exact number on the rate. He believes the rate on the actual notes is one percent. The yield is about a half a percent on these notes. He stated he would provide Council with the exact numbers.

Mr. Iona moved to bring out Temp. Ord. A-76 with a favorable recommendation, second by Brillhart. Motion passed (3-0).

Temp. Ord. A-77

An ordinance providing for the issuance and sale of Notes in the maximum principal amount of \$1,800,000, in anticipation of the issuance of Bonds, for the purpose of paying the costs of constructing waterlines in Graham Road, together with all appurtenances thereto, and declaring an emergency.

Mr. Hoffman stated that this ordinance is very similar to the previous one. They are notes that the City is rolling over back into notes for another one-year term.

Mr. Brillhart moved to bring out Temp. Ord. A-77 with a favorable recommendation, second by Iona. Motion passed (3-0).

Temp. Ord. A-78

An ordinance authorizing the Director of Finance to create a Boston Township-City of Cuyahoga Falls Joint Economic Development District (JEDD) Fund, and declaring an emergency.

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Mr. Hoffman stated that the City of Cuyahoga Falls has an established JEDD. It is through the State Road corridor north of the city into Boston Township. It includes businesses along State Road. That JEDD has been around for a number of years. Historically, the income taxes have run through Cuyahoga Falls' income tax fund. Best practices would be to create a separate fund and deposit the income taxes into that fund; then split the income taxes between Boston Township and the City of Cuyahoga Falls. This ordinance would create the fund to do just that.

Mr. Iona moved to bring out Temp. Ord. A-78 with a favorable recommendation, second by Brillhart. Motion passed (3-0).

The meeting adjourned at 6:42 p.m.