200 South Hamilton Road
Gahanna, Ohio 43230

City of Gahanna

Meeting Minutes

Finance Committee

Michael Schnetzer, Chair
Merisa K. Bowers
Jamille Jones
Nancy R. McGregor
Kaylee Padova
Stephen A. Renner
Trenton I. Weaver

Jeremy A. VanMeter, Clerk of Council

Monday, January 22, 2024 **City Hall, Council Chambers**

Immediately following the regular Committee of the Whole meeting on January 22, 2024

A. CALL TO ORDER:

Councilmember Michael Schnetzer, Chair, called the meeting to order at 7:15 p.m. The agenda was published on January 19, 2024. All members were present for the meeting. There were no additions or corrections to the agenda.

B. ITEMS FROM THE DEPARTMENT OF FINANCE:

ORD-0005-2024 AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF BONDS IN THE MAXIMUM PRINCIPAL AMOUNT OF $68,000,000, IN ONE OR MORE SERIES, FOR THE PURPOSE OF PAYING THE COSTS OF ACQUIRING, CONSTRUCTING, RENOVATING AND IMPROVING MUNICIPAL FACILITIES, INCLUDING CONSTRUCTING, RENOVATING AND IMPROVING ADDITIONAL PUBLIC SAFETY FACILITIES FOR POLICE DEPARTMENT OPERATIONS, FURNISHING AND EQUIPPING THE SAME, IMPROVING THE SITES THEREOF, ACQUIRING LAND AND INTERESTS IN LAND IN CONNECTION THEREWITH, WATER, SANITARY SEWER AND STORM WATER IMPROVEMENTS, AND OTHER IMPROVEMENTS, RELOCATION, OR ADDITIONS TO UTILITY INFRASTRUCTURE, TOGETHER WITH ALL NECESSARY AND RELATED APPURTENANCES THERETO; AND DECLARING AN EMERGENCY

Mayor Jadwin commenced the discussion by providing context on the journey leading up to the current point, mentioning the workshops held two years ago at the Senior Center to address critical facility needs. The discovery of 825 Tech Center Drive during those discussions led to its purchase in October 2022, with unanimous council approval. Mayor Jadwin highlighted the confluence of circumstances that brought the project to fruition, emphasizing the goal of solving three facility needs in one. The design process, led by MSA Design and Elford as construction management partners, began earnestly in

January 2023. Two weeks before the current discussion, the administration presented the overall design of 825 Tech Center Drive to the council. The request for permission to bid on the construction and renovation was made at that time. Mayor Jadwin then introduced the evening's presenters, starting with Director Vollmer, who would discuss the legislation. Brian Cooper of Baker Tilly, the City's Municipal adviser, was also present to explain the basics of a general obligation bond. Director Schultz, the project manager for 825, would present the overall project budget, followed by Director Bury, who would discuss the bond strategy and financial impacts on the city's finances and budget. Director Vollmer would then conclude the presentation with a discussion of next steps and dependencies. Mayor Jadwin mentioned the presence of the project team from MSA and Elford to answer any questions during the discussion. With that, she turned over the floor to Director Vollmer to begin the presentation.

Senior Director of Administrative Services Miranda Vollmer expressed gratitude on behalf of the project team and introduced an ordinance requesting authorization for the issuance and sale of General Obligation bonds. The purpose is to fund the construction, renovation, and improvement of the land, building, and associated utility infrastructure at 825 Tech Center Drive, with a maximum principal amount of $68 million and a maximum maturity of 30 years. She mentioned that the actual issuance might be less but would not exceed these amounts. The $68 million includes the refinancing of the 2023 note for the original purchase of the building, amounting to $8.5 million. Senior Director Vollmer highlighted that Finance Director Bury and Mr. Cooper from Baker Tilly would provide detailed information on the financing later in the presentation. The accompanying legislation, drafted by Ms. Allison Binkley from Squire, was approved by the City Attorney's office. Senior Director Vollmer requested that the ordinance be passed on an emergency basis to refinance the short-term note and align bond issuances with construction schedules. Additionally, Senior Director Vollmer presented a request for supplemental appropriations from the unreserved fund balance of the general fund and the capital improvement fund. She identified available unreserved fund balances in both funds to provide some cash financing. To ensure a maximum maturity of 30 years for the bonds, $3 million from the available Capital Improvement unreserved fund balance would be used for furniture, fixtures, and equipment. Another $7 million from the general fund unreserved balances was requested for allowances and contingencies, providing flexibility for potential cost decreases during the project's stages. Senior Director Vollmer concluded by summarizing the administration's request for supplemental appropriations, emphasizing the need for efficient cash flow management. She then introduced Mr. Cooper from Baker Tilly, who would briefly discuss General Obligation bonds. Afterward, Senior Director Schultz would review the project budget, pausing for questions related to the budget before addressing bonding and financing questions at the end of that portion of the agenda.

Brian Cooper, Principal at Baker Tilly Municipal Advisors LLC, expressed his gratitude and introduced himself as a municipal adviser who has been working with the city for many years. He was pleased to be a part of the exciting project. The administration had requested him to provide an overview of general obligation bonds. In simple terms, Cooper explained that a general obligation bond involves a full faith and credit pledge of the city. When these bonds are issued, the repayment is secured by all legally available assets and funds of the city. This type of obligation is the most common for a city like Gahanna, providing a secure credit perspective, the possibility of a high credit rating, and lower borrowing costs. While there are other options, the general obligation bond is considered the best approach for the city in terms of market acceptance. Cooper clarified that the ordinance being discussed also pledges and makes available, on a discretionary basis, specific city revenues, including water system revenues, sanitary system revenues, stormwater, tax increment, and, most importantly, the city's income tax. The city's strong income tax, a significant portion of which is allocated to capital and debt repayment, plays a crucial role. If the city makes income taxes or other revenues available, the millage levy associated with the general obligation will not be imposed on the residents and property within the city. Cooper concluded by expressing his readiness to answer any questions and passed the discussion over to Director Schultz for his presentation.

Cost Categories

Senior Director Schultz began his portion of the presentation by outlining the detailed project budget related to the 825 Tech Center Drive project. He explained that the following slides would cover each category contributing to the total budget. The goal was to provide a comprehensive understanding of the extensive work involved in developing cost estimates and the budget for the project. The categories to be discussed included the building purchase, construction, alternates, allowances, FFE (Furniture, Fixtures, and Equipment), value management, and contingencies and soft costs. Senior Director Schultz emphasized the importance of unraveling the complexity of these categories for both the council members and the public. He touched on concepts such as alternates, allowances, and value management, providing explanations as they related to the project. He acknowledged that some numbers might be confusing, but he assured the audience that they would take the time to clarify and answer questions during the question and answer portion of the presentation. Senior Director Schultz aimed to guide everyone through the budget details, ensuring transparency and understanding as they progressed through the bonding process.

Building Purchase & Construction Estimates

Senior Director Schultz began the detailed breakdown of the project budget, starting with the overall purchase of the building and construction estimate costs. He reiterated that the building cost had already been incurred and was covered by short-term notes, which were now being rolled into the proposed long-term bond issuance. He shared that the construction estimate for the project, at the current moment, was approximately $51 million. However, he mentioned the inclusion of a value management number that would be subtracted from this total. The combined figures for the purchase of the building and construction costs amounted to $57 million. Senior Director Schultz clarified that the upcoming slides would provide a more detailed breakdown, but the $57 million represented the total for the purchase and construction aspects of the project.

Value Management

Senior Director Schultz delved into the significance of value management in the project. He explained that value management was a proactive approach, distinct from traditional value engineering that typically occurred at the end of a project. Shultz highlighted the extensive efforts made since January of the previous year, involving collaboration with the design team to align the building program with the city's needs. He emphasized that the project had undergone multiple budget assessments, culminating in a final budget delivered on January 15th. Senior Director Schultz revealed that approximately $2.7 million had been trimmed from the construction budget through various measures. Key adjustments included reducing the square footage of the building from 140,000 square feet to 127,000 square feet, optimizing the layout of the multi-purpose room and police department, and integrating the north walkway into the building. The decision to maintain the existing ingress and egress on Tech Center Drive, shift to a largely open office environment, and make other strategic accommodations contributed to significant cost savings. On the topic of open office environment, Schultz described that the plan is to have a director in a department that would be in an office and then the majority of staff moved into an open office concept. In working with both MSA and Elford, Schultz identified that this is a concept other municipal complexes of this size and scope have built into their design. He believed it would improve the quality and the collaborativeness of the space. With this particular concept, for instance, it would save between $700,000 to $1.1 million. Senior Director Schultz underscored the overall commitment to managing the project's value consistently throughout its development.

Allowances (included with Construction Estimate)

Senior Director Schultz delved into the concept of allowances, emphasizing that they represented items with costs yet to be fixed. He acknowledged the technical nature of the topic and encouraged the council to seek clarification if needed. Schultz illustrated the allowances using examples such as the covered parking with a solar array. Initially estimated at $1.5 million and included as an allowance in the budget, the actual cost was refined through the bid process to approximately $800,000 to $900,000. Schultz highlighted that allowances served to mitigate risk, providing flexibility until specific costs were determined through the bidding process. Schultz explained that certain items, like firing range equipment and air handlers, remained as allowances with specified amounts, subject to finalization during the construction contract approval. He also detailed allowances related to material selections, where choices such as carpet quality were not finalized but included in the budget. Schultz further clarified allowances related to the emergency responder radio system, which would be assessed during construction to determine if additional spending was necessary based on the building's communication capabilities. Schultz emphasized that costs became more certain as the project progressed, with a distinction between items known during the bid process and those continuing as allowances.

Bid Alternates (additions to the budget)

Senior Director Schultz transitioned to the topic of bid alternates, acknowledging the complexity of the concept. He clarified that bid alternates represented project portions chosen after finalizing construction numbers, serving as optional elements. Schultz highlighted the plus and minus signs next to each item on the comprehensive list of bid alternates, explaining that a plus sign indicated an addition to the budget, while a minus sign implied a deduction. Schultz elaborated on the purpose of bid alternates, emphasizing their flexibility in adjusting the budget based on received bids. For instance, the one-bay sallyport design offered the option to build a two-bay sallyport by providing an alternate cost. Schultz emphasized that bid alternates allowed for budget reduction if needed or additions in case of favorable budget scenarios. Notably, Schultz clarified that the total impact of the plus items on the list amounted to $320,000, a fraction of the overall construction budget of $51 million-less than 1%. He addressed a potential question about why these items weren't included in the budget from the outset, explaining that, given the nominal amount relative to the overall budget, the decision was intentional, allowing for further discussions and considerations as the project progressed.

Furniture, Fixtures, & Equipment (FFE)

Senior Director Schultz shifted the discussion to FFE. He noted that FFE encompassed tangible items like furniture, decor, and appliances within the project budget. Schultz provided a visual reference to items falling under FFE, such as chairs, tables, the dais chairs, and fixtures like an embossed Gahanna logo. He further elaborated on equipment, citing examples like dehumidifiers and kitchenette appliances-microwaves and refrigerators. In essence, FFE covered a spectrum of items essential for outfitting and furnishing the designated spaces within the project.

Contingencies

Senior Director Schultz delved into the topic of contingencies, highlighting the four major contingencies allocated in the project. He detailed each one:

Design Contingency (3%): This contingency experienced a $1 million reduction, demonstrating that as the design advanced, some of the contingency funds were returned.

Escalation and Estimate Contingency (3%): This contingency, aimed at addressing higher-than-expected bids. Schultz emphasized that its status would be known at bid package number two, covering the remainder of the project.

Construction Contingency (2%): This approximately $1 million contingency for unexpected construction costs was variable and subject to adjustments as the project progressed.

Owner Contingency (4%): This over $2.5 million contingency, specifically for the city, included a reduction in technology costs from $1.3 million to $500,000. Schultz explained that technology-related expenses were now partly covered in the construction budget, with the remainder placed in the owner's contingency.

Schultz highlighted the dynamic nature of contingencies, with the potential for reductions as the project advanced, contingent upon the actual utilization of the funds by the construction team.

Soft Costs

Senior Director Schultz provided insights into the soft costs associated with the project. He outlined the various components contributing to these costs:

Design and Engineering Services: Covering the planning and design phases of the project.

Construction Management Services: Involving the oversight and management of the construction process.

Insurance and Other Fees: Encompassing various costs related to insurance and other regulatory requirements.

Fees, Overhead, and Profit: Reflecting the compensation for the individuals and entities involved in the project, including profits for contractors.

Bonding: Pertaining to the bonding specific to the project, separate from the financial bonding aspect discussed in the upcoming presentation by Director Bury.

The total soft costs amounted to approximately $5.8 million, representing around 10% of the overall project budget. Schultz characterized these soft costs as the necessary expenses associated with conducting business and successfully bringing a project to completion.

Total Project Cost

Senior Director Schultz summarized the comprehensive breakdown of the project costs, providing a detailed overview:

Building Purchase ($8,750,000): Acknowledging a potential error in the calculation due to double-counting a $250,000 cash consideration. The correct figure for the building purchase was $8.5 million.

Construction ($50,953,785): Encompassing the construction costs.

Value Management: Representing a reduction of $2,700,981.

Allowances: Already factored-in allowances for items above.

Bid Alternates: Excluded from the current calculations, as it was anticipated that they would not impact the budget.

FFE - Furniture, Fixtures, and Equipment ($1,643,216): Including tangible items like furniture, decor, and appliances.

Contingencies ($5,537,151): Covering various contingencies, including design, construction, and owner contingencies, as well as escalation and estimate contingency.

Soft Costs ($5,789,449): Incorporating design and engineering services, construction management services, insurance and other fees, fees, overhead, profit, and bonding.

The total project cost was stated as $69.972 million.

Budget Considerations

Senior Director Schultz provided a recap of key points discussed two weeks prior, highlighting various aspects impacting the overall project budget:

Site Improvements: Including stormwater detention systems, parking lot enhancements, external building security upgrades, utility relocations, and a secure perimeter. These additions not only contribute to the project's overall cost but also enhance its functionality.

Structural and Storm Shelter Requirements: The need to upgrade the entire structure to comply with essential facility code requirements, incorporating structural improvements and storm shelter provisions.

Green Initiatives: Schultz emphasized the importance of sustainability, pointing to features like a solar array on the covered parking, electric vehicle (EV) chargers, lighting upgrades, and room control improvements. These initiatives align with environmental goals and contribute to a more eco-friendly facility. Schultz also considered Quality of Space and Daylighting: the orientation of offices toward the internal side of the building, coupled with open office areas designed to maximize natural light penetration. This design choice aims to enhance the overall quality of the space and improve the working environment.

Regarding public and collaborative spaces, Schultz highlighted the availability of various public and semi-public spaces, fostering collaboration through meeting areas and conference rooms. The design addresses common challenges faced in the existing building, such as limited conference room availability. Overall, Schultz emphasized that the sustainable and collaborative design of the facility would significantly enhance the experience for individuals using the space to carry out the city's work.

Outside Funding Possibilities

Senior Director Schultz provided an overview of outside funding possibilities for the project, covering various avenues and grants explored:

South Hamilton Road Property: Highlighted that the property at 200 South Hamilton Road has been recognized as a city commodity, and if no longer needed, its sale could contribute to the city's financial resources.

Energy Efficiency Block Grant: Discussed having secured an $80,000 Energy Efficiency Block Grant, earmarked for lighting upgrades throughout the facility.

MORPC Grant Application: Submitted a grant application through the Mid-Ohio Regional Planning Commission (MORPC) for charging and fueling infrastructure, particularly EV chargers. Noted that the application for a portion of the project, totaling a million dollars, was unsuccessful.

Federal Tax Credits: Explained the potential for federal tax credits, indicating a reimbursement process at 30% to 40% for specific portions of the project. Noted that the evaluation is ongoing, and Baker Tilly is conducting analysis on eligibility criteria and application procedures. Mentioned considerations for factors such as unions and apprenticeships that could impact the percentage of reimbursement.

Schultz emphasized ongoing efforts to explore opportunities, acknowledging that the grant landscape for facilities may not be as robust, but specific initiatives like EV chargers and sustainable projects might offer potential returns. Schultz concluded by inviting questions related to the construction of the project budget, with a reminder to hold questions regarding bonds until Director Bury and Mr. Cooper had the opportunity to present.

Chair Schnetzer thanked Mr. Schultz for providing a comprehensive overview of the construction and associated costs. He then inquired if any members of the Council had questions or comments concerning the construction or related expenses.

Councilmember McGregor inquired about the reduction in square footage for the multi-purpose room. Senior Director Schultz responded, stating that while he didn't have the exact square footage figure, the capacity of the multi-purpose room had been decreased from 175 to 150 people in a banquet setting. Additionally, he mentioned that the original plan to divide the room into three sections was modified, and it now only has one partition.

President Bowers expressed appreciation to Director Schultz for his presentation and time spent on the project. She sought clarification on the multi-purpose room mentioned earlier, particularly its location in the senior community center wing. Director Schultz affirmed this and highlighted that, despite making reductions through value management, they ensured not to compromise the overall program of the facility. In the case of the multi-purpose room, the reduction amounted to about 25 people, maintaining the room's intended purpose. President Bowers expressed excitement about the broader community impact of the project, emphasizing that it goes beyond serving City staff and elected officials. She invited Director Schultz to elaborate on the programming and how the new facility would function as a community hub, accommodating more than the current setup.

Director Schultz highlighted the unique design aspects aimed at creating a secure yet welcoming environment. The facility is interconnected, allowing visitors to move seamlessly through different sections. The goal is to provide a warm and inviting space for the public to conduct city business, engage with officials, or even spend time working or relaxing. The design incorporates quality outdoor spaces, including a park-like area with a trailhead, fostering a sense of community and making the facility more than just a destination for official business but a resource for citizens to utilize.

Mayor Jadwin addressed specific concerns about the multi-purpose room, emphasizing that one of the consistent issues with the current Senior Center is scheduling conflicts between senior programs and community meetings. In the new facility, the multi-purpose room can be separated from the Senior Center, allowing simultaneous use without disruptions. This flexibility will enable various events, such as all-staff meetings, town halls, or open houses, to take place without impacting the Senior Center's operations. Mayor Jadwin highlighted how these features enhance the building's ability to welcome the community and fulfill the vision of creating a People's Building.

President Bowers expressed her excitement for future presentations of renderings, particularly those showcasing public spaces. She followed up on the open office concept, inquiring about staff feedback and reactions to the change. Senior Director Schultz provided insights, mentioning that directors have engaged with their staff on the matter. He acknowledged that transitioning to an open office concept is a cultural change and highlighted some initial concerns from staff, such as the size of workspaces. However, he emphasized the benefits of the new, more spacious cubicles, improved daylighting, and additional amenities throughout the building. Schultz acknowledged the cultural shift and ongoing conversations with staff to address concerns and ensure a smooth transition. He pledged to report back on staff feedback sessions.

President Bowers inquired about the possibility of publishing a comprehensive document breaking down the $51 million in construction costs by discipline, such as electrical, plumbing, and HVAC. Senior Director Schultz acknowledged the recent receipt of the budget and explained that while they have a detailed report with specific disciplines, it might be overly technical. He assured that they could develop a more summarized report, providing around 25 to 30 different disciplines for a clearer understanding. Schultz highlighted the continuous refinement of numbers through meetings with the Elford and MSA teams and expressed the willingness to offer more granularity on the $51 million construction cost. President Bowers thanked Schultz and asked that the slide presentation be provided to the clerk to be attached to the record.

Vice President Weaver shared his gratitude for the presentation and commended the MSA team for providing a 3D walkthrough on Friday. He sought clarification on the allowances slide, specifically regarding the stormwater bioswales, asking if it was an additional cost not currently planned for. Senior Director Schultz confirmed that the stormwater bioswales were indeed not included in the current plan, representing an additional cost. However, he noted that the anticipated cost was relatively small, under $30,000, and explained that decisions on such items would be made based on bid outcomes. Schultz emphasized that while it might not incur additional costs in the $69 million budget, any potential savings wouldn't be realized in that portion.

Vice President Weaver, in broad terms, expressed the significance of the new Municipal Complex as the city's home for the next 50 years. He emphasized the desire for it to serve not only as a workspace for staff and elected officials but as a community hub. He requested information on the strategies and implementations that would ensure the facility's longevity and its role as a communal space for the coming decades.

Returning to Budget Considerations Slide

Senior Director Schultz highlighted several factors contributing to the Municipal Complex's viability as the city's home for the next 50 years. He emphasized the significant upgrade in the structure to meet essential facility code requirements, enhancing the building's overall lifespan. The thoughtful consideration given to amenities and space programming aimed at accommodating future growth and adaptability was also underscored. The flexibility of the open office concept and modular furniture was noted as an advantage, providing room for future adjustments without major construction efforts. Schultz expressed confidence in the facility's ability to meet the evolving needs of the community, addressing challenges unique to the city through a comprehensive approach that integrates the police department, city administration, and senior services.

Councilmember McGregor shared a concern about the reduction in the size of the multi-purpose room, considering it a key space for public use. She expressed regret that it was being cut back by 15% and questioned whether the cost savings justified the reduction. In response, Senior Director Schultz provided an estimate, suggesting a savings of around $750,000 resulting from the reduction in the multi-purpose room's size.

Councilmember McGregor stressed the long-term planning for the new municipal complex, referencing the history of what was once underutilized space in the current building, specifically the second floor. She questioned the decision to scale back the size of the multi-purpose room, emphasizing the need to consider future needs and potential community growth. In response, Senior Director Schultz explained that the decision was part of a balancing act, taking into account current needs, cost considerations, and the possibility of future additions, such as a community center. He mentioned openness to discussing the restoration of the multi-purpose room size if deemed necessary.

Returning to Bid Alternates Slide

Councilmember Jones expressed her thanks for the presentation and sought clarification on the process for determining priorities among the plus and minus items in the budget, particularly during the bidding phase. Senior Director Schultz acknowledged that decisions on adding or cutting items would likely come down to financial considerations, specifically the budgetary impact. He mentioned that, given the relatively small percentage of the total budget represented by these adjustments, they would be carefully considered based on the bids received. Schultz also discussed the possibility of future considerations, weighing the useful life and cost-effectiveness of certain elements, such as parking lot upgrades, against potential delays. The approach appeared to prioritize financial prudence while assessing the longevity and necessity of proposed modifications.

Councilmember Padova thanked the team for their hard work. She then inquired about the capacity of the current Senior Center, specifically focusing on occupancy rather than square footage. Senior Director Schultz acknowledged the question and began searching for the relevant slide that contained specific numbers. Mayor Jadwin interjected, providing context about a recent conversation where they compared the existing Senior Center's square footage, including various spaces like offices, kitchen, and usable areas, to the space at 825 Tech Center Drive. Mayor Jadwin emphasized that the usable space at the new location would be significantly greater than what is currently available at the Senior Center.

Senior Director Schultz provided detailed information about the new Senior Center's facilities, particularly focusing on the multi-purpose room. He stated that the constructed room would be 1,900 square feet, including the pre-function area. Comparing it to the current facility, he highlighted the limited lounge space in the existing Senior Center, while the new facility would provide about 8,000 square feet, enhancing the functional programming space. He went on to discuss specific areas like the art room, which would see an increase from 635 to 800 square feet, and the kiln room, designed for two kilns instead of one. The kitchen, with a demo kitchen feature, was also emphasized for its significant increase in size and capabilities. While Senior Director Schultz acknowledged the lack of specific occupancy numbers on the spot, he expressed being able to provide further details or summaries after he had time to gather the information.

Chair Schnetzer sought clarification from Senior Director Schultz, asking whether the approximately $69 million or $70 million figure could be considered, for lack of a better term, “the worst-case scenario.” Senior Director Schultz responded, expressing a preference for calling it the ceiling for the project.

Councilmember McGregor inquired about the estimated cost of a new police station before the decision to construct the new municipal complex. Senior Director Schultz provided the information, stating that the estimated cost was $82 million for the police station alone, excluding the land purchase. Councilmember McGregor acknowledged the value gained by combining the police station with other facilities in the new municipal complex, highlighting the cost-effectiveness of the comprehensive project. Senior Director Schultz expressed agreement and gratitude for the emphasis.

Chair Schnetzer recalled Director Vollmer's phrase "buy one, get two" or "buy one, get three," emphasizing the value gained by combining multiple facilities in the new municipal complex. The construction portion of the discussion concluded, and Chair Schnetzer handed over the floor to Ms. Bury to initiate the finance-related discussion.

Bond Recommendation: 25 Year and $10 Million Cash

Joann Bury, Director of Finance, presented an overview of the total cost and financing considerations for the municipal complex project. She discussed the compliance with the debt policy, outlining the use of general obligation debt for capital purposes, ensuring a duration not exceeding 30 years, identifying resources for repayment, and exploring alternate financing options. Ms. Bury highlighted the reliance on Issue 12 Capital Improvement dollars and the unreserved Capital Improvement fund and general fund balances. She explained the rationale behind including a $68 million, 30-year financing amount in the ordinance, emphasizing the need for flexibility. The flexibility allowed for unforeseen circumstances while ensuring a hard stop at the maximum authorized amount. The presentation aimed to streamline the process and avoid delays in case additional funds were needed, providing a safeguard for unexpected developments. Ms. Bury indicated that the actual financing package and duration might be less than the maximum specified in the ordinance, giving room for flexibility.

Bond Recommendation: 25 Year and $10 Million Cash (continued)

Director Bury presented several financing packages for the municipal complex project, collaborating with Baker Tilly and Squire. The preferred option included $10 million in cash financing, resulting in an estimated total issuance of $57.5 million for a 25-year term. The total debt service over this period was projected to be approximately $96.4 million, translating to an annual debt service of about $3.9 million. A comparative analysis was provided, contrasting the recommended financing option with three alternatives: a 25-year option with no cash down, a 30-year option with cash, and a 30-year option with no cash. The analysis revealed that the recommended option offered debt service savings of $5.5 million compared to the no cash 25-year option, indicating its cost-effectiveness. Director Bury emphasized the importance of evaluating the potential savings and additional cash flow for other capital projects. The presentation demonstrated that the recommended option, while incurring slightly higher annual debt service costs, resulted in substantial debt service savings over the life of the loan compared to the 30-year options. The estimated annual funds available for other capital projects were also outlined.

Other Financing Options

Director Bury provided an informational slide presenting additional details on various financing terms. The slide included the terms of cash financing, the estimated issuances, total debt service, and the projected annual debt service for each option. This slide served as supplementary information, reinforcing the comparisons and results previously discussed in the presentation. It aimed to offer a more detailed breakdown of the financial aspects associated with each financing term.

Capital Improvement Fund Cash Flow Analysis

Director Bury presented a cash flow analysis for the Capital Improvement Fund over a 30-year period, considering all four financing packages. The analysis depicted similarities in the outstanding debts among the various options. The graph incorporated income fluctuations, acknowledging economic cycles and downturns. Highlighted in the graph were the red and gold bars corresponding to the 30-year issuance and the 25-year term with no cash. Director Bury emphasized the flexibility provided by these options in managing outflows during debt repayment. Furthermore, she drew attention to the gray and blue bars on the tail end of the graph, representing the advantages of a 25-year maturity. The 25-year term allowed for quicker debt repayment, resulting in increased resources for additional capital improvement planning and projects in the later years. This analysis supported the recommendation for a 25-year term, aligning with the projected cash flow dynamics and providing enhanced capital capacity over the extended period.

General Fund Analysis Unassigned Fund Balance

Director Bury proceeded to outline the impact of the $7 million on the General Fund. She referred to a familiar chart from the budget book, starting with the General Fund appropriations for 2024. The presentation excluded the $7 million, a one-time capital injection. The emergency reserve, calculated at $8.45 million, remained unchanged. The projected ending fund balance, estimated at $34.1 million, was based on actual 2023 numbers, diverging from the budget book's figures that assumed receiving only planned revenues and spending all appropriations. After deducting the emergency reserve and the set-aside for contingencies and allowances ($7 million), the estimated fund balance at the end of 2024 stood at approximately $18.7 million. Director Bury emphasized that even with the allocation of $7 million, the fund balance would still exceed seven months, significantly surpassing the required three times the policy's minimum of two months of unreserved funds. Director Bury then handed over the discussion to Brian to delve into current market conditions and the criteria employed by Moody's to determine the city's rating for the upcoming bond issuance.

Historical Tax-Exempt Interest Rates: 10 Yr AAA MMD (2014-present)

Mr. Cooper conducted a retrospective analysis of the 10-year AAA MMD, serving as the benchmark for pricing all tax-exempt debt. He presented a graph spanning from 2014 to the most recent data, highlighting an active market. The peak in October showcased interest rates exceeding 3.5%, followed by a notable decline to around 2.25% after a shift in the Federal Reserve's stance. He then transitioned to the current MMD yield curve, offering a year-by-year representation of rates. The blue bar denoted the peak in October, while the red bars indicated rates at the start of January 2, 2024, and the current rates. The noticeable decline in rates since October implied a favorable environment for the city, signaling reduced borrowing costs. Mr. Cooper expressed optimism, citing expectations of further cuts by the Federal

Reserve in the coming year. Despite potential volatility from news cycles, the overall sentiment favored issuing bonds compared to the previous year.

Credit Rating Considerations

Mr. Cooper addressed the common inquiry about the city's credit rating, emphasizing that Moody's Investor Services currently rated the city as double A1, which is a very strong credit rating and the second-highest category. He clarified that the city's credit rating isn't solely determined by outstanding debt but considers various factors such as the economy, finances, leverage, and institutional framework. Highlighting Moody's last assessment in March 2023, which confirmed the double A1 rating, Mr. Cooper mentioned the city's updated audit, indicating a very strong financial condition. Assessing Moody's scorecard with the current numbers and assuming an additional issuance of $68 million, he conveyed the expectation that the city's credit rating would remain at double A1. This outcome reflected the city's robust reserves and strong financial position, contributing to a positive result in the debt issuance cycle.

Next Steps - Timeline and Dependency Calendar

Senior Director Vollmer presented a timeline, highlighting critical milestones and dependencies for the bond issuance and construction phases. In February, the focus was on bond legislation and preparing official statements and rating agency materials. Moving into March, activities included bond pricing and setting interest rates for Series A, along with reviewing bid documents for Construction Contract Number One. Senior Director Vollmer stressed the importance of aligning construction contract and bond closure weeks to ensure accurate bond pricing and timely project progress. With construction bids typically valid for 30 days, synchronizing these events was crucial to avoid delays. In mid-April, after bond closure, Director Bury could sign the fiscal certification, enabling Elford to proceed with executing Construction Contract Number One. Looking ahead to May, the timeline covered Construction Contract Number Two and bond pricing for Series B. These events aligned to facilitate the issuance of the notice to proceed and fiscal certifications in early June for Construction Contract Number Two. Senior Director Vollmer emphasized that the revenue predictions shared by Director Bury were based on the information available at that time. The presentation concluded, and the team welcomed questions or a revisit to specific slides.

Chair Schnetzer thanked everyone for the presentation and opened the floor to Council for any questions or comments on the financing, including bonds and cash.

President Bowers needed clarification and cited previous discussions about more opportunities for project discussion with Council from February to early March. She pointed out that the timeline presented did not seem to reflect that, and she sought confirmation, emphasizing the importance of providing an opportunity for all Council members to discuss the details and share input on the project.

Senior Director Schultz clarified that the presented timeline mainly covered approvals, Council actions, signatures, and contract initiation. He assured Council members that there would be ongoing opportunities for discussion and that they would be back in two weeks to address additional questions. He emphasized the intention to engage in extensive discussions until Council members felt fully informed about the project.

President Bowers also sought clarification on the specific bonds being recommended, emphasizing the 25-year term bonds that align with the proposed cash contribution. She inquired about alternative options and the rationale for the recommendations.

Mr. Cooper explained the two primary choices for cities when issuing bonds for governmental purposes: general obligation bonds and revenue bonds. He emphasized that general obligation bonds, backed by a full faith and credit pledge, offer the best security and result in the lowest possible interest rates. On the other hand, revenue bonds, which narrow the security to a specific revenue stream, often incur a higher interest rate due to the perceived risk. Mr. Cooper pointed out that Moody's credit analysts would consider the shift to a revenue bond structure and might assign a lower rating, leading to higher interest costs. He mentioned other alternatives like certificates of participation or lease purchase transactions, which are sometimes used for legal reasons but typically come with higher borrowing costs. In this case, the recommendation was to pursue the lowest-cost option considering factors such as legal authority, absence of debt limit problems, and the city's strong financial health. Using the highest and best credit was advised to minimize borrowing costs over time.

Mr. Cooper addressed President Bowers’ question about the risks of using a general obligation bond versus a revenue bond. He mentioned that one potential risk with general obligation bonds is the possibility of hitting debt limits. He explained that the city has conducted initial calculations on these debt limits, and even after the proposed issuance, there would still be substantial general obligation capacity, well above $80 million. Therefore, he indicated that the risk of reaching debt limits would not be a significant concern with the recommended approach.

President Bowers asked if this was $80 million total debt limit capacity or $80 million plus $60 million, to which Cooper responded $80 plus $60. Mr. Cooper explained that the city has two debt limits when issuing general obligation bonds. The first is a direct debt limit, and the second is the 10-mill limit. He clarified that the direct debt limit doesn't apply to the city in this case because the ordinance notes income tax availability and other revenues, making these bonds exempt from the direct debt limit. The 10-mill limit, however, is applicable to the city and all other taxing jurisdictions. Regarding the 10-mill limit, Mr. Cooper highlighted that the maximum millage available under the 10-mill limit is 10, and with the city's issue plus all other outstanding issues for various taxing jurisdictions, the total is about 6.5 mills, leaving approximately 4 to 4.5 mills of capacity. He noted that if another party issues debt and uses up all the remaining millage, the city could theoretically have no additional 10-mill limit to issue bonds. In such a case, issuing income tax revenue bonds would be the next best option.

President Bowers asked if the City was permitted to call the bond before its maturity date. Mr. Cooper responded, yes, there is optional redemption language in the ordinance, and the final terms of that optional redemption will be determined in the certificate of award signed by Ms. Bury once the bonds are priced. If the city goes to market with a 25-year term, the standard optional redemption timeline would be 10 years. However, it's possible to have a shorter redemption period, such as a 9-year call, without incurring a penalty. The city can even go shorter than nine or 10 years, but there's a cost associated with that decision. Shortly before pricing the bonds, an analysis is conducted, and the finance director determines the best option for the city. This option would allow the city, at a future date, to either pay off the bonds early or refinance them if conditions permit.

President Bowers emphasized the seriousness of the issue, acknowledging its profound impact not only on those present but on the entire community, both in the present and in the foreseeable future, spanning 20-30 years. Recognizing the gravity of the decision at hand, President Bowers emphasized that the council does not take it lightly. She underscored the council's role as stewards of public dollars. President Bowers acknowledged the presence of an expert in the field [Mr. Schnetzer] on Council and anticipated that he would contribute valuable insights and pose pertinent questions. From her perspective, albeit described as "quasi-lay," she expressed the importance of ensuring that she asked the right questions, seeking a comprehensive understanding that would enable the council to effectively communicate the intricacies of the decision to the community.

Vice President Weaver expressed his appreciation and proceeded with a quick follow-up regarding the calling of the bonds and the potential for refinancing. He inquired whether there would be any advantage for the city to issue an even shorter-term bond in the hope of securing lower interest rates. Referring to Mr. Cooper's earlier statements about waiting until years nine or ten without penalty, Vice President Weaver sought clarification on the feasibility and advantages of opting for a shorter term.

Mr. Cooper responded to Vice President Weaver's question, addressing the consideration of a shorter-term bond or a shorter call date. He provided insights into the complexities, explaining that although there might be a desire to wait for a better market shift and more favorable interest rates, running the numbers revealed challenges. Mr. Cooper noted that even with the potential for a better interest rate, the organization faced constraints in cash flow, impacting their ability to undertake other projects. He conveyed that, based on the numbers, the decision was made to stick with the known capacity to work with, and as a result, the consideration leaned toward the 25 and 30-year durations.

Vice President Weaver acknowledged Mr. Cooper's response and continued to explore the possibility of issuing a shorter-term bond. He inquired about the potential advantage of attempting to capitalize on a more favorable market shift for better interest rates, given the understanding that the organization's current rates were more favorable than personal rates.

Director Bury contributed to the discussion by providing additional context. She explained that while there were considerations for shorter durations, the practicality of the situation came into play. Running the financial numbers revealed that opting for shorter durations, despite potential advantages in interest rates, would seriously impact the organization's cash flow and its ability to undertake other projects. Director Bury clarified that after assessing various options, they landed on 25 and 30-year durations to ensure financial stability and avoid jeopardizing future projects.

Mr. Cooper provided a relatable analogy to illustrate the potential impact of choosing a shorter-term bond. Drawing a parallel to a home mortgage, he explained that opting for a 30-year fixed-rate mortgage and later considering refinancing to a 20-year fixed rate could yield a lower interest rate. However, he emphasized that with a shorter amortization period, the annual payment would significantly increase. While this approach might result in savings on interest and interest carry, Mr. Cooper cautioned that it would directly impact the available annual budget for capital projects, which stood at $9.9 million. In essence, he clarified that while a shorter bond was a viable option, it would entail higher costs on a year-to-year basis.

Vice President Weaver expressed his thanks for the information provided by Mr. Cooper and proceeded with a follow-up question. Acknowledging the earlier comments about a maximum budget of $68 million, Vice President Weaver sought clarification on whether there would be any advantage in splitting the budget, considering an initial issuance of, for example, $30 million, with the possibility of additional funds after a few months.

Mr. Cooper responded positively to Vice President Weaver's question, commending the insightful approach. He acknowledged that the financial planning involved a complex strategy, especially considering the project's intricacies. Mr. Cooper explained that the construction planning had been divided into two Guaranteed Maximum Price (GMP) contracts. The city's aim was to avoid over issuing bonds, ensuring that they only borrowed what was necessary. To achieve this, Mr. Cooper detailed the plan of finance. He revealed that they intended to break the bonds into two series. In March, they planned to issue the first series, taking a note for $20 million to fund GMP1. This initial step allowed them to initiate the construction planning process. The second series would then follow, fine-tuning the funding based on the actual construction needs and the city's cash reserves. This approach aimed to issue the right amount of funds, preventing an excess or shortage at the end of the construction planning.

President Bowers raised a follow-up question, building on the discussion about the timing of issuing bonds. She inquired about the potential value in splitting the type of bond, specifically considering General Obligation versus Revenue bonds.

Mr. Cooper offered his personal recommendation, advising against splitting the bond types. He clarified that, as of the current situation, the city had not encountered any debt limit or hurdles in issuing the highest and best type of credit. Mr. Cooper explained that if they were to issue the first $20 million and then hit a limit, necessitating a different path or type of security, only then would they consider an alternative. However, he cautioned that using a different type of security for the second series, for instance, could likely result in a higher interest rate for the city.

President Bowers, considering Mr. Cooper's input, emphasized the capacity to use General Obligation bonds. She asserted that, given this capacity, it was the natural choice as the primary option for the city. Mr. Cooper concurred with President Bowers' statement.

President Bowers sought clarification from Mr. Cooper regarding the expected double A1 Bond rating after the debt issuance. She inquired about factors that the council should be vigilant about, as well as actions that need to be taken to ensure the maintenance of the rating.

Mr. Cooper responded by explaining that the rating would be influenced by the newly released audit, assuming Director Bury had presented it to the council. He outlined potential factors that could impact the bond rating, focusing on both upgrades and downgrades. On the positive side, Mr. Cooper highlighted that improvements in demographic factors, wealth indicators, assessed value, and tax base could contribute to a rating upgrade, potentially reaching the AAA rating category. Conversely, factors that could lead to a downgrade included additional funding and debt. While the city still had some capacity, Mr. Cooper emphasized that the impact was not akin to a light switch. Drawing down General Fund cash balances over time could be a concern. Furthermore, sustained impacts on operations due to factors such as an economic downturn or a significant reduction in income tax collections could exert downward pressure on the rating, potentially leading to a downgrade.

Councilmember McGregor inquired about the existing bonds that the city was currently paying on.

Director Bury provided details on the outstanding bonds, mentioning the 2013 and 2015 refunding. These bonds, which mature in 2030 and 2035, respectively, were initiated to refund the 2007 and 2005 issuances. Director Bury further clarified that the 2016 issuance included new funds for street rebuilds, extending the repayment period to 2035. Additionally, she highlighted the judgment bonds related to the income tax lawsuit, set to mature in 2030. Despite the near future maturity of most outstanding debt, the 2015 issuance extended to 2035.

President Bowers asked for additional elaboration on the projects associated with the older bonds mentioned by Director Bury.

Director Bury responded that there were projects covered by 2005 and 2007 bonds. The 2005 bonds were allocated for improvements to Morrison Road, while the 2007 bonds funded technology upgrades and a park project. Both issuances encompassed multiple projects, with the 2005 issuance featuring four outlined projects and the 2007 issuance including additional utility work, such as water, stormwater, and sewer line projects.

Councilmember McGregor asked whether the city had ever held a AAA Bond rating. Director Bury responded, stating that to the best of her knowledge, the city had not achieved a AAA Bond rating.

Councilmember McGregor acknowledged Director Bury's response and mentioned that she had thought there was a time when the city held a AAA rating. However, she recognized the possibility of being mistaken. Director Bury elaborated, providing additional context. She stated that, during her tenure and even before she joined, she could not recall Gahanna ever attaining a AAA Bond rating. She explained that achieving such a rating is challenging for municipalities in Ohio due to limitations in revenue diversity and available resources. Unlike in some other states, where municipalities may find it easier to achieve a AAA rating, Ohio municipalities often rely heavily on the state for support, limiting their ability to diversify revenue streams.

Chair Schnetzer, on the topic of credit ratings, asked Councilmember McGregor whether she recalled a time in the 1980s when the city's credit rating was much lower. Councilmember McGregor responded that she didn't have knowledge about the credit rating during that period. Chair Schnetzer continued, expressing his belief that the city's credit rating had indeed been considerably lower in the past. He then opened the floor for any additional comments or questions from the council.

Chair Schnetzer raised a specific question about the available revenue sources, recalling a conversation where terms like "enterprise system revenue" and "TIFs" (Tax Increment Financing) were mentioned. He sought clarification on whether, particularly in the context of water and sewer revenue, these sources could potentially qualify as "double-barreled." Chair Schnetzer suggested that representatives from Squire might offer insights on this specific topic.

Ms. Binkley, partner at Squire Patton Boggs LLP, addressed the question about considering water and sewer revenues as "double-barreled." Technically, she clarified that they wouldn't be considered double-barreled, but the inclusion of such language in the documentation served specific purposes. Ms. Binkley explained that it was primarily included for debt limit considerations. By acknowledging the city's ability to use revenues from these sources, the debt becomes exempt from direct debt limits, allowing more flexibility for Director Bury.

Chair Schnetzer acknowledged Ms. Binkley's clarification and emphasized the positive reception of such language by investors. He suggested featuring it prominently in the official statement.

Ms. Binkley confirmed that the language was indeed included in the official statement.

Chair Schnetzer shifted the discussion to the potential savings if the established ceiling is not reached. He inquired about where these savings would manifest, whether in unspent cash or a reduction in the size of the Series B Bond issuance.

Director Bury provided insight, stating that the initial plan was to reduce the size of the Series B Bond issuance if the established ceiling was not reached. She emphasized the intention to still utilize the available cash due to associated savings and the flexibility it provided.

Chair Schnetzer expressed understanding and posed another question about the recommendation for a negotiated sale or pursuing competitive bids for either or both series of bonds.

Mr. Cooper responded, recommending a competitive sale for both series, citing the high competitiveness in the current market.

Chair Schnetzer opened the floor for a discussion on the benefits of exploring the differences between negotiated and competitive bond sales.

Mr. Cooper explained the two main ways to sell bonds: negotiated and competitive. In a negotiated sale, the city appoints an underwriter in advance, negotiating interest rate levels before the underwriter markets and sells the bonds. On the other hand, a competitive sale involves preparing offering documents, distributing them to the market, and accepting bids, ultimately awarding the bonds to the underwriter offering the lowest interest rate. Mr. Cooper emphasized that for a highly rated general obligation bond, a competitive sale is recommended as it typically secures the best price on the day of the sale.

Chair Schnetzer expressed gratitude for the clarification, endorsing the idea that a double A1-rated general obligation bond would likely be well-received through a competitive sale. He highlighted the advantages of achieving the absolute lowest rate on the sale day with a competitive approach, providing a positive narrative for policymakers.

Chair Schnetzer sought Mr. Cooper's best estimate for the true interest cost of the deal at the present time.

Mr. Cooper shared that the night before the sale, they would send Director Bury their pricing. Mr. Cooper expressed confidence in being very close to the market rates on the day of the sale. He further shared that, as of the recent assessment, they had calculated a True Interest Cost (TIC) of 3.66 for a 25-year maturity level amortization. He noted that this information might be a few days old but provided valuable insights into the expected costs associated with the bond issuance.

Chair Schnetzer thanked Mr. Cooper for the insights shared and highlighted the reason behind his earlier question. He referenced Mr. Weaver's mention of rates presented on the slides being notably lower than mortgage rates. Chair Schnetzer connected this to the city's primary source of revenue, income taxes, and theorized that, as income taxes would likely rise at roughly the rate of inflation, the interest being paid on the bonds was essentially close to the rate of inflation. He viewed this as a beneficial scenario, almost akin to obtaining "free money." Concluding his comments, Chair Schnetzer opened the floor for any further questions from the attendees or closing comments from the administration.

Senior Director Schultz provided additional clarification in response to Councilmember Padova's earlier question regarding the Senior Center's programmable space. He emphasized that the programmable space inside the Senior Center would increase by 62%, going from approximately 2,800 sq ft to 4,600 sq ft. He clarified that the $700,000 mentioned earlier was a misunderstanding and that the correct reduction in the multi-purpose room, based on Elford's budgeting system, was $350,000. Senior Director Schultz highlighted that the reduction involved a decrease in the multi-purpose room's size, including a small reduction in the pre-function area. He also mentioned that changes like cutting a sally port in half were easier to address than altering the size of the multi-purpose room. He pointed out the importance of discussing any further adjustments to the multi-purpose room size promptly.

Councilmember Padova expressed her appreciation for the additional information provided by Senior Director Schultz. She acknowledged the substantial increase in programmable space and, based on the assurance that it would still be the right amount of space in 40 years, expressed her comfort with the project.

Chair Schnetzer addressed the calendar, indicating that Ordinance 0005-2024, which pertained to the emergency without a waiver, would go for the first reading on February 5th. He checked with Council colleagues if there was a desire for further discussion or if anyone wanted it to come back after the robust discussion held during the meeting. With no requests for a return, Chair Schnetzer confirmed the process for Ordinance 0005-2024. Moving on to Ordinance 0006-2024, related to the cash portion, Chair Schnetzer noted that there was no emergency and no waiver, proposing a first reading on the 5th without the need to come back. Seeing agreement among attendees, Chair Schnetzer concluded the Finance Committee’s session.

Recommendation: Introduction/First Reading on Regular Agenda on 2/5/2024; Second Reading/Adoption with emergency declaration on Regular Agenda on 2/19/2024.

ORD-0006-2024 AN ORDINANCE AUTHORIZING SUPPLEMENTAL APPROPRIATIONS - Capital Improvement Fund and General Fund for 825 Tech Center Drive Project

Recommendation: Introduction/First Reading on Regular Agenda on 2/5/2024; Second Reading/Adoption on Regular Agenda on 2/19/2024.

C. ADJOURNMENT:

With no further business before the Finance Committee, the Chair adjourned the meeting at 9:07 p.m.

Jeremy A. VanMeter
Clerk of Council

APPROVED by the Finance Committee, this
day of 2024.

Michael Schnetzer