



City of Gahanna

Meeting Minutes

Finance Committee

Office of the Clerk of Council
200 South Hamilton Road
Gahanna, Ohio 43230

*Michael Schnetzer, Chair, Brian D. Larick,
Jamie Leeseberg,
Karen J. Angelou
, Ryan P. Jolley,
Stephen A. Renner
, Thomas R. Kneeland*

Kimberly McWilliams, CMC, Clerk of Council

Monday, February 9, 2015

7:00 PM

Council Committee Rooms

Members -

Present 6 - Brian D. Larick, Jamie Leeseberg, Karen J. Angelou, Ryan P. Jolley, Thomas R. Kneeland, and Michael Schnetzer
Absent 1 - Stephen A. Renner

Additional Attendees -

Present: Mayor Becky Stinchcomb, City Attorney Shane Ewald, Clerk of Council Kim McWilliams, Sue Wadley, Niel Jurist, Chief Murphy, Rory Gaydos, Jennifer Teal, Dottie Franey, Anthony Jones, Tony Collins, Rob Priestas, Press, Residents.

Schnetzer called Finance Committee to order at 7:03 p.m.

ITEM - From Council

1. Emmett Kelly - Frost, Brown, Todd LLC

Schnetzer introduced Emmett Kelly Esquire, from Frost, Brown, Todd LLC; since the development plan is in process and Council will need a deliverable context, it will be important to discuss potential finance options for the City; Kelly will speak on these options; Kelly thanked Council for the opportunity to speak; commended Jones for his work in Development; noted working with City before; has additionally worked with City Municipal Advisor; good team already in place; Kelly enjoys working with everyone at the City; hopes by delivering an overview tonight it will inspire questions; first thing to look at is understand how we issue debt and what our debt capacity is as a municipality; Charter speaks to code provision with respect to debt; some municipalities have direct debt limitations; City per code can issue \$13 million in debt; Kelly noted brief background; he is a Counsel Bond Lawyer;

works with underwriters to help government entities with their debt issuance; occasionally works with Municipal Advisors on disclosure issues, structuring issues, and economic development plans; municipalities across the nation are constantly looking for opportunities for revenue, and thus, Kelly will assist these municipalities to develop creative solutions to address the potential revenue sources; Public Private Partnerships (P3) or working with public assets that are leases for a term; the revenues are used to pay for municipal services; noted recent actions in P3 conferences on “vertical P3” or developments of buildings through P3s; the bigger the project the more potential and availability; noted lots of P3 developments as of late; discussed debt limitations; there are two types of debt limitations: voted and unvoted debt; voted means you’re have to go to the voters for project approval, project is called an unlimited general obligation for the City; interest on bond is calculated and then a levy is placed on the assessed valuation on the property; if you have a good credit you can demand a low interest rate; very strong option when possible; unvoted debt is where you borrow at a limited tax general obligation credit; still a powerful credit, not as strong as voted; any governmental entity that has the power to ask the voter is subject to direct debt limitations, but not subject to indirect debt limitations; Gahanna's assessed valuation is just under 1 billion dollars; noted long list of debt limitations; unvoted debt limitations is right around 20 million; municipalities have lot of exemption on their debt value limitations; have tremendous capacity at the City to borrow; the county has a good staff to assist with the 10 million; total voted and unvoted is 105 million dollar limit; with 25 million of non-exempt debt; and a borrowing capacity of 80 million dollars; when you think about issuing debt you must analyze both of these numbers; noted many theories on how to calculate debt limitations; when you have a 10 million limitation; often confusion; the 10 million is levied every year and you are allocated your percentages; guaranteed millage; long history of that practice going back to the 1930s; free millage exists when the portion of the 10 million isn’t used; could look at permitted improved projects to shift unused millage; school districts have moved inside millage to pay for their school facilities; noted southern Ohio case with school districts; moved millage, but had surplus as many school districts want to carry surplus; case went to Supreme Court of Ohio, court ruled they didn’t account for surplus when moved millage, therefore could’ve used surplus and would’ve had an increase in taxes; noted another case when school district accounted for the surplus and survived the case; County Budget Commission has a lot of flexibility when approaching debt; Kelly welcomed questions; Schnetzer inquired the distinction between the 10 million limitation and the 5.5% limited general obligation; Kelly clarified they are two different things; the debt capacity is the 5.5% limitation; the 10 million limitation amount of millage within the property of City; Schnetzer

inquired the Debt Service Reserve or sinking funds; the 5.5% and 10 million are net debt; Kelly confirmed both are usually referencing the reduced debt; will be surplus, but there will be a small amount of adjustable debt; Kneeland inquired on the overlapping subdivisions; how is end determined on multiple subdivisions; Kelly noted each City has different limitations; school districts take the largest chunk; overlapping townships take another chunk; situations where annexation are of different millage; what is left between the two subdivision may be negotiated; generally the township, municipalities, and subdivisions; Kneeland inquired if you have multiple subdivisions within the municipalities; one large and one small; Stinchcomb clarified Gahanna has two townships, what will the result be; Kelly noted both get calculated and debt limitations will be increased; Kneeland inquired if a small component may have the larger millage, what would the result be; Teal clarified an example where City has land within Jefferson township; during annexation and negotiations after, Gahanna can only collect 1.3 of the available 2.4 millage in that section, because the millage was higher before Gahanna existed; Leeseberg inquired of the surplus; what is the definition of surplus; Kelly clarified the general fund and what is available for the rainy day fund; not looking at debt or rainy day debt; good example is the rainy day fund; Leeseberg clarified is that above and beyond, because our funds may be designated for other things; Teal clarified that of the excess reserves we would disclose from special compensations because we have a surplus; Kelly clarified this specific action is not a common action and it would have to be a dire situation for that allocation to take place; Angelou inquired what types of projects could you tap into; for example if City was doing a series of projects for residential roads; can you tap into those funds for this type of project; Kelly replied you may, but the City has to demonstrate it's a specific permanent improvement, roads, sewer, water, etc; very broad definition; has to be specific today and not down the road; Teal clarified that would be a shift from the inside current millage; would it be an appropriate use of voted debt though; Kelly confirmed, but noted you have to have a reasonable plan of how to use the funds; Kneeland clarified would this be on-going or renewable; Teal noted it is outside and would this be an appropriate use for additional millage; Kelly concurred would be an appropriate use; Schnetzer asked Kelly to speak to project financing options available; Kelly noted Tax Increment Financing (TIF), as a legislative body can exempt bodies from tax; not a true exemption; can generate property tax to benefit public with improvements; Kelly noted depending on development the benefit to both the citizen and the community there are many kinds of negotiations; it will depend on the municipality trying to reach the agreement; good because you don't have to borrow against it; reduces cost for building with the public improvements; noted that's taking existing revenue and reallocating for existing projects; noted Joint

Economic Development Agreements; sharing of income tax between municipalities; more revenue and can be directed toward more projects as you see fit; noted another type is New Community Authority; can be used for green field uses and new developments; downside is charge imposed on the property; called a Community Development Charge; noted an improvement of credit for that type of borrowing; not quite as good a General Obligation, but still good; can depend on the development; more based on what market can bear; noted different kinds of TIFs; urban development TIFs; good revenue stream to lessen burden of debt service requirement; noted Special Improvement District; not the same as New Community Authority, but similar; City would have the ability to impact the capacity to work with the County; most of the defaults with these options have been because the developments collapsed financially; Angelou inquired what kind of use would that be for; Kelly replied road, sewer, water, park, healthcare, education; it is a long list; Schnetzer inquired if it could be interjurisdictional; Kelly confirmed; provisions of the law provide municipal control if it is within the boundaries; noted provision that permits the formation of an Organizational Board of Commissioners can preside over; Angelou inquired when the law was instituted; Kelly replied law instituted in '72; changed in '06 or '07; applied to municipalities created before 2012; new provisions after; Schnetzer noted charge created by New Community Authority; Kelly clarified developers bring the petitions and they have to show financial information, projections, and development plan; may contact developer to determine feasibility of the development; noted a unique example with Pinnacle; can do uniform charge on the authority which will start on day one of development with charge; other option increases with value as the value of the development increases; noted similarities with Special Improvement District; can be allocated for enhancement of public services and municipal services, but property owners must agree to assess themselves; two forms of assessment; recommends the 75% agreement level for assessments; has been done, but must support property owners in the process; Kelly appreciates working with the City and thanked Council for the opportunity to speak.

ITEM - From the Director of Finance

Director of Finance Supporting Documents

1. Motion Resolution to Transfer Funds

Item moved to Committee of the Whole for discussion with "2. Revision to the 2015 Unclassified Salary Ordinance" under "ITEMS -

From the Director of Human Resources"

Adjournment

Kneeland adjourned Finance Committee at 8:00 p.m.