

**VILLAGE OF CUYAHOGA HEIGHTS**

**SPECIAL COUNCIL WORKSHOP**

**FEBRUARY 12, 2013**

**ROLL CALL: BIRO, BLOAM, CONTIPELLI, FARAGONE, HARRIS**

**ALSO PRESENT WERE SERVICE DIRECTOR SCOTT  
WALDERMARSON, BUILDING COMMISSIONER NORM CASINI,  
VILLAGE ENGINEER TODD SCIANO, AND SOLICITOR JON  
GREENBERG**

Mr. Contipelli moved, seconded by Ms. Biro to excuse Ms. Duszynski. Biro, Bloam, Contipelli, Harris aye, Faragone no. Motion carried.

The Mayor stated that the reason he called the Special Workshop was to prioritize the Capital Projects before us. Not just for 2013, but for 2012 just starting some of the projects and through 2016. He wanted Council to be aware of options as he stated in his letter that it is his position as well as this administration that utilizing cash for projects in the future will ultimately drain our reserves and we will be unable to purchase capital items such as squads and police cars for what our cash should be made available for. So I am going to turn the presentation over to Clerk Unger, he has done some research into what other communities are doing locally, and how they are solving their financial needs through bond issues.

**CLERK UNGER:**

Mr. Unger went over 5 main parts to borrowing. What other communities do, how they finance their projects, recommended forms of borrowing (bond anticipation notes), availability of funds we can borrow, and what they will cost at borrowing 1, 3 and 5 million dollars.

He chose two local communities, Independence, Brecksville, and the banking institution of Fifth Third to get information on bonding and notes. The unanimous recommendation was using BAN's, bond anticipation notes. Both communities use BAN's to finance projects and purchases, but they also stated that if we were to borrow it should be a need and not a want.

Mr. Unger explained how BAN's work. It is a financial tool to borrow money for Capital Projects in anticipation of bonding them in the future. For the first five years, you only pay the interest and the cost of issuance. If the interest goes up, so does the payment, so at that time you

may want to turn the note into a bond, and lock in the rate. You can borrow as little as \$100,000 or as much as \$5,000,000 or anywhere in between. They let you spread the payments over a number of years.

The State puts limits on how much a community can borrow. The formula for unvoted debt is 5.5% of the communities total tax valuation from "Schedule A" which we receive from the County. Cuyahoga Heights assessed value was \$98,939,930. Therefore we can have a maximum limit of approximately 5.5 million dollars in unvoted debt. We have to subtract the 1.5 million we owe on the Police Station so we can borrow approximately 4 million dollars.

Clerk Unger went over the payback schedule for 1 and 3 million. With banding, at 1 million, the first five years we would pay \$20,000 plus the cost of issuance, and if we borrowed 3 million the payment would be \$60,000 plus the cost of issuance. After the first five years, you must start paying down the principal. He gave Council a chart showing the costs.

So too that the Mayor wants to give the floor to Ms. Biro who works in a town that is struggling right now, Garfield Heights, and how they utilize bonds and notes. Ms. Biro stated that recently they refinanced a bond that they had to get a lower interest rate. Garfield already has a bond rating which we do not, and eventually we will have to get rated by Moody's or someone. This will be an additional cost. Most all of the capital purchases in Garfield was done through notes and eventually turned into bonds. No matter what, that bond or note payment must be budgeted every year. Bonds, notes, payroll, pensions, and IRS, has to be budgeted first, everything after that is for discretionary spending. Many of Garfield's road projects are done through grants and Issue 2 money. She agrees that you have to weigh your wants and your needs. She recommended to the Mayor that we do a five year forecast for every fund.

A discussion occurred about getting a bond rating. Mr. Unger said that there were many different options for financing a bond, and he believes that we can do this without getting rated by Moody's. Ms. Biro explained that this would be an extra cost of up to \$75,000 if we decided to get rated. She also explained that Garfield borrowed for major capital projects; they never had a cash flow.

Mr. Unger explained that we currently have a note on our Police Station of 1.5 million. If Council decides to borrow, you pay off your station in 2016, and keep noting the debt until 2016 and the station debt is paid freeing up \$500,000 a year. Then decide whether to bond or continue to note the new debt. The Mayor also stated that we will have an extra \$500,000 after we pay off our note for the Police Station, but in the meantime, we have a number of issues that we need to address. Currently we have a positive cash flow, but not from income tax, from the cuts we made and the extra revenue we made from dispatching for local communities. We also have incurred some debt because of the Firemen we are keeping after the Safer Grant runs out. In 2013 raises

are due and in the County you are seeing a 2% increase which is average. This adds up to over \$50,000 a year in extra expenses. So he feels it is time to get a plan in place to do these projects.

He turned the meeting over to Todd Sciano, the Village Engineer to go over the many projects that need to get done.

### **TODD SCIANO AND MAYOR BACCI:**

Todd and the mayor went over numerous projects in the Village that needed to be done. The booklet had historical background, costs, dates of repairs, and new costs moving forward. The Mayor made a PowerPoint project to discuss all the projects from roads and buildings to repairs and resurfacings. It was inclusive to current as well as future projects that needed to be done.

A discussion occurred about priorities and putting a plan in place to do the projects we need. But according to Mr. Contipelli we need to look into getting help wherever we can from grants and local funding. The Mayor explained that you are looking at very limited funding from grants and we will probably have to finance the projects ourselves.

The Mayor stated that we have taken in a lot of information, and he does not want to solve the problem today, his concern is that how we strategically put this puzzle together so that when we get into 2017, we will be bonded out and if we have projects for 2018 and 2019 we will have no more money to borrow. Ms. Harris asked if we have 5 million available to borrow now. The answer is no. The Mayor stated that in the next couple years we are going to incur more debt because of the expected raises in 2014, 2015, and 2016. We need to do a five year projection of future revenue and expenses, to see where we are. It will be a forecast and not specific. Ms. Biro explained that it is very helpful. Mr. Contipelli asked if we can ban multiple projects at the same time. Mr. Unger said yes, but if you spread out the notes in different years, you will end up paying more. Do it once and it will be cheaper. Mr. Contipelli believes we should get a BAN once and it should only be used for infrastructure. He believes we should get the loan now and do the projects because there is no way in the future that we will have the money to do these projects. It's an aggressive plan, but needs to be done. The Mayor stated that E.71<sup>st</sup> Street and the Canal Road project cannot be done for 3.5 million dollars with no help from the State or County.

Mr. Faragone believes that the Town Hall should be fixed and completed for one project. He believes that this is his top priority. Over the years, this building has been ignored and nothing was put into it. Ms. Harris asked if our homework then is to put the projects in order of what Council believes are the top priorities, and then we can decide to note out the projects we decide.

The Mayor made it clear, that we are not noting out beautification projects, we are noting out infrastructure such as roads. And these projects have a 25 year shelf life.

Mr. Contipelli made the motion to adjourn, seconded by Ms. Biro, all in favor none opposed.  
Meeting adjourned at 9:00 pm.