

MINUTES OF THE FINANCE COMMITTEE
January 21, 2020
East Conference Room

Present: Councilmembers Bullock, Litten, & Neff

Also Present: Councilmember Rader, Acting Finance Director Schuster, Mayor George, Catherine Swartz of Brickler & Eckler, Jeff Rink of Key Banc Capital Markets, Law Director Corrigan, and a couple members of the public

Call to Order: 6:05 p.m.

Approval of the minutes of the December 7, 9 & 16, 2019 Finance Committee meetings.

Chairman Bullock made a motion to approve the minutes from the December 7, 9, & 16 2019 Finance Committee meetings, which was seconded by Councilmember Litten. All members voted in favor. Motion passed.

Bond Ordinances Discussion

Chairman Bullock gave an overview of the discussion, noting that the point of the meeting was to seek that the city's debt issuances are well done and that the city's series of debts are position to max effect and greatest thrift to the taxpayer. Acting Finance Director Schuster then introduced Catherine Swartz of Brickler & Eckler and Jeff Rink of Key Banc Capital Markets, who have served as the city's bond counsel for years. Ms. Swartz and Mr. Rink then led a presentation on the city's debt portfolio.

Mr. Rink noted that the city has a strong credit rating of AA2, as reported by Moody's Credit Rating Service, which has resulted from the long-time good stewardship of finances. Investors are extremely comfortable purchasing debt from Lakewood from a credit perspective, which has led to the city to benefit from good interest rates when borrowing money. Page 5 of their presentation summarized Lakewood's 2020 debt transaction, which involves borrowing \$28 million in the form of 1-year notes, which has about a 1.80% interest rate assigned to it. \$22 million of the \$28 million is outstanding debt and only \$5.5 million is for new projects. Much of the borrowing is for water/sewer work that the city was mandated to do. While the city appears to have lots of debt, the city's portfolio would appear like many other cities if these water/sewer obligations were stripped away.

Mr. Rink stated he anticipates sitting before the committee next year to discuss the potential to refinance \$6.5 million in debt from 2011 to save the city \$70,000 to \$100,000 annually moving forward.

Councilmembers discussed interest rate fluctuation with Mr. Rink and Ms. Swartz and posed the possibility of frontloading projects to take advantage of low interest rates. Mr. Rink and Ms. Swartz indicated that it would be more impactful to lock in long term interest rates next year and that the indication has been that interest rates will remain low next year. It was noted that it is good financial practice to wait until projects have been completed to know their full cost, which better informs the bonding process. It was added that it may be advantageous to stagger projects over time to make their maintenance/repair schedules more manageable.

Page 13 of the presentation showed who participates in the sale of bonds, with Huntington Bank acting as a paying agent that holds the city's note. Page 19 of the presentation showed Moody's score card for

Lakewood, leading to a final score of 2.55. Normally this figure would have led to a lower credit rating, however Moody's looks behind just the 12 statistics that compose the scorecard, and considers things such as the city's many stable institutions, stable budgeting over time, etc. Moody's does their assessments of each city in the fall annually, sometimes visiting the city and other times gathering information over the phone. Mayor George raised concerns regarding the city receiving a B-grade in the category of debt/pension liability. Mr. Rink explained that all cities in Ohio receive the same grade due to the singular pension system for municipal employees statewide.

Councilmember Rader sought insight into how leadership of a city can quickly ruin its credit rating. Mr. Rink indicated that having an unbalanced budget and having multiple years where reserves were used to plug gaps in the budget due to the presence of more expenditures than revenues.

The committee and the city's bond counsel then reviewed items 1-10 on the Finance meeting notice and the various projects that were associated with each debt. Councilmembers again surmised about the timing of projects and whether that \$5.5 million was enough for new projects. Mayor George cautioned Council about upcoming significant financial commitments that the city has, such as the Cove Church project and the environmental issues found at the former Lakewood Hospital site. She noted that the \$4.7 million in the city's land acquisition fund will not cover the cost of the Cove Church project, as its cost has doubled since last year. Her administration is in the process of meeting with Lakewood's state level representatives to attract funding to the project. Acting Director Schuster also noted the benefits of making steady improvements over time via a capital plan that has been and is currently in place, and its positive effect on maintenance schedules.

Members of the committee briefly discussed street repair schedules, obstacles preventing the demolition of the Vista bridge, and the decision to lease public safety vehicles instead of purchasing them. Minor changes to Ordinances 49-19 and 50-19 were reviewed as well.

Chairman Bullock made a motion to substitute Ordinance 49-19 as drafted, which was seconded by Councilmember Litten. All members voted in favor. Motion passed.

Chairman Bullock made a motion to recommend Ordinance 49-19 as substituted for passage by full Council, which was seconded by Councilmember Litten. All members voted in favor. Motion passed.

Chairman Bullock made a motion to substitute Ordinance 50-19 as drafted, which was seconded by Councilmember Neff. All members voted in favor. Motion passed.

Chairman Bullock made a motion to recommend Ordinance 50-19 as substituted for passage by full Council, which was seconded by Councilmember Neff. All members voted in favor. Motion passed.

Chairman Bullock made a motion to recommend Ordinances 51-19 through 57-19 for adoption by full Council, which was seconded by Councilmember Litten. All members voted in favor. Motion passed.

Chairman Bullock made a motion to recommend adoption of Ordinance 58-19 pending an amendment on the floor that we anticipate from the Acting Finance Director, which was seconded by Councilmember Litten. All members voted in favor. Motion passed.

The meeting was adjourned at 7:27 p.m.