

## **CITY OF ROCKY RIVER**

**July 23, 2018**

### **Finance Committee Meeting**

The Finance Committee Meeting was opened by the Chairman of the Committee, Councilman O'Donnell, at 6:30 p.m. in the David J. Cook Council Chambers.

Finance Committee Members Present: Mr. O'Donnell, Mr. Moran, Mr. Hunt

Absent: Mr. Shepherd

Council Members Present: Mr. Klym, Mr. Furry, Mr. Sindelar (6:45)

Administration: Mayor Bobst, Mrs. Costello, Mr. Thomas

Law Director: Mr. Bemer

Mr. O'Donnell opened the meeting this evening to discuss the financing of the Police Department. Mr. O'Donnell said that Council should have received additional information regarding the financing from the Administration on Wednesday of last week. Mr. O'Donnell asked the Mayor to explain in more detail the thought process behind the financing of the Police Department. The Mayor explained that the results of the feasibility study showed an all in number that included per square footage along with calculations that were at the top end of the scale. From the work that the Mayor, Director Thomas, Chief Stillman and Bowen Architects did, it was determined that the project could be accomplished for \$10 million dollars. The \$12-13 million dollars that was in the feasibility study included the contingency and the architectural fees and was a number to start with that was scaled back. The administration proposes to issue a series of notes as costs are incurred. These notes will be consolidated at some point in the future, probably towards the end of the project to a bond issuance. The city has two revenue streams that provide on-going resources for capital needs: a 1.0 mill capital improvement levy and a ½% income tax. The various purpose bonds will be going off in 2024, making the administration feel very comfortable carrying the short-term notes that provide flexibility in the market and bonding it out at the end. Director Thomas provided Council with Amortization Schedules that shows there is a bond on the Civic Center but there is a revenue source that is attached to that. When that bond goes away so does the revenue source. There is also an opinion from Moody's regarding the very low debt that the city carries. Director Thomas also attached Amortization Schedules for this \$10 million dollars for different terms. The Mayor said that the most important aspect is flexibility. Director Thomas wants, the underwriters want, what Bond Council wants, what everyone wants is flexibility to respond to our needs and the markets. Carry the short-term notes and take the notes to market when the interest rate is good. Along this entire path, Council will receive every one of the short-term notes. All of the awarding for all of the contracts for the construction and construction overview will come through City Council.

- Mr. Furry is concerned about putting the cart before the horse. He is concerned that there is not a contract yet in place. He is uncomfortable with approving this without firmer numbers. He would prefer a fixed rate for the financing.
- Mr. Klym thanked the Mayor and Director Thomas for the information. Mr. Klym feels that the architects have to be in place before the city can get costs, contractors etc. He wanted to see potentially how this will be funded and the planning behind it. The Mayor added that Bowen and Associates have done many of these projects and know the cost per square foot and they have considerable expertise in estimating cost analysis.
- The Mayor asked Bowen to give the city a number it will not exceed and that is where the \$12-13 million dollars came from. The Rocky River project is unique in that the city has to maintain the police services at the same time as construction.
- Mr. O'Donnell said that once the architectural drawings are received that will form the basis to the person who will actually build it.
- Mr. Furry does not have a problem with Bowen. To a lesser extent, he does not have a problem financing part of it. He would prefer not borrowing short term and do as much out of cash flow as possible. He is struggling to expend the \$876,000 for that when there is not a firm grasp as to what this will cost.
- The Mayor said that the fees for architects are generally a percentage of the total project. The city needed to give them a ballpark number with the contingency and their fee.
- Mr. Hunt reviewed the costs noted in the feasibility study. The subtotal construction cost back in September was just over \$10 million.
- Mr. Moran said that all Council believes that there is a need for upgrading the Police Department. Bowen presented an unbelievable plan for the initial investment. The Bowen experience and moving forward gives Mr. Moran a high comfort level.
- The Mayor said after the feasibility study the city received seven architectural service proposals that were reviewed, ranked and interviewed and then the price negotiated. This price was then evaluated by MacKay Engineering.
- Mr. O'Donnell said that Council is trying to ask the right questions to protect the taxpayer's funds. Mr. O'Donnell asked if extending the city's debt would negatively impact the city's Moody rating. The Mayor asked Director Thomas that question and the Administration does not believe so at this level as well as the city's commitment to the fund balance policy.
- Mr. Hunt said that in terms of the structure over X number of years and the issuance of short-term notes, will it take away from the revitalization of the capital improvement

projects being done currently. Director Costello is still planning capital improvement projects and the Mayor has asked her to continue.

- Mr. O'Donnell said that he feels it is important to continue with the other Capital Improvements at the same pace the city has been going.
- Mr. Hunt is concerned about reading this a third time this evening immediately after this discussion on funding. Mr. Hunt suggests that a third read happen at a Special Meeting scheduled for next Monday evening.
- Mr. Moran said that Mr. Shepherd would like to be in attendance for the passage of this legislation also.

As there was no further business by the Finance Committee, Chairman O'Donnell moved to adjourn, seconded by Mr. Hunt.

Vote:	O'Donnell – aye	Moran – aye	Hunt - aye
	3 ayes		0 nays

The meeting adjourned at 7:06 p.m.

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Mr. Michael O'Donnell  
Committee Chair

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Susan G. Pease  
Clerk of Council