City of Portage
Finance/Administration Committee Meeting
(This meeting will constitute a meeting of the Community Development Block Grant Committee.)
Monday, May 14, 2012, 6:00 p.m.
Municipal Building, Conference Room One

Members Present: Rick Dodd, Chairperson; Kenneth A. Ebneter, Carolyn Hamre, Marty Havlovic, Doug Klapper

Others Present: City Administrator Plaster, Mayor Jahn, City Clerk Moe, City Treasurer Lohr, Gil Meisgeier, Council member Rita Maass and Craig Sauer from Portage Daily Register.

1. **Roll Call**
   The meeting was called to order at 6:04 pm

2. **Discussion and possible action on preliminary resolution for capital borrowing for 2012 and 2013 and debt restructuring. Dave Wagner will present options.**
   Dave Wagner from Ehlers to discuss the options for borrowing for the 2012-2013 capital projects. Spreadsheets provided for various options, five, to allow for a single year borrowing or a multiple year borrowing.
   The City has a base structure with net levy of $794,000 approximately for 2012 and a jump up due to a balloon payment in TIF #5, Portage Highlands. It was not expected to go passed 10 years assuming a good revenue stream.

   Each scenario includes the financing of roads, canal and other capital projects. Option 1 generally included all of the financing needed to cover $2,000,000 for the canal and $500,000 in TIF #7 road improvements. Expected the TIF #7 to be self-sustaining based on projected revenues. The $800,000 for the TID 4 is the borrowing of monies from vehicle equipment replacement for the industrial park improvement projects. Option A of the two, generally excluded the $800,000 from the borrowing and assumed cash funding from general surplus.

   All of the options assumed refinancing all debt to save the city around $90,000. Generally, at least 2% in savings and option 1 allows for a more sustainable debt service. All scenarios include the same projects over the next two years. Main objective is to allow for the debt service to maintain at a reasonable amount and peak in 2014 to allow for additional debt issues after that point.

   Each of the scenarios also refinances the water debt. When general obligation debt is refunded, it would be expected to save in the water utility that is not related to the revenue bonds. A separate column for the water utility savings has been added to delineate the refinance under a revenue bond versus general obligation refinancing.

Dave noted that there is a significant savings in the average rate for a 20 year bond issue, the scenarios assume a 15 year 2-3% rate on average.

Multiple debt issues are presented based on the covenants at the state and municipal level. A bond issue is mainly for debt issued over 20 years.
A note would allow for a shorter term and less requirements although there would not be a reasonable debt service level to allow for additional funding of projects. Due to the multiple issues, there are some additional expenses that are a premium on the issue.

A leased or spec building predetermines that there is a taxable bond issue in order to cover debt. Mayor inquired as to the point that revenues that are being utilized to net the debt. Dave noted that in terms of the TIF revenues, the auditor is expected to properly track the revenues as projected. Capital improvement plans tend to be relatively shorter term projects.

Council member Hamre joined the meeting at 6:25pm.

Chairman Dodd confirmed with Dave Wagner the amount of refinanced. Dave stated $2.4 of the $7 million is from the water utility. Mayor questioned Dave as to the type of project that was totally this debt. A portion was for the purifiers and a portion was for the improvements. Originally it was expected to be through the state funded loan program. Mayor asked if the water has been able to cover the debt service on this and the benefit.

Dave also supplied the fact that it will actually be beneficial to the City to use the revenue bonds.

Mayor noticed that the TIF #6 which is the downtown is not included in the scenarios mainly due to only the creation costs on the books.

Debt that is related to the taxable bond are state trust fund loans that carry an interest rate of 5%, state trust fund does have a timeline on a prepayment for the 30 day notice. Mayor checked the terms options 1A & 2A keep the terms within the time of the TIF whereas the other options would assume that the overage would return to the general fund.
It is expected that there is a chance that the asset used or obtained are not over the useful life for the items when tax-exempt is issued.
If a water revenue bond is utilized rather than the general obligation, the amount of savings would be less significant.

At the current options, there would be about an $8 per hundred thousand dollar home. The assumptions would be that the capital projects are not self-sustaining. A number of positives have not been included in these assumptions. The amount of the cash available is still to be determined by the auditors. Generally the differences would be related to the timing of the borrowing, a larger bond issue or a hold to borrow when funding in needed. Whether the timing is all done at once or in increment will allow for savings if the amounts are all refinanced.

Recommendation from Dave Wagner would be either option 2 or 2A depending on the conclusion of the auditor to fund the $800,000 in-house or through a borrowing. Amounts will be moved to the tax-exempt bond to the tax-exempt note column. The changes in the schedule would have minimal impact on the schedule of payments.

With option 1A, the increase in 2013 and 2014 is due to the requirements of the state trust fund loan. Dodd inquired on the ability to shift the use of the funding from a single project to another. When the amounts are bonded versus a note, the bonding requirements stipulate the disclosure of the projects to be completed with the proceeds of the funding to prevent creating an endless debt funding. EDA project has amounts of $900,000 of the total approved projects that would need to be spent to complete the costs of the grant. Funding is not included in the current borrowing amount however; it could be part of the $2,000,000.

Bond attorneys would need to be involved in order to determine whether the canal project could be allotted as a storm sewer project. Dave Wagner did not assume significant increases or decreases in the tax increment revenues. The point has been addressed that the growth factors have been ignored due to the rapidly declining amounts in the housing valuations.

Klapper mentioned that no conversation has been discussed as to the amounts that would relate to the canal project. Are the council members committing to discuss the canal project and the allocation of the projects to the capital plan? At this point, the timeline gives for a 30-day. A determination on the general fund amount would expect before the final resolution for the debt. One of the reasons there is not an advantage is that interest payments are being paid in 2012 if the borrowing is done all at once.

Based on the conversation, Dave will look into the flexibility of the canal projects and the 15 year bond to the 10 year note. Only the $500,000 in TIF 7 appears to be self-sustaining. Klapper commented on the canal money being partially federally funding which is not true of all of the other projects. Timeline on the conclusion of funding should be no later than the second meeting in June. Ideally, the determination should be the first meeting in June. It is the time before the final resolution that would allow for an addendum to the final resolution and the exact amount of the issue whether it includes the $800,000 or not.

Motion Dodd, seconded by Havlovic to recommend option #2 as presented with the not to exceed value of $10,185,467 and maximize the flexibility of the project. Unanimously passes on a call of roll.

3. Adjournment

Motion by Klapper, seconded by Havlovic to adjourn at 7:30pm. Unanimously passes on a call of roll.