

## FINANCE

Tuesday, February 2, 2021 – 5:30 p.m.

via Zoom

Present: Members: Chairman Witte, Vice Chairman Crawford, Alderman Panus, Alderman Gonzalez, Alderman Robinson, and Alderman Anastasia. Others: Mayor William Aiello; Fred Saradin, City Auditor; Bob Ring, Director of Public Works; Keri Kerper, Community Development Program Coordinator; Tiffany Taylor, Managerial Confidential Administrative Secretary; John Alessi, Esq., Hodgson Russ, and Jeff Smith, Municipal Solutions.

### 1. Roll Call

Alderman Witte called the meeting to order at 5:30 p.m. and asked that the record show that all committee members were present.

### 2. Approval of the Minutes of the Previous Committee Meetings (Tuesday, May 5, 2020)

A motion to approve the minutes of the May 5, 2020 committee meeting was made by Alderman Crawford, seconded by Alderman Panus. Voice vote, ayes all. Motion carried.

### 3. Unfinished Business

None

### 4. New Referrals for Consideration

#### a. Discussion with Hodgson Russ and Municipal Solution re: BANs/Bonds

Mr. Alessi explained that he is the City's bond attorney, and that he has worked with many on the Council in the past on financing City projects. He explained that what is being presented for consideration at an upcoming meeting are three bond resolutions. One bond resolution is for Walkable Olean Phase III, one for the North Union Street Streetscape Improvements Project, and one to amend the prior bond resolution for the Washington Street waterline replacement. He thanked Mr. Ring for providing all of the details needed for the authorizations, and explained that any and all of the resolutions can be adjusted depending on what the Council feels is appropriate. He noted that the resolutions require a five person super majority vote of the Council.

Mr. Alessi explained that these bond resolutions are the cornerstone for the City's projects in terms of financing for them. He explained that once the resolutions are in place, the City will be able to work with Mr. Smith and his team to determine how much we want to borrow, and Mr. Saradin will handle cash flow. He explained that typically the City does at least one financing a year and tries to consolidate projects into a single financing to save costs. He explained that

Hodgson Russ provides the legal opinion for these obligations that they are both Federally and State tax exempt.

Alderman Crawford asked, for clarification, if the Council is passing BANs or if we are moving BANs into bonds. Mr. Alessi explained that a bond resolution authorizes the issuance of long and short term obligations with the expectation or anticipation that the City may enter into long term obligations. He explained that these resolutions authorize the City Auditor to move forward with bond counsel for financings, and authorize the City Auditor to execute these documents.

Alderman Witte asked what interest rate the City will have on these obligations. Mr. Smith explained that the City will probably start out borrowing in anticipation of grant funds, and the percentage rate will be somewhere around .7% or less. He explained that we do not know what interest rates will be a year from now when the City may first consider rolling these over into long-term obligations, but he anticipates that the Federal Reserve will keep interest rates low for probably another year or two. He explained that he anticipates rates for a ten year obligation at 1 percent to 1.3 percent and a twenty year obligation easily under two percent. He explained that these are the best rates that they have seen in over 65 years.

Alderman Crawford asked if it is possible to refinance a municipal bond at a lower rate. Mr. Smith explained that it has been done in the past, but right now bonds cannot be refinanced like a standard personal loan. Mr. Saradin explained that in the past the Council has always gone the BAN route because BANs have been noticeably less expensive. He explained that with a bond rate as low as those discussed, the Council may want to consider this as he does not think that we will see anything lower than that two or three years from now. He explained that he would ask the Council to ponder the bond rate versus the BAN rate. Mr. Smith explained that you do not want to bond until you know exactly the amount that you will need to borrow long term.

Mr. Saradin asked if there is an estimated amount of time that it will take to receive the grant funding to pay down the BAN prior to bonding. Mr. Ring explained that a lot of the grant funding is DRI grant funding from the Department of State. He explained that this involves quarterly reimbursements that comes relatively quickly. Mr. Ring explained that the projects will wrap up at the end of this year's construction season, and the project closeout will be closed out by DOS hopefully this time next year. He explained that hopefully most, if not all of the funding will be reimbursed a year from now. Ms. Kerper explained that the DOS reimbursement can actually take a long time. He explained that the first reimbursement requested from the DRI still has not been received from the State. She noted that she learned through the DRI process with the consultant assigned to us that some funds are held for a

number of months until the funding is issues to wait until there is a larger lump sum for reimbursement.

Mr. Smith explained that he can work with the group to come up with a project timeline and when we think we will receive the grant reimbursement and what the long term obligation is, but you never know for certain. He explained that he does not see rates increasing tremendously before next year.

Alderman Witte explained that as far as tonight's meeting, we should just go forward and think about what we want to do. She explained that the rate sounds very conducive for what the community can afford and asked how many years the bonds would be taken for. Mr. Saradin explained that he believes that Washington Street's term would be 20 years and Walkable Olean Phase III possibly 15. Mr. Smith explained that it states in the resolution the period of probable usefulness for each project. He explained that this is the maximum that the borrowing can occur for. He explained that using this number as reference, they can then discuss with Mr. Saradin how long to have the funding taken for.

Mr. Alessi explained that Walkable Olean Phase III's period of probable usefulness is 15 years and the Washington Street Water Project's period of probable usefulness is 37 years. He explained that there are no communities in the City's position that really go out to bond for 37 years, but the law does provide for this time period for payback if it is needed. He explained that the probable life of these two projects does not hinder the bond term in these cases.

Alderman Crawford asked what the total dollar value is. Mr. Alessi explained that the total for Walkable Olean Phase II is \$2,049,372; for North Union Street Streetscape, \$920,000; and for Washington Street, the total estimated cost is \$1,947,000. He noted that the amending resolution for Washington Street does not increase the total bond amount from \$1,350,000 and only increases the total project cost. He explained that these are the maximum amounts that the City can borrow, and we certainly do not need to borrow the entire amount.

Alderman Witte asked if the Aldermen could get a copy of the resolution to read over prior to the next meeting so that if there are any questions they can be pointed in the right direction. Mayor Aiello explained that the resolutions will be sent out to the Council tomorrow, and that no formal action needs to be taken tonight. Mr. Saradin noted that he will get together with Mr. Ring and Ms. Kerper in the next day or so to ensure that they are all on the same page in terms of amounts in the resolutions.

Alderman Crawford explained that he feels that it would be very helpful going into the resolutions to know the dollar values that are being discussed for the BAN and the portion that is being reimbursed. He explained that for the Council's sake and the public's sake, it would be helpful. He explained that when we go to BAN now and then grant funding comes in to backfill

this amount, what the City is left holding will be taken to a bond. He explained that it will probably be a good idea to look at other costs that the City is facing when it is time to take these to a bond. He explained that he has heard some discussion about purchases and big dollar values, and he believes that it will be better to take everything to bond together at one time. Mr. Smith explained that there are fixed costs when the City goes to bond, so it is a good idea to group things together so that you are not being charged the fixed costs more than once when projects are financed at separate times. Mr. Alessi noted that this is typically what the City has done in the past.

Mr. Saradin explained that he spoke with the Mayor this morning, and members of the Fleet Committee need to get together to discuss a couple of items to comprise a list that can be rolled together. Alderman Witte agreed, and explained that a list has been kicked around and it should be finalized to be given to the Council so that they have a better idea of the cost.

Alderman Anastasia asked what the cost of Walkable Olean Phase III to the City is, and Mr. Ring responded that the City's cost is \$165,000. He noted that the two DRI projects have not been bid so he is anticipating bid alternatives for each project to stay under budget.

Resolutions will be found on the Council agenda for Tuesday, February 9, 2021 for the three discussed bond resolutions.

#### 5. Committee Reports

None

#### 6. Adjournment

A motion to adjourn was made by Alderman Witte, seconded by Alderman Crawford. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 6:00 p.m.