

**CITY OF INDEPENDENCE
FINANCE COMMITTEE MEETING
MINUTES
JULY 28, 2020 4:30 P.M.
VIRTUAL MEETING VIA ZOOM**

Present: Chairman Vice Mayor Dave Grendel
Councilperson Kenn Synek
Councilperson Dale Veverka

Also Present: Mayor Gregory P. Kurtz
Councilperson Kathleen Kapusta
Councilperson Jim Trakas
Councilperson Chris Walchanowicz
Finance Director Vern Blaze
Finance Assistant Maggie Osysko
Procurement Coordinator Dennis Zdolshek
Matt Stuczynski, MAS Financial
Michael Perry, CBIZ

Chairman Vice Mayor Grendel called the Finance Committee meeting to order at 4:42 p.m.

Chairman Vice Mayor Grendel said as you can see, the whole committee is here at City Hall. It's good to be back even though we are wearing masks and everything; but it's good to see my fellow members of the committee. Our Finance Director Vern Blaze is here. Maggie is here, and we also have Dennis Zdolshek here too.

Chairman Vice Mayor Grendel said we will wait a second for the Mayor to log on, and then we will be set to go. We do want to be finished by 6:00 p.m. because there's going to be a Mayor's meeting with residents of Second Avenue; and Kenn, Dale and myself, it sparks interest to be at that meeting to hear their concerns and just to get acclimated.

Chairman Vice Mayor Grendel said the Mayor is working to get on, and once he is here we will get started.

Finance Director Blaze said Michael Perry is on, and that's the gentleman from CBIZ that Dennis is working with. So, I don't know if Michael has any time constraints or if we want to just take him first to see if there are any questions on the insurance.

Chairman Vice Mayor Grendel asked Michael are you here?

Michael Perry said greetings. So, ask a question, I don't know where we are, but the subject matter was the current Travelers property and auto and cyber expires at the end of August; and we don't anticipate any changes from that other than we are looking at three under market for

comparison; and we also, and I sent Dennis the attachment, the alternatives for liability, general liability, law enforcement liability and umbrella liability for the City which we spent a whole year last year investigating. I don't know if you folks have those documents in front of you.

Finance Director Blaze said well one, thank you Michael for attending. Two, we did have legislation introduced in July on First Reading for the renewal of the insurance; and we know that it expires that third or fourth week of August. We are hoping that you working with Procurement Coordinator Dennis Zdolshek, that you will have, when you refer to some quotes, some bids for renewing that insurance and whether it's with Travelers or somebody else who is more competitive. You two will analyze that and make the recommendation; and that's what will end up in the final legislation there two weeks from today on August 11th. Is that a doable deadline, or do you think all of your quotes and everything?

Mr. Perry said we will have it tomorrow or Thursday at the latest.

Finance Director Blaze said okay, good.

Mr. Perry said one of the issues is you know this hanging item of liability for the City in law enforcement, public officials, employment practices, the umbrella. There was an e-mail Vern where I think it was you commenting that a lot of other municipalities carry \$10,000,000 of umbrella; and that comment is correct, they do. It's typically tied to the general liability as well for which you folks are self-insured. So, last year we introduced buying insurance for all of those lines of coverage, including the Taft firm as the Administrator of any claim under \$100,000. The cost for that was about \$100,000 a year; and the carriers don't let you pick and choose what coverage you buy. For example, employment practices may be a more volatile area for the City; but the carriers aren't letting you just buy the undesirable line. They are making you bundle the liability with the public officials, with the employment practices and the umbrella.

So, we went back to the market and said hey last year you offered us all this coverage for \$100,000, how does the pricing look this year? The pricing is about the same or exactly the same; and Travelers said we would like to participate in quoting the liability, the umbrella, the employment practices. So, and if Travelers does that, we may be able to make improvements on the property or the auto, and that's what we will know in a couple of days.

Finance Director Blaze said okay.

Mr. Perry said the bigger question Vern is the carriers don't want to engage in some of these activities unless the City is serious about looking at getting away from self-insurance, otherwise it's just a quoting exercise for property and auto and cyber.

Finance Director Blaze said thank you Michael. I know two members of the committee were on Council last year, and I believe it was discussed pretty thoroughly; and the decision was made to not to proceed in getting a general liability and umbrella policy for the City. I guess I just throw it out to the two committee members that were on Council last year and were part of that decision-making process and see if at least, maybe not speaking for all 7 Council members, but for yourselves, if it's something you want Dennis and myself and Maggie and the Mayor to look

into, or is it something you are like just nope we have done without, and we will keep just self-insuring and maybe we will put some money away in the Self-Insurance account and kind of make up for it. I don't know. I just want to hear from you two to give us direction, whether like I said, Dennis, Maggie, myself and the Mayor should work with Michael and CBIZ on maybe getting some firmer quotes.

Chairman Vice Mayor Grendel said if I recall last year, it came in at the eleventh hour because August is the month we have to make a decision, that's with a lot of these policies. So, we did have a thorough report to us, and we decided at that point that we didn't feel it necessary. We heard the pros and cons. We know that sometimes we have to list the reason why we weren't interested, and maybe that sometimes (inaudible). The first \$100,000 I think would be the City's liability, and we didn't see a need for it at that time. We have been self-insured for so many years. Now we have a new Finance Director this year. Chris is a new member, and we have a new Mayor and everything. So, it might not be a bad idea to check that out again and do a thorough review because we do have new members.

Maggie Osysko said I think part of the issue last year was also the fact that some of the Council were concerned about if Greg O'Brien could still handle some of the cases; and I think after the fact they came back with one company that said that they would allow Greg O'Brien to handle cases up to a certain amount Dennis was it?

Procurement Coordinator Zdolshek said up to \$100,000. Mike if you could address that about Taft and also about the dollar amount coverage. It starts at the dollar amount if I am correct.

Mr. Perry said it was kind of hard to hear the clarity of the question; however, I believe it was about \$100,000 and using the Taft law firm exclusively. Last year originally the contention from O'Brien was that they didn't want to represent the insurance company because the adage was the insurance company's rate that they would pay the Taft law firm would not be acceptable, and it becomes a loss leader for the law firm. So, what we did was we submitted Taft's legal fees that they charge the City, and the insurance company said wow these guys are great. They are lower than any panel counsel we would have used. They couldn't believe the rate that Taft is charging the City as a matter of fact. They are very, very competitive. So, the insurance company said we would love to offer the City of Independence all this coverage with \$100,000 deductible; and Taft law firm can adjust every claim at their own discretion up to \$100,000. Once we hit \$100,000, we the insurance company will either allow Taft to continue or we will become co-counsel or we will take it over. Because the first \$100,000 is the City's coffers, they were going to let the City's legal team manage the claims.

To back up a minute, one of the problems with this whole insurance option was getting credibility from the City in their legal fees. The way the fees were recorded historically, whether it was a water main break or a wrongful termination perhaps, a trip and fall, all these things were bundled together in the ledger. It was difficult to present a clean what are the true legal fees you spend with Taft for things that would be covered by insurance. So, because of that, it was kind of complicated to get the carriers to commit to some numbers; but all that information was vetted, and at the end of the day, it is \$100,000 with Taft doing all of the settlements under \$100,000.

Finance Director Blaze said and Michael I had the stuff out and made some copies for the members here. That \$100,000 that Taft would be responsible for, is that separate then, what did you say the deductible is on say a general liability?

Mr. Perry said Vern that is the deductible, the first \$100,000 is on the City. It is a self-insured retention. So, your real cost is the first \$100,000 of legal, plus \$100,000 for the premium. So, in essence you could spend in a calendar year \$200,000 to get \$6,000,000 of catastrophic liability backstop. So, the question is, is it worth spending \$200,000 with legal fees and insurance to give the City a \$6,000,000 bundle of liability to respond to law enforcement, legal, public officials, wrongful termination, discrimination and trip and falls. Is that worth it? That is the question the City has to grapple with.

Finance Director Blaze asked am I correct in that it would be preferable if we were going to pursue a general liability policy and the associated umbrella coverage and so forth, that it's ideal to kind of match that start date with the regular auto and property insurance; but it's not 100% mandated?

Mr. Perry said no, there's no relevance to that Vern, none.

Finance Director Blaze said okay, so then there's not a pressure to make that decision by August.

Mr. Perry said no, there's not. The only pressure is the carriers are trying bundle by leveraging. So, we are trying to leverage your dollars as best we can. So, throwing those things into the mix gives us leverage, but the market is kind of skittish on it since historically the City has chosen to not buy insurance.

Finance Director Blaze said correct. Well I for one would have to do a little more research before I was 100% in favor of this; and again, I'm not a voting member of Council, and I am not the Mayor who signs the legislation. I would have to see what some of the other peer communities in northeast Ohio pay for their coverage because a couple of them that do publish the deductible, Strongsville has the general liability policy and umbrella coverage of \$10,000,000. Their deductible is \$0, and the same with the City of Westlake, they have a \$3,000,000 general liability, \$10,000,000 umbrella; and their deductible on their general liability is \$0. So, when I hear that the quote for us is \$100,000 deductible, I have to see how that compares \$100,000 our quoted premium; and we have \$100,000 deductible. I would have to see if Strongsville and Westlake where theirs is \$0 deductible. They better be paying a couple hundred thousand dollars for their policy compared to ours or otherwise ours isn't worth it.

Mr. Perry said well your liability is \$45,000 to be exact with that \$100,000 retention; and the reason it went to \$100,000 retention was because of the, one of them was the selection of law firms. If you want to have a deductible of \$5,000 or \$0, and again that's just general liability, for your umbrella liability is another \$40,000. So, I don't know what those communities pay. We insure 300 municipalities around the country. We have some benchmarks. It's a function of population. It's a function of credibility of losses, and having the City come in out of a self-insured with no credibility, it is kind of difficult, which is why you want that deductible for the first year to get credibility. To your point, Travelers and Selecta with whom we once had

coverage; they are quoting at \$0 deductible up to \$100,000. So, we are going to be able to give you a spreadsheet in a few days that's going to show \$0 deductible, \$10,000, \$50,000 and \$100,000. You can see the difference in cost of what makes more sense for you if you want to consider it.

You know the market has shrunk in the municipal business, and there's a lot of negativity associated to law enforcement legal liability, especially in the employment practices and discrimination; and these things are exploding in the marketplace. It isn't a buyer's market is what I am saying.

We will have those options for you in a few days.

Finance Director Blaze said I don't think we have enough information to really, I am not comfortable advocating for it yet without knowing some of the details. I don't know about the committee; but if the three of you say hey Vern we were down this road before, and we are fine the way we are. I am not going to put a ton of time into it, but if it's something that you think has some merit given that again Strongsville does have a general liability and umbrella policy. Westlake does. The Village of Mayfield has general liability, only \$1,000,000, but they have an umbrella policy of \$10,000,000. Dublin down in Franklin County is part of a purchasing pool and so is Beachwood and Solon on the east side. There's an east side group of communities that get together. They get their liability and umbrella through that purchasing pool. So, I would have to say as a general statement, Independence is probably in the minority of communities that do not have a general liability policy. We have operated without it, but I can say this, we have that, I will call it a wrongful termination lawsuit working its way through the courts right now from the Police Department when the City was named as one of the defendants. Without a policy, we are just writing checks out of the Self-Insurance Fund every time we get an invoice from one of the law firms working on that case, and it's totaled up to significant dollars already.

Mr. Perry asked more than the cost of this coverage? Has your legal fee exceeded the cost? For example, the employment practices coverage with \$100,000 deductible is only \$5,000 a year.

Finance Director Blaze said I would have to look exactly what we are up to, but I know the case isn't over yet, so whatever we spend today is only part of what it will be in total.

Mr. Perry said as long as it's under \$100,000, then it was a good arbitrage in not buying the coverage.

Mayor Kurtz said Mr. Chairman I have a question. Michael, you had mentioned, if you have this suit we have, I inherited a lawsuit that is costing us a lot of money; and the question is, right now it's being managed out of our Self-Insurance Fund. Did you say that annually is a cost, or is an event a cost?

Mr. Perry said it's an aggregation of a deductible of \$100,000 across all the lines of coverage, whether it be a trip and fall or a liability.

Mayor Kurtz said in this particular case if it goes on over several years, it's \$100,000 event or every year?

Mr. Perry said no, it's the one event where the same litigation is ongoing.

Mayor Kurtz said okay. So, the discipline that the City having inherited this lawsuit, it's going to cost us a lot of money; and we need to be disciplined enough to replenish our Self-Insurance Fund at a minimum as one vehicle. Then we should look at some of these various options that other communities have embraced.

Councilperson Trakas asked how many have we paid out in claims over the course of several years? I don't remember that being in the budget. I don't know what that number was. Have we taken on significant claims in the last several years?

Finance Director Blaze said we have paid out claims. We would just have to go back and see how much was extended out of the Self-Insurance Fund; and not all this is insurance related, but it's the vast majority.

Councilperson Trakas said we use that as a (inaudible) when things happen; and if you could get that for us, that would help me to make a decision.

Finance Director Blaze said one of these suits that we are going through now, it's not just the legal fees; but if there's going to be a settlement, that would factor into it too. I am hearing that settlement, at least with the numbers we have talked about, could potentially be significant, and it's on top of the legal fees. So, it's just always that balancing act, are we not going to have one of these episodic lawsuits for a number of years, or are we? When you are in the throws of it like we are now; I guess it just causes you to maybe take a little closer look at having a policy. The other option is we have the self-discipline as the Mayor just indicated; we throw a couple hundred thousand dollars into that Self-Insurance Fund every year and just keep operating the way we have been.

Mr. Perry said obviously from an actuarial standpoint, you guys have been very fortunate. Again, we don't have the history to know what was paid for, a trip and fall versus a wrongful termination versus a harassment allegation; but now that there's been this one event, that is a matter of fact that there is an open claim pending which goes against your credit report so to speak. So, at the end of the day, and sometimes there's collusion, there's all kinds of wage and hour discrimination going on. There's all kinds of issues that are bombarding everyone with climate related.

To the Mayor's comment or Vern's, this one claim and the settlement, if it far exceeds what the insurance policy would have been to get \$6,000,000 backstop; then that's great if it's only one event. The fact that you have had only one event is a wonderful thing. We are not seeing that kind of history. We are seeing a lot more activity. So, the City of Independence has been very fortunate in not being loaded up with 3 to 4 to a half a dozen of these types of claims a year with different allegations. Not to mention, with this law enforcement and legal, we are seeing a lot of litigation, wrongful arrests, abuse. There are all kinds of optics on that, and again, all you are

doing is spending \$100,000 to buy pre-paid legal fees. Once you hit \$100,000, you get \$6,000,000 as a credit card limit.

Mayor Kurtz said well Michael, that's the monetary cost. There's a tremendous amount of distraction that you can't put a monetary value on, but historically but for the last couple of years, historically we have had a great record of managing cases. You are right.

Mr. Perry said you are absolutely correct, and distraction, once you turn it over to Taft and to the insurance company, hopefully that distraction is entrusted to others to minimize and dispose of this in the most expeditious way possible to where you are not involved daily in making decisions on it, what should we do? Should we throw a settlement? Should we not? It just gets handled, and you know what your stop loss is. You know immediately it's \$100,000 and what happens after that is not relevant unless it exceeds \$6,000,000.

Finance Director Blaze said and Michael, you get that \$6,000,000 by adding the \$5,000,000 umbrella plus the \$1,000,000 in general liability. How are you arriving at that \$6,000,000?

Mr. Perry said that's absolutely correct, \$1,000,000 primary and then \$5,000,000 per occurrence.

Finance Director Blaze said okay.

Mr. Perry said so we will have a spreadsheet in a few days, and I just think you should take heed to the \$0 deductible, the \$5,000 and \$10,000; and we will have 3 different markets that are interested in providing options and do give it the attention and see if we want to carry it to the next level of securing the coverage.

Chairman Vice Mayor Grendel said hopefully we will have that information, you will share it with us then. It's not time sensitive, I understand that we don't need to vote on something like that in August; but the other insurance we do I guess. I think that the more information we can have, you can talk to other cities, what they do and get input from the Mayor. We will make a decision on that maybe a month or two down the road since there is no pressure.

Mr. Perry said that's fine.

Chairman Vice Mayor Grendel said because I remember the presentation last year, I think it was later in the year. It wasn't in August. I believe it was in maybe September or October. I think it would behoove us to revisit that again since we have a new executive, two new Council members and everything to take a look at that one more time in light of what's going on too with that lawsuit.

There wasn't any legislation introduced on First Reading Vern in July. The only thing we have rolled over to August is the bond ordinances. Everything else was voted on in July. We approved CBIZ as our representative.

Finance Director Blaze said oh okay, but not the insurance.

Chairman Vice Mayor Grendel said that I believe we have to approve here in August. I guess 4 Council members are here, and maybe we can do a little more investigation and revisit that again.

Mr. Perry said what we are doing at CBIZ, it doesn't really matter to us who the carrier is and whether it be the pool, which is a claims made arrangements which exposes the City to some payroll issues which I won't bore you with right now in that pool. However, whether it be a pool, whether it be self-insurance, whether it be no deductible or \$100,000, that's up to the City to decide. We are simply maintaining a consulting fee, and there is no commission on the product for I think, I forget what our fees was. I think we committed forever since we have done this at \$10,000 a year regardless of the premium; and that's what we are doing even with this other coverage. So, we are just being consultants, telling you what we think you should do and giving you options. There is no, we are totally transparent on what carrier, what market you should be in; but Travelers being in the City, they have thought that because they are a taxpayer in the City that therefore there would be preference to them. Three years ago they weren't the carrier, we moved to Travelers; and they did reduce the cost from where it was with Selecta. Selecta is one of the largest writers, and they do Cuyahoga Falls and a lot of municipalities locally; and they are very competitive and they wanted back in this year. So, we are going to have their options as well, and the politics on Travelers. It is the tale of the tape. So, they may be great, but if they can't be competitive regardless of the nature of their relationship with the City, that's your decision again.

Finance Director Blaze said well it looks like we will have some competitive pricing to look at, and then that decision to factor into too given that Travelers is a taxpayer here in the City of Independence too.

Chairman Vice Mayor Grendel said very good. Well Michael thank you. We look forward to your input that you are going to give to us on Council as well as the Mayor and Finance Director; and then Vern if you could get us input from Westlake or some of the other communities what they do. With that information, we will definitely revisit this, not probably in August but maybe September or October to make a decision.

Mr. Perry said and we will also include a benchmark report that gives you a benchmark against other municipalities with your population size and revenue size relevant to what they are doing on a countrywide basis so it won't be limited to northern Ohio. We could give you a benchmark across the country and see this is what municipalities of your size are doing for insurance. You can draw some reference from that as well.

Chairman Vice Mayor Grendel said very good. You can't have enough information as far as for us to make a decision. Thank you Michael. I guess Vern you will pass that information on to Council after you receive it.

Mr. Perry said I will work with Dennis and with Vern, we will get you the documents in the next several days. Thank you all, and we will be in touch. I am glad to revisit or do whatever is appropriate at your convenience.

Chairman Vice Mayor Grendel said thank you Michael.

Finance Director Blaze said so Debi there's another legislation request. I don't know if I have to put it in formally or if you and Donna will just work on that with Dennis to have legislation on the August 11th legislative agenda for the property casualty insurance.

Procurement Coordinator Zdolshek said Vern, I have already submitted the request.

Finance Director Blaze said okay, good.

Chairman Vice Mayor Grendel said we have had that for every year in August for as long as I can remember.

Finance Director Blaze said it's so hard to introduce it in July because they won't quote prices until within less than 30 days of the expiration date or something; so that's why these quotes aren't coming in until the last part of July because the coverage expires in August.

Chairman Vice Mayor Grendel said right, and that's why we always have to vote on it, we don't have a chance to put it on Second Reading, we have to vote on it in August.

Finance Director Blaze said it's an annual thing so it's not like it's a surprise; but it's just you are approving the carrier and the premium.

Chairman Vice Mayor Grendel said getting back to the agenda, we will finish up with one and two, that's the primary. I know you had given us information Vern on the process with the Five-Year Capital Plan.

Finance Director Blaze said and that's all I really had, it's just to let you know that we started that ball rolling with Directors. The goal is to pass a 2021-2025 Capital Improvement Plan by the December meeting. We are starting in July so I have been able to take that off of Maggie's plate which I know she was trying to juggle so many balls there for last summer and last fall until I came aboard. I think we should be much more ahead of the process this time and actually put a document before this body that is more realistic for us to discuss and debate at that time instead of having way more listed in there than realistically can be funded.

Chairman Vice Mayor Grendel said I know you mentioned in your memo to us that you added for 2025, you added a line for property acquisition. Is it possible for Council to get a draft of this same document so that we have some kind of reference?

Finance Director Blaze said it's basically the document you adopted in December, and I just added a column on the right that says 2025, and I added a column below that says Land Acquisition, but there's no dollar amount in there yet. So, I could provide that for you, but there's really nothing more in there. So, until I start getting the feedback from the Directors who then sit with the Mayor, and they will figure out each of their requests and then that whittling process will start.

Chairman Vice Mayor Grendel said very good. Thank you. So that basically covers the Five-Year Capital Plan, just that you have started the process, and hopefully we could get it on First Reading in November, that would be ideal. Then we have input and everything and approve the finished product in December.

Finance Director Blaze said we will make that a goal.

Chairman Vice Mayor Grendel said and now we will go to the main part of our agenda which is again, it was on First Reading at the July meeting. It's the companion Ordinance 65 and 66, and from my understanding in reading your memo and some of your information is that you would like to see both of these get approved in August to give you the flexibility when the time comes to move in either direction.

Finance Director Blaze said correct, and only for that reason that the municipal debt markets have experienced a little volatility this year; and you if you saw some of those charts, both long term and short term rates were quite higher for a period of time there earlier this year when the Covid hit and the market kind of got spooked. Our financial advisor, Matt Stuczynski, is on line with us, so he could chime in if needed and add to anything I am saying. We don't know what's going to happen between now and when we have to pull the trigger on either renewing the notes or selling bonds or a hybrid. You have an election coming up. You have riots in cities. You have equity markets that some think are way ahead of earnings, and that's shooting for a fall. It's just so many unknowns, and so I think the City would best be served by being able to exercise either option when the time comes based on what's happening in the worldwide economy, what's happening in the U.S. economy, what's happening in the municipal debt market at that point and time so that we could make the best decision for the City based on the existing conditions at that time, not trying to make a decision here in July thinking we know exactly what those conditions are going to be in September or October, plus or minus. So, that's the goal. If Council disagrees and wants to pass one or the other or neither, that is Council's option; my preference is to pass both. I think Matt you could attest to the fact that you advise a number of municipalities across the State and maybe one even over State lines. I believe we are not the only municipality that you work with that are going down this path. There is at least one if not more have tried to give themselves the same flexibility; is that understanding correct?

Matt Stuczynski said good afternoon all. It's nice to join you. We have seen because of what has been described as volatility and uncertainty, the path that many Councils have at least considered is to have at least the safety net for their strategy. If they choose to proceed down the pathway of bonds, that's fine; but should the bond market be disrupted and the notes provide them with some safety, that's a nice alternative to have as a financing alternative.

In addition to that, I think back to last year where we suggested the City Council when they also voted to roll the notes, that we would revisit the issue of notes versus bonds going on a yearly basis and bring forth the concept of what should we do with the outstanding debt profile? Does it make sense to issue bonds and convert some of these to long term fixed rates or keep some of it in the form of short term notes? So, for both reasons, Council is being asked to consider the legislation that provides you not only with security but with the strategy to issue both long term, short term with some hybrid of notes and bonds. It really fulfills two goals.

Finance Director Blaze said thank you, well stated. So, that's it in a nutshell. There's really nothing new to report except some of the charts I see Vice Mayor you are holding them. You know I have a real estate background, and one of our tenants is comparables. You have a house, you compare it to other similar type homes that have sold recently. The same thing to try to get a handle on at least what the current short term note market is and what the long term bond market is, I have been trying to keep track of a lot of Ohio municipalities, the ones issuing some one year notes and what those rates have generally been. Matt will caution that the yield column, that far, far column to the right, it's not everything; but it's everything I have available to me as far as the rates. The actual yield might be a little bit higher than that, but I think the point is you can see just from April when all these short terms rates were 1.55%, 1.3%, 1.6%, and now it's seems like it's all the .35%, the .50% range. The same if you look at that bond offering; there hasn't been as many, but there are a number of cities locking in some rates. On this spreadsheet, I only go back to May, but even since May, in the last 90 days, the yields that municipalities are able to lock in rates for has gone down significantly; so I try not to talk about it too much. I am just hoping that this current market stays stable for another couple of months when we get to exercise our option and that we are able to take advantage of what I view as favorable market conditions either way right now.

You look at historically where rates have been and any of you that follow whether it's mortgage markets, or municipal borrowing markets, we are at some pretty darn historic low times here if not at least in some markets, all time lows. So, it is a good time to be exercising one of these options.

Chairman Vice Mayor Grendel asked is this an all encompassing or just a sampling in the State of Ohio because it seems like there's far more municipalities going with the notes, the short term notes as opposed to the long term bonds unless we don't have the full list of communities.

Finance Director Blaze asked Matt do all communities post on that or is that just select ones that participate or is that most of them?

Mr. Stuczynski said it's required that they post on EMMA, and for the most part they comply; but I won't say you have every one. Generally speaking, there's more notes that are issued on an annual basis than bonds; and only because over the course of a year there might be cities that issue 2 or 3 or 4 different notes where they just might do one bond issue every 2 or 3 years. You will likely see, I think on that list that Vern has supplied, you might likely see somebody like Lake County or Lorain issue multiple times on that same list where they have multiple notes. It's not uncommon to see more notes than bonds.

Finance Director Blaze said and the note one does include April and that whereas the bond one only goes back to May. So, I think some of the rates I was seeing earlier than that weren't really applicable; so I cut those columns off. The note offerings, if you look at that sheet, and there are quite a few of them; but one thing that all of them have is they are all under \$10,000,000. They are all single digits left of that second column; whereas we are looking at something in that \$15,000,000, \$16,000,000 range, and no community, the ones that I found in Ohio. I tried to just list cities, villages or townships, I haven't included like counties or school districts in some of those bonds. I wanted the borrowings to be apples to apples, but none of them have gone out for

one year notes for anything excess. What's the highest I see here, \$8,100,000, that's the highest. So, we are more than double that. We will be about double that for what we renew. That could be telling too that most of these communities don't have the size of debt that we do; and therefore, they have chosen to keep it more in a short term instrument compared to the total debt load that the City of Independence has currently.

Councilperson Synek said my comment, or observation with what the Administration is asking Council to do, if I understand it correctly, the Administration is asking Council to pass both of these ordinances which if that comes to pass, with viewing things, Council will have taken itself out of the equation of deciding how this comes out. It will be turned over to the Administration, the Administration only to decide in December whether to go long term or short term on these things. It eliminates Council from further involvement in this decision, and that leaves me very uncomfortable.

Finance Director Blaze said okay well, one is before December. They mature in December; so there's a 90 day window when we could start the, not start but affect the sales, so that's as early as early September. It is a proposal that hasn't been proposed here in Independence before, and the previous Finance Director would always go with single option and it's just notes and renewing those notes. The bonds were a separate deal, but these specific notes dealing with some of the infrastructure projects in our commercial districts, where his m.o. is just notes, notes, notes, one year, one year, one year. So, there was only a need to present one option to Council.

I think you are getting the sense that again I can't read what the market is going to be, but let's assume that the markets stay the way they are. You saw, I shot an e-mail out yesterday that I personally am gravitating toward the bond one, that if we could, I heard you talk Councilperson Synek about maybe not doing a 20 year if we did bonds, doing something less than that. I am not so comfortable maybe going with the 10 year because that would increase our annual debt service a little bit, but I am comfortable, I am looking at a maximum of 15 years and locking in what hopefully is an overall rate of all the different tranches of the sub bonds within the master bond I will call it of something less than 2%. So, if it was just me, I would be advocating for 2020-66 and asking Council only to approve that; but I think it's also smart as I have stated and the financial advisor, Matt Stuczynski, has stated that we kind of need something in our back pocket just in case this bond market blows up for whatever reason between now and September or October when we could do the sale. If we only pass the one, and we don't have that other option available, we are stuck.

Councilperson Synek asked if we pass both, it is your decision then at that point?

Finance Director Blaze said it is.

Councilperson Trakas said to your point, if it was something that you could consider, you could add a clause in the legislation that it will be confirmed by the legislative body at the next meeting; and that way you could put all the information in there about the competitive bid and how they bid and everything. Then you could have a separation.

Councilperson Synek said it does Council no good if you approve an action after it's already been taken.

Councilperson Trakas said at least have the opportunity to see whatever the rates are, you should be able to get a lot more competitive bidding. It should be acknowledged, and at the same time, it's also accepting the bid in a sense, do you know what I mean?

Finance Director Blaze said well let me ask, there's 6 of the 7 Council people on line and the Mayor, this is not an Executive Session so we could, tell me your opinion. Would you prefer one or the other, or are you comfortable with both? If there is a consensus amongst the 6 of you, and we find out where Councilperson Narduzzi is, maybe we don't need both on. If both aren't going to get passed, and everybody, or at least 4 people have a preference for one or the other, then maybe that's all we need to do. I am just here to affect whatever the legislative body and the Mayor decide; but I have presented what I think is a viable option, and that's making sure we have some options available to us; but if Council decides it's just one or the other at the August meeting, well then be aware that we are locked into then. We don't have that other option available should the municipal debt market get a little topsy turvy.

Councilperson Synek said my concern is what's on the table takes it out of Council's hands and turns it over to the Administration at its sole discretion. That's not good policy.

Several people began speaking at once.

Councilperson Synek said if there's only one choice to approve because again the way this is playing out now, Council would have no further say in what the Administration chooses to do in terms of short or long term; and that's not a good place for us to be.

Finance Director Blaze asked do you have a preference for one or the other?

Councilperson Synek said well I think there's also further discussion that needs to happen in that regard. I have asked twice for a forecast of revenue by TIF district because there's a revenue stream that's available to resell these debts that we have not considered. None of us know what that revenue stream is for each one of these debt obligations, and until we know that, it's hard to fathom. That revenue stream could be enough to retire the debt in 3 years, or it might not be enough to sell it in 20 years. Until you know those things, it's hard for me to make a decision about long term versus short term and exactly how to do these things. Again, that TIF revenue stream, my way of thinking and maybe some will disagree; but the major purpose of those funds is to retire this debt, and we haven't really discussed at all or considered at all what those dollars are.

Finance Director Blaze said I appreciate that. I have stated numerous times though that I take the attitude, these are not revenue notes or revenue bonds that are only backed by TIF revenue. If they were, the interest rates we would be paying would be a lot more because to get favorable borrowing rates, either notes or bonds, these are general obligation instruments, but the full faith and credit of the City is (inaudible) income tax, property tax, hotel/motel bed tax, amusement tax

and TIF. All of that is available. So, I look at the entire revenue stream versus just that one component.

Mayor Kurtz said a couple of things. It's almost like you are in the middle of a card game. We don't know what the rates are going to reflect in a couple of months; but we certainly need to know or get a flavor, and I think the purpose of these discussions is you get a better flavor of every person's thought process relative to how much they want to take on, how they want to pay back that debt. I think if you are talking, TIF generates a couple of million dollars a year for repayment purposes. You take \$17,000,000 of debt, I happen to agree with the Finance Director. If I can lock my exposure in at less than 2%, I am a buyer because I know fixed principal, I know what I am going to be paying in interest; and I know that the component of that debt structure is managed. If we take on, if the opportunity would present itself, and we would see a new economic development opportunity where we needed another \$10,000,000 or \$20,000,000, we still have some flexibility then. Matt, is that accurate or is it pie in the sky?

Mr. Stuczynski said I think that is reasonable what you are suggesting, and I guess I would say it this way to try to simplify the math. You are exactly right, the City receives about \$2,000,000 worth of TIF as of last year; and that's expected to continue assuming that the value of the properties that generate that TIF continue to be equal to what they are now. That's a big if in this environment, but let's assume that there is \$2,000,000 worth of TIF revenue coming in on an annual basis. For the next 8 years the City pays almost \$1,000,000 in debt service, non debt service already incurred, okay. There's about \$1,000,000 left over, if you assume that the revenue stream is flat. Now we hope it grows, we expect it to grow. We have some TIF projects that are hopefully going to produce some value that will increase the amount of TIF revenue; but who knows what that's going, whether or not that gets produced, or that's just an offset to what might otherwise be declines in TIF revenue by those who appeal or challenge their current value. That's a reality we have to face that it's likely going to happen.

I will share one instance with you. The City of Avon had a building that was appraised. It wasn't an old building, it was inside of 3 or 4 years old that was valued at \$17,000,000; and it recently appraised at \$10,000,000. These office buildings, and you can assume that folks will start to challenge, that's happened in downtown Cleveland; and when one catches word that it's being appraised lower, the word spreads and it's a downhill thing. So, we have to be a little careful here about projected TIF revenue, and it's one of the reasons we are trying to manage this debt but also maintain some flexibility. Just like I said, keep an eye on what the existing revenue stream looks like, measure that against what you already obligated to pay, but at least the next 8 years you have about \$1,000,000 and then it falls off.

Mayor Kurtz said so for the next 8 years what you are saying, even if we were to lock the \$17,000,000 to 15 or 20 years, you are going to have \$1,000,000 or \$1,200,000 in principal, plus the \$1,000,000 that you are going to have for the next 8 years. So, you're really not in a bad position so to speak if things stay relatively flat.

Mr. Stuczynski said if things stay flat, in the next 10 years you will be taking all your TIF revenue and applying it to existing debt or existing bonds and current notes converted to bonds.

Finance Director Blaze said still that existing TIF revenue is not enough to service the annual principal and interest on the combined notes and bonds. We are still supplementing the TIF revenue.

Councilperson Synek said that's a question that needs to be answered Vern. It's the very question I have asked you twice now.

Finance Director Blaze said I just provided that to you guys yesterday. It shows whether if it's a 20 year bond at 2%, our total annual debt service is \$2,400,000. If we go down to a 15 year, that's \$2,600,000. The annual TIF revenue last year was \$2,179,000; so we are supplementing it already.

Councilperson Synek said but we need to know that TIF revenue by TIF district to match it against the specific TIF debt because the ceiling debt.

Finance Director Blaze said it's not TIF debt. None of this is TIF debt. It's general obligation.

Councilperson Synek said I get it, but there is a debt associated with the Selig Road project that also has a TIF revenue source associated with it. We need to match that TIF revenue against that Selig Road debt. We need to match the TIF revenue from the northeast quadrant against the debt that's in the northeast quadrant and see where we are at with those cash flows to the extent that they can or cannot satisfy that debt. It's an open question as to whether or not those cash flows from that TIF revenue is enough to pay off that debt in and of itself.

The other thing about TIF revenue is that if the City doesn't have a need for the revenue, the TIF will not be renewed by the County, except we have debt, to pay off that debt. That revenue source is viable because we have the debt, and to me knowing, it's kind of like house money if you will, the TIF revenue. If there's no debt, we might not collect the TIF revenue. So, the interest rate risk is less in the TIF because there's a revenue stream there. That's why I become less concerned about the long term interest rates change in the TIF districts then I would with perhaps other debt because we have this revenue source that wouldn't be there but for the debt.

Finance Director Blaze said well, once we pay off all the debt that you attribute to the TIF districts, we have all the debt that we owe ourselves, all the advances from the general municipal income tax fund to these TIF districts. That's the only way we have been able to do what we have done is by borrowing and advancing millions and millions of dollars; and it's up to \$18,000,000 or \$20,000,000. So, it's going to be a long time before the County has a leg to stand on to deny us the renewal of a TIF because even if our debt was down to zero, we still have \$20,000,000 of advances to pay to ourselves. I am not concerned about the TIF revenue, the TIF districts being waylaid by the County because we pay our debt off.

Councilperson Synek asked isn't that sort of a double counting in that interfund debt and the third party debt? It's my way of thinking, and correct me if I'm wrong, the TIF fund will receive TIF revenue. That cash comes into the TIF fund which can then repay the advance to the City's General Fund. The money that lands in the General Fund, that same money can be used to repay the debt to the third party. So, there's a linking there, and that will amortize the internal debt over

time, at the same time it's paying off the external debt. They are linked together, if you follow the debits and credits and bouncing ball of the cash. The one will get paid off basically at the same rate as the other, but again I need to know, we need to know to be able to evaluate these things, that sort of revenue by TIF district against the debt that's outstanding.

Mayor Kurtz asked why is that so important?

Councilperson Synek said let's say we have \$100,000,000 debt on TIF project A, and the annual revenue from that TIF district is \$100 a year. We know we have a problem, but on the other hand, if we have a TIF district with \$10,000,000 that's going to generate \$20,000,000 of revenue over the next 10 years, we have no worries about covering the debt, the interest, whatever it's going to be even if long term interest rates go up, we have it covered because of the TIF. Right now I am flying blind. I don't know where we are revenue to debt in each one of these TIF districts. So, it makes it very difficult for me to understand at any rate whether to go long or go short or pay down or accelerate payments without knowing what the revenue stream is associated with each individual line item of debt.

Mayor Kurtz said I'm not sure, maybe I'm just a businessman; I don't know, I just look at how much money is coming in and how much money is going out and how much do I owe. How am I going to pay it back and when am I going to pay it back? So, I don't look at every individual TIF district. I look at how much we owe, how much revenue we have coming in, different sources of revenue; and I guess the question is, Council has to just decide if they are willing to create some flexibility, and they are willing to go long on some things and go short on others. I don't know if it's that complicated. I don't want to make it more complicated by talking about individual TIF districts when I already know that when the analysts look at it in the aggregate. I have never heard of an individual TIF district calculation being a factor in terms of our financial ability to move forward; but maybe I am out of touch.

Councilperson Synek said candidly I do believe that there's some institutional knowledge that left with John Veres. He had that in his head, and in his experience. He has since left the building, and we are less well off because of it. To John's credit, he handled that stuff masterfully, and none of us had to get involved.

To your comment Mayor, I do agree with you, it would be good to have flexibility to go long on some of these things and short on others; but I think that's a decision that needs to be made by Council, not for Council to just hand over to the Administration and say do what you think is best. I don't think that's the right approach.

Mayor Kurtz said well I don't think that's what the Administration is saying. The Administration is saying one, are you open to flexibility of going with bonds or just notes? If the answer by the majority of Council is no we want to stay with the current policy, that's a decision, and then we follow that direction. If Council says they are open to notes and bonds, then tell me the cap on the bonds. If you don't want to give me a cap, then tell me, make a decision; but anything we decide is going to be in the best interests of the City. No one is blind on this. I don't feel that is the case at all. I think everybody, look we are having these discussions; and these discussions are going to generate opinions of 7 members of Council who have to make a decision. All I am

suggesting, I support the Finance Director's willingness to be, I advocated for last year. If I can lock in for less than 2% any money I could ever borrow, public or private, I am a buyer because I know my fixed debt structure, and it's a discipline when we look at \$10,000,000 or \$20,000,000 projects down the road. We have a discipline and have to have some discipline to be that flexible.

So, that's the theory behind my strategy, what I believe is best for the City. If the rates are above 2%, I am not really a buyer; but sub 2%, I don't know guys. Sure, the bonds are good, the notes are going to stay low for some period of time; but at some point, we are going to have to pay back debt. I want to make sure that the City has some heads to be able to protect itself knowing that here's what I have to pay to stay in good standing with the bonding agencies. Here's what I am going to pay, and as long as I pay my bills, they can't change my rating.

I am just confused a little bit as to the need for some of these details. I understand new wanting to learn that, and that's fine. You are sophisticated enough to know that in the aggregate, you are going to make a decision. This legislation is one of 2 forms, and that's really the decision.

Chairman Vice Mayor Grendel said I think Councilperson Trakas you had a comment.

Councilperson Trakas said just to answer Vern's question, I vote to go with both strategies and see what the best deal is at the end of the day. If it comes to November, December, whatever it is, you guys make the call based on the negotiations, the markets and everything else. I think that giving you that flexibility we talked about makes sense to me, and I am still wanting to go along with that.

Mayor Kurtz said if you are sub 2%, then you have to say you would be willing to go with some bonds. If you are not willing to do that, that's okay. I guess we just need to know.

Chairman Vice Mayor Grendel said and Mayor I agree with you. I think if we can get a long term rate less than 2% for as many years as the bond will be, I think we have to take it. In the simplest terms, we all have had mortgages on our homes and everything, and we have all had probably fixed, and some of us have gone variable and everything. You take a risk if you go variable, you never know what's going to happen, especially with an election coming up this year and how volatile the world is. You are taking an awful risk if you are going to go on a year by year BAN policy because there's going to come a time that we are going to shoot ourselves in the foot; and all of a sudden you will get interest rates maybe 3 or 4 or 5 times greater. If we can lock it in at less than 2%, I like that parameter if we could do that, to pass with the idea that we go with bonds at less than 2% because I think that's a bargain. I don't see rates 10 years from now being as low as they are now, but that's my decision giving the flexibility and the trust that you know if it's going to be above 2%, then we might want some mixture of the 2 or maybe go with all BANs again. If it's 1.85% or 1.9%, I think the time is to lock it in; that gives us some kind of certainty in planning for the future and that.

Councilperson Veverka asked how fast can we anticipate this bond rate to change? Basically, the bond rate has gone down fairly slowly. If any place in the last 5 or 10 years, we would have jumped into bonds at that time, we would have been big losers, correct?

Finance Director Blaze said I'm not so sure because last year in August 2019 when Council was making this decision, they actually had the inverted yield curve at that time where long term rates actually went lower than short term. So, had you been able to sell the instruments then in August, you could have locked in a rate long term less than you could have short term. I don't know what it was at that time, but you could see on either the notes or the bonds how much they have changed just since March and April. They have gone down significantly, both on the long term and the short term; and there's volatility out there. I can't call what's going to happen on the stage over the next 30, 60, 90 days. Any singular event could cause mayhem. Will it likely happen? I don't know, but it's good to have some options if it does.

Councilperson Trakas said to complement what you are saying, every country in the world is massively (inaudible) its spending due to shutdowns. There's very little coming in, and there's a lot going out. So, that has to have influence on the world market. It has to have an influence on the American market. By the time you are looking through this, you will know some of the election results in terms of the markets how they behave based on the election results because they swing pretty quickly. So, I think you need that flexibility because there will be some wild swings, and if the countries all shut down again. They are talking about doing that; it will have an impact on us. You just referenced that, during the shutdown interest rates were a lot higher, marginally higher than they were today. I guess I just think it's so hard today, you have a game day decision, and I think as many tools as you need, I think you should have.

Finance Director Blaze said our income tax peaked in 2018. Last year in 2019 it actually turned the corner down. It was slightly down from 2018, and this year we are \$500,000 from last year. Maggie and I are looking at the tax position right now, and if you watch the monthly reports, you have \$18,000,000 sitting in those CD's at Independence Bank. We have just been able to renew them. Well we are looking now that we have 2 that are expiring the first week of August, and we don't think we are going to be able to renew those. We are going to have to let them expire and put them in money markets so we can pay our day-to-day bills. Is it in the end of the world to go from \$18,000,000 to \$17,000,000? No, but it's maybe the first chink of hey you know you guys have been pretty steady for quite a long time here. You have been able to weather anything pretty good, but you put this \$18,000,000 in CD's with Independence Bank at a real nice rate. Well guess what, now I don't know, if it drops down to \$17,000,000, is a short term thing? I don't know, but it's starting to mirror what happened with income tax. It peaked, and now it's going down a little bit. We have this \$18,000,000 for a while, and now we are going to have to go down to \$17,000,000. We have to watch the income tax collections, watch everything.

So, it's kind of exciting. It's dynamic, but it's anything but a stable environment in any business, city, financial world right now. There's a lot of variables going on, and I see a lot of those Second Street people walking in, so we are probably to our end.

Mayor Kurtz said Councilperson Kapusta would like to speak.

Councilperson Kapusta said to Vern's question. First of all, we used to in the past, we would pick one option because the past was the past; and even when my husband and I had talked about like our own family finances, he would say well this is how we are moving forward in

retirement, and that's such a major world event unless there's a pandemic. He actually used those words, I will get to him later.

We are there, and I think that our Finance Director's proposal of us having the options, we vetted those options thoroughly. I have not heard anyone say well that's absolutely bad, and the majority saying I don't want to do that. I think we are in the best position to maintain the flexibility by looking at both options.

I respectfully disagree Councilperson Synek with your implication that we are giving up, and we are passing over that authority somewhere else. I don't see it as an abdication of authority. I see it as an acceptance of responsibility being that right now we are in such a fluid situation, we want to position our City because that's what we are all here for to do the best by our City; and that doesn't only include the 7 of us. It includes our Administration. It includes our Finance Director, who I don't see as oppositional to us. I see as them working in tandem in the partnership with us. If we believe that, then I want to give them the tools to make the best decision at the optimal moment in time; and therefore I would support having both of them available.

Chairman Vice Mayor Grendel asked Councilperson Walchanowicz do you have any comment?

Councilperson Walchanowicz said I agree with Councilperson Kapusta and Councilperson Trakas. I think we need to leave our options open, and like we all said, if we can get a low interest rate and hold that for "x" amount of years; it's a great business decision. I agree with the rest of them.

Chairman Vice Mayor Grendel said thank you Chris. I think the revenue that TIF generates really has no bearing on this decision at all. The money is used to pay back some of it; and the bottom line is locking in a certain interest rate. Whether the TIF revenue is up or down, we still have to pay back the general obligation.

Finance Director Blaze said the current TIF revenue in total, I have not done the analysis by district; but just in total, the \$2,179,000 that the City received in 2019, is not enough to cover the annual debt. So, it's not even enough to pay that debt; so we are not even paying the advances back yet either. I just want to correct that. We are not able to simultaneously throw some money at the debt and throw some money at the advances. It's all going to debt, and we are still supplementing more debt. So, it's going to be a long time before TIF districts themselves are able to start paying back the money that's been advanced to the TIF districts.

Councilperson Trakas said that's by design. The Selig Road TIF won't produce that type of revenue. You need the buildings, you have things there that would not generally produce the type of revenue that you want. The same thing with our new district up on Rockside by Rockside Woods Blvd; we have (inaudible). It's not a mature district as of yet. I think it's inherently difficult. I think it's good information to know, but it's not decision-making information.

Chairman Vice Mayor Grendel said when we established those TIFs, it's a very broad basis what the purpose of the TIF money is for.

Finance Director Blaze said it's not possible to justify its existence for the maximum of 30 years.

Mayor Kurtz said keep in mind Mr. Chairman that I hear the TIF district at Selig Road; and that was technically, if you take income tax and TIF revenue from that district, it could have been paid off in 7 years; and we don't count the income tax generated from that. We still have debt, technically we have debt on that TIF. You have to look at it in the global sense that a TIF district isn't necessarily just about the TIF revenue; it's the income tax revenue that is really the driver, it should be. At least traditionally it was the driver for the investment in these TIF districts.

Finance Director Blaze said well Chairman I have 5:59 p.m., and there's a 6:00 meeting. So, to me it looks like there are at least 4 votes to keep both on and vote them up or down at the August meeting. Councilperson Narduzzi, I can't speak for him, and Councilperson Veverka I am not sure where you stand; but at least there are 4 who seem to be amenable to passing both at the August meeting.

Chairman Vice Mayor Grendel said you have 4 positive votes to support approving both options.

Finance Director Blaze said leaning toward maybe the long term if the rate is going to be low.

Chairman Vice Mayor Grendel said I am in favor of having that 2%, if we could get a long term at less than 2%, let's vote for the bonds.

Finance Director Blaze said let's sleep good at night, right?

Chairman Vice Mayor Grendel said yes. At least there's one certainty in this uncertain world.

Several people began speaking at once again.

Mayor Kurtz said I didn't hear anybody opposed to it, I just heard questions being asked.

Councilperson Synek said obviously I'm opposed to it, but given the choice between the known and the unknown, short term interest rates are more known than long term interest rates. If we get to December, and there's an opportunity for short term interest rates to be a half a percent or less, which based upon this currently is not beyond the scope of impossibility, if we basically could get a year interest free, why would we not take that with certainty as opposed to locking in a long term rate that is uncertain? Generally speaking, the longer term rates are less certain as to what's going to happen than short term rates. They could be less, they could be more. We don't know. There's far more certainty on the certainty scale, there's more certainty in short term rates than there is long term rates; and so if we get to December, and short term rates continue to be as low as they are, which personally I fully expect the way the Fed and the U.S. Government have pumped \$2,000,000,000 of cash into the economy. It's going to keep short term rates low for a long period of time. Again, if we had a chance to get basically a year of our debt at little or no interest, I would lock in at that and see what happens.

Finance Director Blaze said I'm not here to argue with you Councilperson Synek, but short term interest rates just a couple of months ago all exceeded 1.5%; and now they are below .05%, that's a 67% move.

Councilperson Synek said to me that's pretty volatile.

Several people began speaking at once again.

Councilperson Synek said pre-pandemic versus post-pandemic, pre-stimulus versus post-stimulus. The Government pumped \$2,000,000,000 of cash into the economy, and that has a depressive effect on interest rates.

Chairman Vice Mayor Grendel asked what will inflation on these because all this money being printed all around the world with nothing to back it, what's going to happen with inflation in a few years?

Councilperson Trakas said my gold stocks are doing real good.

Councilperson Synek said inflation is good for borrowers, for debtors because the money you pay back is less valuable. That is what I believe our Federal Government was trying to engineer. It's inflation with the tremendous debt that the nation has. You have to grow your economy, and you can have inflation to make those debts manageable.

I also point out, it's not the balance of the debt itself, it's the interest costs. We as individuals, we have a certain limited life, and we are here for so long, and we want to pay our debts off before we pass; but the City will live forever. The City has the power to raise its revenue, and the City will be able to pay that debt back, the principal of it. It's the interest costs that's the penalty. If interest rates were zero, wouldn't we borrow just as much as we possibly could? It's the interest costs, not the principal balance.

Mayor Kurtz said it's always the discipline too of paying the principal methodically too.

Finance Director Blaze said Mayor you had better go, you have some people waiting.

Mayor Kurtz said thank you very much everyone. I have to leave.

Several people began speaking at once again.

Councilperson Veverka said I am just wondering about the urgency. I mean we are looking at making a decision now in August and most of this isn't going to likely happen for a couple of more months.

Chairman Vice Mayor Grendel said you said September I think Vern.

Finance Director Blaze said they mature on December 4th. We can sell new instruments September 4th and thereafter; so that decision could be made before the September Council

meeting. If we do long term bonds, we will have to come up with an offering statement and make a rating presentation to Moody's or S&P or one of the rating agencies; so we might not be able to affect it until later than September. Matt's suggestion is we shouldn't go down a path of preparing an offering statement and ratings presentation if we don't have approval from Council to do that because there's part of the cost involved in that too to do that.

Chairman Vice Mayor Grendel said you can keep us up to date when a decision is being made.

Finance Director Blaze said hopefully I have been very transparent in the time I have been here in giving you enough information. Maybe it's too much information, I don't know, but I'm trying to be as transparent and open. Here's everything I have to help you get comfortable making a decision. Michael Perry said from CBIZ, they are not getting paid by commission, there's just a flat fee, so they are just here to advise and make some suggestions. Here's the decision body, and I'm the same way with legislation. I could recommend and advise based on what I bring to the table, but it's ultimately Council's decision and the Mayor's whether he's going to sign the legislation.

I thank everybody for the input. I am available to talk between now and 2 weeks from today; and if there's more talk about, it looks like we will keep both on the agenda and see how they get going. The urgency is they do expire, they do mature in December. It's a very low chance, but that's how the City of Cleveland got in the trick bag back in the late 1970's with Kucinich. They had all this short term instruments, and then the business community said hey we are going to show you and nobody showed up to bid on their instruments. When they were due, the City of Cleveland didn't have the cash to pay them off. So, you have to have that ability to have some options. I like to sleep good at night, and I think you guys said it, there's a lot of us that even though a variable rate mortgage on our house, some initial interest rates that are lower than what the current fixed rate is, I have to think most of us took fixed rate mortgages on our house because we just wanted to lock that rate in. When it got lower, we refinanced. We lowered our rates, and now we refinanced hopefully at as low as it's going to be. It's kind of the same with the City, if we keep our money in these one year notes, you are basically borrowing variable every year it's subject to a reset. We benefited. I admit that. Short term interest rates have been low, but when interest rates have come down the way they have, I just feel that this sub 2% bogey that we have been talking about; that's the time to flip, lock it in and sleep good for the next 15 years.

Chairman Vice Mayor Grendel said and over the long haul, you don't have the expenses you have year in and year out. It's a period of time.

Finance Director Blaze said for a couple of year period if we didn't have to keep renewing the notes every year, all those instrument costs would go away.

Councilperson Trakas said speaking of that, one last thing, I would vote that perhaps you could amend the legislation to include those costs so that we all know what those costs could be.

Finance Director Blaze said you got that in that last spreadsheet what those are.

Councilperson Trakas said it should be part of the legislation.

Finance Director Blaze said we could see how those could be put in. Some of those are estimated.

Several people began speaking at once again.

Chairman Vice Mayor Grendel asked Vern could we put something in there saying that provided it's below that 2% because I don't want us to lock in a bond that's 2.25% or whatever.

Finance Director Blaze said the only problem, I think Matt would start smiling at that; we won't know until rates come in, and with a competitive bid, you have to accept, correct me if I'm wrong Matt, you have to accept the best bid delivered that day. For instance, if we do the negotiated sale, if Council would give us the authority to do the negotiated sale, then we could sit one on one with these underwriters and say you are the one we are getting this money for, and if it's less than 2% we can sign the deal with them.

Several people began speaking at once again.

Finance Director Blaze said based on past experience here, I have gone down the path that we are doing a competitive sale. We are going to go and submit bids, and they are going to submit bids blindly; and we would be legally liable if we receive bids, correct me if I'm wrong Matt, but if we receive bids that day, we have to accept the best bid. I don't know if we have that flexibility to say no, do we?

Mr. Stuczynski said no, we do have the flexibility to reject bids, but then you have to come back with another alternate financing soon thereafter. It's back to your City of Cleveland analogy. You have notes coming due, you have to have a financing in place by December 3rd of this year, otherwise you have to come up with \$17,000,000 worth of cash plus interest. You can reject bids, and you can (inaudible), but you have to move quickly if, depending on when those bids come in, to restart that whole process. That takes time, which is why the legislation, again asking for both pieces of legislation, provides the City with some safety net that if the bond market isn't there, you can turn to the note market; and hopefully it will be in a better position than the bond market.

There's was a question about the legislation, and I will tell you this, as a general rule, legislation for bond issues and note issues is drafted to give more flexibility than less flexibility. If you want to pass a motion that suggest that you don't want the City to proceed with bonds if the bond rate is above 2%, you can do that; but I would not put that in legislation because if the market does present the problem as disruptive, when you go to approach it, and you don't have legislation that provides for that flexibility, you have to scramble to get legislation in order. That means calling special Council meetings and moving quickly; and you might not know that until the time comes and then it's a fire drill. So, I would suggest to you, don't try to tighten things up by way of the legislation giving authorization, perhaps consider a motion that provides some guidance to the Administration.

Finance Director Blaze said thank you, good suggestion Matt.

Chairman Vice Mayor Grendel said you know our position as far as that. You have done our BANs for years; but if you can lock us in.

Finance Director Blaze said we will kind of have a sense. We will be watching that EMMA thing. That's where I get these comparables from right into the date of issuance. If we see something spike, it's like oh man, time out, let's reassess. We won't have that ability to reassess if we are going down one path.

Councilperson Veverka said okay, and we are not committed to the debt in its entirety. You can do some bonds, and then do some notes.

Councilperson Synek said so 2% is the rate that the Administration is saying if it's 2%, then lock in at that. Is there a short term rate that you would also say if it's this or less, we will lock in at that?

Finance Director Blaze said well they seem to stabilize at a .05%, .04%. If they drop down to .25% or something, and long term rates stayed at close to 2%; I guess I would have to then maybe flip my thinking and say you know what, I will gamble another year.

Councilperson Synek said the article said it's not beyond the realm of possibility for interest rates to go negative, it is possible. These are strange and untried times, and I just beg you Vern, you have been handed this power, use it responsibly.

Chairman Vice Mayor Grendel said we are going to rely Vern on you and Matt.

Finance Director Blaze said I have a lot of faith and trust in Matt. I have gotten to know him much better since November. I am very comfortable with Matt as the City's financial advisor. Between him on the financial side and Calfee and Taft too; although Taft was perfectly capable of providing the bond counsel too, but as we indicated at the previous meeting, Calfee was very aggressive in their pricing. Greg O'Brien said if they want it that bad, I'll let them have it. We have good legal counsel and good financial advice. We have a business person as Mayor. We have had many discussions as Council. I think collectively we will make a good decision.

Chairman Vice Mayor Grendel asked and Matt how many years have you been with the City of Independence because you were with John?

Mr. Stuczynski said well I think I was hired officially by the City in 2017.

Chairman Vice Mayor Grendel said you worked with John originally.

Maggie Osysko said I think it's 2016 Matt.

Mr. Stuczynski asked is that when the original agreement was with the City?

Maggie Osysko said I think so. I remember reading that.

Chairman Vice Mayor Grendel said so you have been with us a good 4 years.

Mr. Stuczynski said to be clear, I have been doing this for 40 years, and while I didn't have the luxury of working with Independence directly until 2016; I would like to think that I have some working knowledge of the municipal market.

Councilperson Synek you raised a good point about interest rates going negative. I would tell you this, municipal buyers will not buy municipal bonds if they are negative. You wouldn't buy one, nor would anybody else. They would put their money in cash or go buy gold or something else. There is a rate at which these municipal buyers start to push back and look at other alternatives. We saw that very thing happen in March where everyone pulled back and said we are not buying anything. We are going to take all of our money out of every investment; we are going to put it in cash, and the interest rates spiked in every product in terms of the monies you have to pay back. We saw short term notes go from mid like 60 or 70 basis points to north of 2.50%. It's a 2% move in a matter of a week. It can happen. I think the whole point of the legislation is not to circumvent Council by way of (inaudible) authority to the Administration. It's to provide you with the luxury of having the benefit of a safety net should the markets get disruptive. Again, and who knows what happens with this. In the fall when schools start, perhaps there is the continuation of this surge for notes; but we do know that the markets have moved considerably, more volatile in the last couple 3 months than they have in quite a long time. Don't get me wrong, it's happened before; but it's happened again recently, and it could happen again between now and the end of the year. That's a concern, and if we are talking about renewing \$17,000,000 worth of notes; it's nice to have Plan A and Plan B.

Chairman Vice Mayor Grendel said thank you Matt.

Finance Director Blaze said thank you.

Chairman Vice Mayor Grendel said I guess we will entertain a motion to adjourn.

Moved by Veverka, seconded by Synek, to adjourn the Finance Committee meeting of July 28, 2020. Voice Vote: 3 yes/0 no; motion carried.

The Finance Committee meeting of July 28, 2020 was then adjourned at 6:16 p.m.