

Board of Municipal Utilities
Work Session Minutes
January 15, 2019
201 Miller Road
Avon Lake, Ohio

Call to Order – Roll Call

The meeting was called to order at 6:03 PM.

Present: Mr. Abram, Mr. Dzwonczyk, Mr. Rush, Mrs. Schnabel, and Mr. Phillips.

Also present: Mayor Zilka, Finance Director Presley, Councilmember Jennifer Fenderbosch (arrived partway through meeting), Stephen Szanto and Greg Von Wagnen (representing Sudsina & Associates), CUE Danielson, CUO Munro, Community Outreach Specialist Arnold (arrived partway through meeting), and Technical Support Specialist Collins.

Future Financing

Chairman Dzwonczyk called the meeting to order at 6:03PM and invited Stephen Szanto of Sudsina & Associates, the financial advisors of the City of Avon Lake, to speak before the Board regarding the financing of Utilities' outstanding debt.

Mr. Szanto stated to the Board that \$6.75 million in in bond anticipation notes will be coming due in July of 2019. He suggested that the \$6.75 million be split into \$4.5 million (wastewater) to be amortized over a 30 year period, and the remaining \$2 million (water) to be amortized over a 20 year period. In light of a recent downgrade in Avon Lake Regional Water's credit rating, Mr. Szanto advised that it may be in the interest of the Board to work with additional credit rating agencies to receive a second opinion on the fitness of the overall finances of Avon Lake. Upon questioning by Mr. Abram, Mr. Szanto indicated the cost might not outweigh the benefit, as the current rating agency (Moody's) will continue to rate the City until current bond debt is retired in 2028. If an additional rating was sought, he recommended seeking it from the credit agency Standard and Poor's (S&P). Upon inquiry by Chairman Dzwonczyk and Mr. Rush, Mr. Szanto noted that the downgrading was a result of Moody's belief that the City had future pension liability and that Moody's is looking at all debt of the utility and considering it as a City liability, even though it is pledged against rate revenue.

Mr. Szanto explained that the recent 2017 federal tax bill altered the ability to refinance municipal debt, and the Board can only refinance and roll over their outstanding debt within 90 days of the maturity period of the note. Mr. Szanto also informed the Board that, if the Board went forward working with the City to issue General Obligation Bonds, a five-year call option could be included. If the Board decided to call the bonds at some point in the future, they may have the ability to use Revenue Bonds for repayment, which carry a higher interest rate, or to continue the use of General Obligation Bonds which are the standard in municipal bonds.

In response to a question from the CUE regarding 20-year versus 30-year financing, Mr. Szanto indicated his preference is to use longer debt to better amortize the investment

across the life of the infrastructure and better manage cash flow. However, he indicated that the final decision was up to the Board.

Upon conclusion of Mr. Szanto's remarks, the Chairman asked Finance Director Presley if he had any additional comments. The Finance Director indicated he felt it was an appropriate time to convert the notes to bonds, working with the City to help save collective expenses. Additionally, he stated that, though the utility has taken on a lot of debt recently, the Board did it for necessary projects and approached it in a very smart manner by finding incredibly low-interest debt. That allowed much more to be completed.

Adjourn

With no other business before the Board, Mr. Dzwonczyk adjourned the work session at 6:45 PM.

Approved _____, 2019

John Dzwonczyk, Chairman

Todd Danielson, Clerk