

# **Allegheny County Council**

*County of Allegheny  
436 Grant Street  
Pittsburgh, PA 15219  
Phone (412) 350-6495  
Fax (412) 350-6499*



## **Committee Meeting Minutes**

**Thursday, October 19, 2006**

**4:00 PM**

**Conference Room 1**

## **Committee on Budget and Finance**

***William Russell Robinson, Chair; Jim Burn, Susan Caldwell, Joan Cleary, Matt Drozd, Mike Finnerty, Brenda Frazier, Vince Gastgeb, and Rich Nerone***

**I. Call to Order**

**Summary:** *Meeting was called to order at 4:00 p.m.*

**Invited Guests:**

**Jim Flynn, County Manager or Designee**

**Amy Griser, Director, Budget & Finance**

**Derek Uber, Deputy County Manager**

**Summary:** *Invited Guests Present: Mr. Derek Uber, Assistant County Manager; Ms. Amy Griser, Director of Budget & Finance*

*Recognized Attendees: Mr. Pete Schepis, Budget Office; Mr. Jerry Tyskiewicz, Court of Common Pleas; Mr. Greg Zappala, Managing Director, J.P. Morgan Securities; Mr. Ken Luttinger, Buchanan Ingersoll & Rooney, P.C.*

*Council Staff Present: Jennifer Liptak; Stephanie Buka*

**II. Roll Call**

**Summary:** *Non-committee Council Members Present: Jan Rea*

*Ex-Officio Member Present: Rich Fitzgerald*

***Roll Call:*** Present: Jim Burn, Susan Caldwell, Joan Cleary, Matt Drozd, Brenda Frazier, Chair William Robinson, and Council Member Rich Fitzgerald  
Absent: Michael Finnerty, Vince Gastgeb, and Rich Nerone

**III. Approval of Minutes**

**2793-06** Motion to approve the Minutes of the September 19, 2006 Budget & Finance Committee Meeting.

**Action:** **A motion was made that this matter be Passed. The motion carried by the following vote:**

***Votes:*** Yes: 5 - Burn, Caldwell, Cleary, Frazier and Chair Robinson  
Abstain: 1 - Drozd  
Absent: 3 - Finnerty, Gastgeb and Nerone

**2814-06** Motion to approve the Minutes of the October 3, 2006 Budget & Finance Committee Meeting.

**Action:** **A motion was made by Frazier, seconded by Cleary, that this matter be Passed. The motion carried unanimously.**

**IV. Agenda Items**

**Ordinance**

2795-06

An Ordinance authorizing the incurring of nonelectoral debt by the issuance of adjustable rate demand general obligation bonds, series C-58A and C-58B, in an aggregate principal amount not to exceed \$50,000,000. ordinance of the County of Allegheny, Pennsylvania (the "County") (1) authorizing the incurring of nonelectoral debt in an aggregate principal amount not to exceed \$50,000,000 through the issuance of Adjustable Rate Demand General Obligation Bonds, Series C-58A, and Adjustable Rate Demand General Obligation Bonds, Series C-58B, for the purpose of providing funds to pay a portion of the County's costs of various bridge and road projects approved in the Allegheny County capital budget and capitalized interest with respect thereto to the extent the County deems appropriate; (2) finding a private sale by negotiation to be in the best interest of the County; (3) approving a maximum interest rate and maximum maturity date for the Bonds; (4) authorizing certain officials to accept a proposal for the purchase of Bonds; (5) appointing a trustee, paying agent, remarketing agent, tender agent, registrar and sinking fund depository; (6) authorizing the execution of trust indentures, providing the terms of the bonds, provisions for the payment and security therefore, including a sinking fund and other funds, and the form of bonds; (7) covenanting to pay debt service; (8) pledging full faith, credit and taxing power for the payment of the Bonds; (9) establishing sinking funds; (10) appropriating the bond proceeds; (11) ratifying prior advertisement and directing further advertisement; (12) appointing various professionals; (13) authorizing the preparation, certification and filing of an application and debt statement with the department of community and economic development; (14) authorizing approval of preliminary official statements, if any, and final official statements; (15) providing for investment of funds; (16) authorizing the execution of agreements to provide a letters of credit to support payments on the bonds; (17) authorizing the taking of certain actions with respect to continuing disclosure; (18) authorizing and directing the preparation, execution and delivery of all other required documents and the taking of all other required action; and (19) repealing inconsistent ordinances or any parts thereof.

Summary:

*Chairman Robinson read the title to the Committee. The legislation is for adjustable rate demand general obligation bonds not to exceed \$50,000,000 for the purpose of providing funds to pay a portion of the County's various bridge and road projects. Robinson said at their last session they were missing information. Ms. Liptak provided a handout with that information.*

*Chairman Robinson said this money is only for roads and bridges where we can get reimbursed by the state. It allows us to pay off the debt sooner and the Controller's office agrees with this approach. The Ordinance allows for two separate financing structures, one for \$30 million this year and \$20 million next year to better match borrowings to actual financing needs. The Administration believes they can meet the Federal Arbitrage regulations which allows the County to keep any extra earnings if they meet the conditions, such as the Fund is spent in less than 2 years and all of the reimbursements are used to pay debt service no later than every 13 months.*

*Chairman Robinson said the exhibits were not originally submitted and what was*

*passed out shows more detail and would supplant the original submission. He added that this won't cost the County any money because the County will be reimbursed for the money spent. Five Committee members are needed in order to pass this bill. The Chair offered a motion to discuss Bill No. 2795-06 Version 2 (handout).*

*Ms. Liptak addressed the group stating the proposed projects are in the handout, issuance costs for each year, a clean version of the proposed amendment by substitution and a redlined version, so members can compare the two.*

*Councilwoman Cleary moved and Councilwoman Caldwell seconded the motion to discuss Version 2 of the bill. This motion passed. Chairman Robinson said Version 2 is complete and contains all the documents required by law.*

*Ms. Griser said the original Ordinance referenced external documents, and while Council is not required to approve of these documents, it will be helpful for Members to see this information. She said the Ordinance is now integrated with these documents and it contains the purchase agreement details with J.P. Morgan Securities and Mr. Greg Zappala is here to answer any finance questions and Mr. Ken Luttinger is also available, from Buchanan Ingersoll & Rooney, P.C.*

*Councilwoman Frazier asked whether the bill had to be voted on this evening and the Chair replied no.*

*Ms. Griser said the Budget & Finance Department worked on this legislation throughout the summer. She said they do have a deadline once the Ordinance is approved and once you get into the holiday season it could slow things down. She respectfully requested that Committee Members take a vote and affirmatively recommend the bill to full Council.*

*Councilwoman Cleary asked why this information, if so important, wasn't brought to their attention sooner. Ms. Griser said it wasn't intentional. She wanted to make sure Council understood this bill since it's different from the usual type of financing structure they employ. She added that she wanted to adhere to the group's scheduled meetings.*

*Councilman Drozd asked whether the state would guarantee us that they will reimburse the County. Ms. Griser said yes, they have PennDOT approval and guarantees are in place. She said this type of financing structure has been successful with the Department of Public Works, they are seeing a 90-day turn around time for reimbursements.*

*Ms. Griser said the County will completely liquidate in 2 years, so \$43 to \$45 million of the principal amount will be paid off within 2 years. The net cost is \$7 million, we provide 20% to get an 80% match. If we were to finance the \$7 million the way we normally do, it would cost \$2.3 million more, rather than doing it on a variable rate structure.*

*Councilman Drozd asked whether or not the County has ever done this before and Ms. Griser said no. She said they are confident because they know they're getting reimbursed in a timely manner. The tax exempt rate we're getting is three and a half percent, and we can invest and keep one and a half percent, so that's \$500,000.*

*Councilman Drozd asked Ms. Griser whether this was risk-free to the County. Ms. Griser said it's the best way to finance this project. She added, yes, it is risk-free. Councilman Drozd said he thought they've done their due diligence, but requested more time to digest this information. He asked Ms. Griser how many hours were spent on this project and Ms. Griser said she spent about 40 hours working the project. Councilman Drozd said that since they only just received the information she should see his point.*

*Councilwoman Caldwell said she hesitates when she sees variable and adjustable rates. Ms. Griser said they are basing this on the fact that they get reimbursed in a timely manner and the rate is at three and a half percent.*

*Councilwoman Caldwell asked what the trend has been and Ms. Griser introduced Mr. Greg Zappala, underwriter on the project, J.P. Morgan, Managing Director. He said the interest rate is a floating tax rate at 3.41%, last year it was 2.47% and before that 1.2% averages. It is a floater, it does move up and down. The important thing to remember is the reimbursement rate will be higher and it creates flexibility for the County. You can let it ride, based on a weekly floating rate, or you could terminate it or refinance. This structure is complex compared to a fixed rate, but the County can use its dollars better and wiser. We received a request for proposal to be the credit provider and underwriter. As a banker, they are creating flexibility to have funds on hand to complete projects, float the reimbursement for a period of time and once that happens they terminate. From a risk perspective, the County would risk the soft costs to do it, but it's cheaper to do it this way, because you only pay for what you draw on. The investment will be made by the County treasurer and he has a proven track record of yield above US Treasury yields.*

*Councilwoman Caldwell asked Mr. Zappala if there was the chance that both of these rates could go up. Mr. Zappala said yes.*

*Councilwoman Caldwell asked about fees and Ms. Griser said the County would receive an extremely competitive fee, and they consulted with the underwriter, counsel and the Professional Services Review Committee.*

*Mr. Zappala said this is business that J.P. Morgan wants to do and the County has the best rating.*

*Councilwoman Caldwell asked whether or not they can decide on November 8, 2006 at the Regular Meeting of Council. Mr. Zappala said it's not a major issue from their perspective, the issue is when you get the liquidity. Ms. Griser said they can wait until the end of the year.*

*President Fitzgerald wanted to know what additional cost to the County would incur if they didn't take action right away. Ms. Griser said it's ideal for the County to work with a large trading desk. Mr. Zappala said the County will lose the interest earnings for 30 days at one and a half percent, approximately \$24, 000. President Fitzgerald said he wanted to understand the delay and what it would cost the County. Mr. Zappala estimated the probable loss at \$30,000.*

*Ms. Griser said it would be easier if the Local Government Unit Debt Act were different, but since they have to be specific with the Department of Community and Economic*

*Development, and meet the law, this is the best structure to only borrow interest costs on PennDOT reimburseable projects to limit the costs to the County. We've only borrowed on our local match piece which is \$2 to \$3 million dollars annually. Other projects funded are in a shell game, because the projects get put on hold. Projects are getting completed at 42%, because they freed up money for these non-reimbursable projects. It frees up bond money for other non-reimbursable projects.*

*President Fitzgerald said the Budget Department has done credible work and fiscally managed the County over the last 3 years so he relies on Ms. Griser and Mr. Zappala's expertise. He recommended that the Committee vote on it now.*

*Chairman Robinson said he would encourage the Administration to make sure they add Council's Budget & Finance Committee in their plans, in order to prevent this from happening in the future. He said if there are reservations, they can always send it back to Committee for more discussion.*

*Councilman Drozd said that 90% to 95% is reimbursed but asked about the other amount. He expressed concern over a variable rate which could increase dramatically. He said he had many questions, and wanted more answers. He requested to see the letters from PennDOT and then he could make a decision.*

*Ms. Liptak said the bond issuance is a new way of doing things, but the state reimbursement process remains the same.*

*Councilman Drozd said it can take weeks and months to decide if you're in Washington, D.C. , Ms. Griser had 40 hours to work on this, and yet we've only just received this additional information.*

*Councilman Burn asked whether he could review this information until Tuesday, October 24th, and at that time they could pull back at the Regular Council if need be. Chairman Robinson agreed and said the Budget & Finance Committee takes this work seriously. Councilman Drozd said it could be a loss as well, and he couldn't make a spur of the moment decision.*

*President Fitzgerald asked Ms. Griser if the bill did move to full Council on Tuesday, if she would commit to meeting with any Council Member to make them feel comfortable. Ms. Griser said she was absolutely available to meet with any Council Members and the Controller's Office could provide answers as well.*

*Councilwoman Caldwell asked about the 2 year process and whether they could make it back at the end and Mr. Zappala said no, the County would lose earning potential. Mr. Zappala said at some point in time you're going to start spending money on the projects, so the quicker you spend that principal you'll have a principle cost and it's a rolling timing issue, so it's wiser to do it sooner rather than later in order to reap the most benefit.*

*Caldwell wanted to know when all Council Members, not part of the Committee, would receive Version 2. Ms. Liptak said by the next morning. Chairman Robinson said they could move forward with the substitute and try to get the information that people need. Ms. Griser and Mr. Zappala could be present at the Regular Meeting to answer any*

questions.

Chairman Robinson made a motion to move Version 2 to the Regular Meeting of Council, Cleary moved it. Councilwoman Caldwell asked for clarification of the motion.

President Fitzgerald said the Committee can affirmatively recommend or move it with a non-recommendation in this case. Councilman Burn said if that's the case, and the motion is withdrawn, he'd be willing to move it to full Council without a recommendation. Councilman Drozd recommended that the group hold it in Committee and said he would vote no.

Cleary withdrew the discussion of Version 2 and Caldwell seconded that which left the original Version 1 to be voted on. Councilman Burn moved Version 1 and Cleary seconded, while Drozd voted no.

Chairman Robinson said the bill would come out of the Committee in its original form and the entire Council will now have a chance to review Version 2 information. Version 2 will be introduced on October 24th at the Regular Meeting of Council.

**Action:** A motion was made by Burn, seconded by Cleary, that this matter be Affirmatively Recommended. The motion carried by the following vote:

**Votes:** Yes: 5 - Burn, Caldwell, Cleary, Frazier and Chair Robinson  
No: 1 - Drozd  
Absent: 3 - Finnerty, Gastgeb and Nerone

## **Resolution**

### **2803-06**

A Resolution of the County of Allegheny amending the Grants and Special Accounts Budget for 2006 (Submission #10-06).

**Sponsors:** Chief Executive

**Summary:** Ms. Liptak told the Committee that the Bill contained four amendments to increase funds in the Grants and Special Accounts Budget and one new grant of \$2 million to support the Pittsburgh Municipal Court. She said everything appears to be in order.

Councilman Drozd asked about the increase in the STD Services Grant. Ms. Liptak said the additional funding is an increment increase which requires Council approval. Councilman Drozd remarked that there were sizable amounts. Ms. Liptak explained that Council had previously authorized the STD Services, but it increased for nursing services at the STD Clinic and the Human Services Development Grant passed, but the amount is returning to \$457,198.

The \$2 million is coming from the state to run the Pittsburgh Municipal Court and there's a small match from the D.A.'s office. Councilman Drozd expressed concern over the new responsibilities of the Court. Mr. Jerry Tyskiewicz, Court of Common Pleas, explained that the grant is for the entitlement period, stating they applied for this through the state to offset the operational budget and they are requesting \$2.4 million for security at the Pittsburgh Municipal Court for 2007.

Councilman Drozd asked when the FY ends and was told on 12/31/06. The \$2 million is for 2006. Mr. Tyskiewicz said the state gave them a grant to offset the cost.

*Councilman Drozd said we have the responsibility then, but we may not be able to cover it?*

*Councilman Robinson said the County takes the stance that if grants don't come through, then the County may bear the cost. The state saw our need and addressed it. He said the County does need to watch their reserves, especially with court costs.*

*Councilwoman Rea asked who provides security for the Pittsburgh Municipal Court and Mr. Tyskiewicz said an outside vendor. He said the City is paying for those costs, but once the intergovernmental agreement goes through, those costs would be transferred to the County. Councilwoman Rea asked whether they would employ County guards and Mr. Tyskiewicz said they would do a cost-benefit analysis to determine who should perform security services.*

*Councilman Robinson said it may be cost-effective to hire an outside firm, but Council should consider whether or not they want to have an outside entity responsible for such an important matter. He said there could be liability issues.*

**Action:**      **A motion was made by Frazier, seconded by Cleary, that this matter be Affirmatively Recommended. The motion carried unanimously.**

**Discussion Topic:**

**The 2007 Comprehensive Fiscal Plan**

**Summary:**      *No discussion took place.*

**V.      Adjournment**

**Summary:**      *Meeting adjourned at 5:40 p.m.*