Allegheny County Council

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Meeting Minutes

Wednesday, April 27, 2016

4:00 PM

Conference Room 1

Committee on Budget and Finance

Mike Finnerty, Chair
Members; Sam DeMarco, Nick Futules, Paul Klein, Ed Kress, Bob Macey, Chuck Martoni, Sue Means, John Palmiere

I. Call to Order

The meeting was called to order at 4:02.

Invited Guests:

William D. McKain, CPA, County Manager or Designee
Mary Soroka - County Budget Director or Designee

II. Roll Call

Members Present: 5 - Finnerty,Sam DeMarco ,Paul Klein,Ed Kress andSue Means

Members Absent: 4 - Nick Futules,Bob Macey,Chuck Martoni andJohn Palmiere

III. Approval of Minutes

9589-16 Motion to approve the minutes of the Budget and Finance Committee held on April 13, 2016.

A motion was made by DeMarco , seconded by Means, that this matter be Passed. The motion carried by a unanimous vote.

IV. Agenda Items

Ordinances

9583-16 An Ordinance of the County of Allegheny, Pennsylvania, authorizing the incurrence of nonelectoral debt by the issuance of: (i) one or more series of General Obligation Refunding Bonds, Series C-75, or by other such name(s) as designated by the County, in an aggregate principal amount not to exceed $309,500,000 (the "C-75 Bonds") and (ii) one or more series of General Obligation Bonds, Series C-76, or by such other name(s) as designated by the County, in an aggregate principal amount not to exceed $115,000,000 (the "C-76 Bonds" and collectively with the C-75 Bonds, the "Bonds").

Sponsors: Chief Executive

At the request of the Chair, the clerk read the title of the bill.

The Chair gave a brief summary of the materials that were provided to the Members.

Mr. McKain and Mr. Goodwin introduced the other individuals who worked on the bond issuance.

Mr. McKain indicated that the proposed issuance would include both a refinancing portion and a new issuance. Mr. McKain discussed the recent history of the fund balance, and its favorable impact pon the County's bond rating. With regard to the refinancing portion, Mr. McKain noted that there are approximately six different prior bond issuances that have the possibility of being good candidates for refinancing, and that the refinancing could save the County as much as $20 million, depending upon market conditions. Mr. McKain also noted that the refinancing would not extend the term of the prior bond *issuances. With regard to the new issuance, Mr. McKain noted that it would fund two years of the County's capital improvement program (2017 and 2018), but that the capital improvement program will obviously come to fruition through the regular budget process. Mr. McKain noted that the County tries not to issue bonds in an amount greater than the debt retired, although extenuating circumstances do sometimes render that goal more difficult to realize. Mr. McKain also noted that authorizing two years of bond issuances at one time does generate some economies of scale, insofar as bond counsel, advertising, printing, and other costs are only borne once.*

Ms. Soroka noted that the advance authorization helps greatly in the process of planning the capital budget, and Mr. McKain indicated that the practice also alleviates the need to undertake things like tax revenue anticipation notes.

Mr. Goodwin explained the process required under the Local Unit of Government Debt Act, noting that the procedure of obtaining the necessary approvals from DCED can take just under a month, and market conditions can have significant impacts on a very short timetable. Mr. Goodwin noted that these types of considerations also play into the calcualtion of the "not to exceed" amounts found in the ordinance, because it is not possible to predict market conditions with complete certainty.

The Chair noted that the County has sought authorization for bond issuances for multiple years in the past.

In response to a question from the Chair, Mr. McKain noted that changing market conditions can cut in both directions, and that conditions can change to the point that it is no longer advantageous to do a refinancing between the passage of the authorization and the actual issuance of the refinancing bonds.

In response to a question from Mr. DeMarco, Mr. McKain indicated that the $20 million overall savings to the County probably will not be realized in any one year, but rather would appear over the course of several budget years.

In response to a question from Mr. DeMarco, Ms. Soroka and Mr. McKain noted that the refinancing portion of the current issuance would not involve any new money whatsoever. Mr. Stoudt discussed the process through which the proceeds of the refinancing bonds are placed in escrow, then used to retire the existing bond issuances.

In response to a question from Mr. DeMarco, Mr. McKain noted that the anticipated repair of the Courthouse roof will ultimately cost about $6 million, but that this figure may change based on the engineer's review of the roof condition.

In response to a question from Ms. Means, Mr. McKain noted that the original issuances to be refinanced would not be extended, but that each of the existing issuances has a different term, so the refinancing will have effects for a number of different bond issuance terms.

In response to a question from Ms. Means, Mr. McKain described how the bond issuance dovetails with the capital budgeting process.

In response to a question from Ms. Means, Mr. McKain discussed how the full faith and credit of the County government is pledged to the repayment of the bonds, that DCED thoroughly evaluates the proposed bond issuances, and that buyers will be difficult to come by if there is any concern about the County's ability to repay the bond issuances. Ms. Soroka noted that the County's millage expressly contains a delineation of the *amount of the millage dedicated to debt service in a given year.*

In response to a question from Mr. Klein, Mr. Goodwin discussed the costs that the County would incur in the process of issuing the bonds, and Mr. McKain delineated some of the costs, including bond counsel, filing fees, and other similar expenses collateral to the bond issuance. Mr. McKain and Mr. Goodwin agreed that it would amount to less than 0.5% of the par value of the issuance, and Mr. Masitti indicated that the savings figures quoted include those costs.

The Chair and Mr. McKain discussed the merits of providing the Council with a delineation of currently estimated issuance costs.

In response to a question from Ms. Means, Mr. Stoudt described the characteristics of a sinking fund, noting that it is essentially an escrow arrangement through which the proceeds of the new issuance go exlusively to refinancing the old issuances.

In response to a question from Mr. Kress, Mr. Goodwin noted that the potential risks of the bond issuance are different, depending on whether one views the transaction from the perspective of the County or the investors who purchase the bonds. Mr. Goodwin and Mr. Mahone noted that any downturn in the County's fiscal position would be a potential risk for investors. Mr. Mahone and Mr. McKain indicated that the County's protection from market volatility lays in its ability to refuse to issue the bonds if the conditions turn unfavorable.

In response to a question from Mr. Kress, Mr. Goodwin noted that the current market for municipal bonds is quite strong.

Mr. DeMarco noted that 0.5% of the total par value of the bonds would amount to approximately $2 million in issuance fees. Mr. McKain, Mr. Goodwin and Mr. Masitti noted that the actual amount issued would likely be under $300 million, which is much less than the "not to exceed" amount, and that the total fees would probably be somewhere in the neighborhood of $300,000.

A motion was made by DeMarco , seconded by Klein, that this matter be Affirmatively Recommended. The motion carried by a unanimous vote.

Resolutions

9585-16 A Resolution of the County of Allegheny amending the Grants and Special Accounts Budget for 2016 (Submission #03-16).

Sponsors: Chief Executive

At the request of the Chair, the clerk read the title of the bill and Mr. Szymanski summarized its provisions.

The Chair referred the Members to the relevant pages in the supporting materials.

In response to a question from Ms. Means, Ms. Soroka noted that there are no County matching funds for either of the proposed amendments.

In response to a question from the Chair, Ms. Soroka noted that one change is to account for grant funding that exceeded the amount that was foreseen in the original 2016 budget, while the new special account is being created to address new funding for a program to be undertaken by the Area Agency on Aging in order to aid in post-discharge *care to reduce hospital re-admissions for elderly patients.*

Ms. Soroka noted that the Area Agency on Aging program had already been tried on a smaller scale in other counties, so there is a high confidence level in the program's favorable impact.

In response to a question from Ms. Means, Ms. Soroka noted that UPMC would be monitoring the County's performance because of the way that the grant revenue is processed; UPMC will essentially be providing the payments to the County based on services provided by the Area Agency on Aging.

The Chair and Ms. Soroka discussed the mechanics of the funding process.

In response to a question from Mr. Kress, Ms. Soroka noted that the program is geared towards proactively matching patients with services that they may need based on referrals from UPMC, rather than waiting for a patient to contact the County to request services.

In response to a question from Ms. Means, Ms. Soroka indicated that other health care providers may opt to do something similar in the future, but that the program at present only contemplates referrals from and funding by UPMC.

A motion was made by Klein, seconded by DeMarco , that this matter be Affirmatively Recommended. The motion carried by a unanimous vote.

V. Adjournment

The meeting adjourned at 4:51.