

Allegheny County Council

*County of Allegheny
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Committee Meeting Minutes

Tuesday, October 14, 2008

5:00 PM

Conference Room 1

Committee on Economic Development & Housing

***Mike Finnerty, Chair; Jim Burn, Joan Cleary, John DeFazio, Matt Drozd, Nick
Futules, Amanda Green, Bob Macey, and Jan Rea - Members***

I. Call to Order

Summary: *The meeting was called to order at 5:15 PM*

Invited Guests:

Jim Flynn, County Manager or Designee

Dennis Davin, Director, Economic Development or Designee

Summary: *Invited guests in attendance: Derek Uber for Mr. Flynn and Darnell Moses for Mr. Davin*

Recognized attendees: Jim Konieczny, UPMC; Mary Edwards, Houston Harbough Bond Counsel; and Michael Pehur, Economic Development

Council staff in attendance: John Mascio, Jennifer Liptak, and Jared Barker

II. Roll Call

Roll Call: Present: Joan Cleary, Matt Drozd, Bob Macey, Jan Rea, Chair Michael Finnerty, Council Member Chuck McCullough, and Council Member William Robinson
Absent: Jim Burn, John DeFazio, Nick Futules, and Amanda Green

III. Approval of Minutes

Action: **A motion was made by Rea, seconded by Drozd, to Passed. The motion carried unanimously.**

4399-08 Motion to approve the minutes of the August 21, 2008 & September 2, 2008 Economic Development & Housing Committee Meeting.

IV. Agenda Items

Resolution

4344-08 A Resolution approving a Project for the benefit of UPMC, doing business as the University of Pittsburgh Medical Center (UPMC), to be financed by the Allegheny County Hospital Development Authority (the "Authority") by the issuance of the Authority's tax-exempt or taxable bonds, to be issued in one or more series, in the aggregate principal amount not in excess of \$650,000,000, provided that the taxing power of the County of Allegheny, Pennsylvania, shall not be obligated in any way with respect to the Bonds (hereinafter defined), and determining that the purpose of the financing will be to benefit the health and welfare of the citizens of Allegheny County, Pennsylvania.

Sponsors: Chief Executive

Summary: *Darnell Moses provided the committee with a summary of the bill. He said that the bill is a resolution declaring that it is desirable for the health, safety and welfare of the region's residents to finance improvements at the University of Pittsburgh Medical Center (UPMC) through Allegheny County Hospital Development Authority. He said that the Authority intends to issue Bonds in an amount not to exceed \$650,000,000.*

He also said that the proceeds from the bonds will be used to reimburse UPMC for previously incurred capital expenditures for hospital and/or health care facilities; finance certain new capital costs to be incurred by UPMC; refund all or a portion of the Authority's outstanding (1) Health Center Revenue Refunding Bonds, Series 1998B (UPMC Health System); (2) UPMC Health System Health Center Revenue Refunding Bonds, Series 1999B; and (3) Hospital Revenue Bonds, Series 1993 (Magee Women's Hospital); refund all or a portion of the Pennsylvania Higher Educational Facilities Authority's UPMC Health System Revenue Bonds, Series 1999A; and obtain credit support and/or liquidity support, if necessary.

He said additionally that the proceeds of the Bonds will fund any necessary reserves and pay all or a portion of the costs of issuance, including the costs of providing credit enhancement for the Bonds.

The Chair asked Mr. Moses, Mr. Konieczny, and Ms. Edwards to discuss a proposed amendment to the bill. The purpose of the amendment would be to correct a typographical error in Section 1, add another series of bonds that UPMC would like to refinance, and allow UPMC the flexibility to select other projects to refinance if there is enough funding available. They provided the committee with an explanation of the proposed amendment.

Ms. Cleary asked if the current market condition would affect their operations. Mr. Konieczny said it would not. Mr. Drozd asked them to make sure that some of the savings they realize through this bond issuance be passed on to some of the users.

Mr. McCullough expressed concern over the affect that the market conditions would have on UPMC. He asked Mr. Konieczny if they were solvent. Mr. Konieczny said they were. Mr. McCullough asked him if the bonds were insured. Mr. Konieczny said they haven't decided that yet.

Mr. McCullough asked Ms. Edwards what would happen if they were to have a default. Ms. Edwards said that the bond holders would have the option to accelerate the bonds and demand payment. Mr. McCullough asked if there was any recourse to the county if there should be a default. She said that there would be no recourse to the county.

Mr. McCullough said that this was a lot of money to be putting into one institution this cheaply. He said that he feared that in a worst case scenario bondholders and trustees may look for a way to hang liability on the County. He said there is merit in looking at how much risk the county was taking in comparison to the rewards.

Mr. Drozd said that he wants the chair to meet with the Department of Economic Development to determine if there is any exposure to Allegheny County whatsoever. He said that he would like to know that before he votes for this. Ms. Cleary agreed with Mr. Drozd and said that she would like to have a little more information regarding exposure to the county.

Mr. Moses said that there is limited liability and that there is no recourse to the authority or the county. He said if there were that they would never do these

transactions. He also said that there are other agencies that UPMC could choose and if they did that it would be lost revenue for the county.

Mr. Macey made a Motion to accept the amendment to the bill. Ms. Cleary seconded the Motion. The Motion failed by a vote of 4 to 1, with Council Members Cleary, Macey, Rea, and Finnerty voting yes; and Council Member Drozd voting no.

Ms. Rea asked Mr. Konieczny and Ms. Edwards to provide her with a statement of UPMC's outstanding debt. The Chair and Ms. Rea asked for an opinion from bond counsel indicating that there is no liability to the County.

Mr. Drozd asked Ms. Edwards to provide him with a document indicating what the limits of liability are. Ms. Edwards said that she would provide that information.

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

Votes: Yes: 4 - Cleary, Macey, Rea and Chair Finnerty
 Abstain: 1 - Drozd
 Absent: 4 - Burn, DeFazio, Futules and Green
 Non-Member: 2 - Council Member McCullough and Council Member Robinson

Discussion Topic:

County Comprehensive Plan Public Hearing and Committee Meeting Schedule

Summary: *The Chair distributed to the Committee the Allegheny County Comprehensive Plan Project Schedule. The schedule indicated that the First Reading of the bill took place on August 26, 2008. A Public Hearing is scheduled for October 23, 2008. The bill will be in committee on October 28, 2008. And the Second Reading will be before the full Council for final approval on November 5, 2008.*

Department of Economic Development TIF and LERTA policy revisions related to Community Benefits Agreements

Summary: *Mr. Pehur distributed to the committee a document entitled "Allegheny County Tax Increment Financing (TIF) Program Guidelines and presented policy updates for the TIF Program and the Local Economic Revitalization Tax Assistance (LERTA) Program. He said that the changes presented include the incorporation of community involvement and community benefits agreements into the policy guidelines for these programs*

V. Adjournment

Summary: *The meeting adjourned at 6:00 PM*