



SHAKER HEIGHTS

Memorandum

To: Members of the Finance and Administration Committee

Cc: Mayor David E. Weiss
Jeri Chaikin, CAO

From: Robert Baker, Director of Finance Department

Date: April 15, 2019

RE: Sale of Street Improvement Notes, (\$1.6 M)

In 2017, the City issued \$2.0 million of Street Improvement Notes, Series 2017, to fund the 2017 street improvements that were a part of the 2017 capital plan. The 2017 Notes matured on June 1, 2018. The 2018 Notes were refunded by the issuance of \$1.8 million of Street Improvement Notes, Series 2018, which will mature on May 30, 2019. The Finance Department recommends that the City issue \$1.6 million of its Street Improvement Notes in 2019 to refund the 2018 Notes. The 2019 budget included \$200,000 to pay the principal of the 2018 Notes that will not be refunded by the 2019 Notes. The 2019 Notes will be issued with a one-year maturity and will be sold using a competitive bid process.

The 2019 Streets Notes are consistent with past City practice of financing street improvements. The Notes are rolled over each year, and at maturity of the notes each year, 10% of the original principal amount will be retired so that entire issue will be retired in ten years. The interest rate will that will apply each year will be a one-year interest rate determined at the time of the roll over. Since streets are not a long-lived asset, Notes are more appropriate financing than longer-term bonds. The entire note issue can be repaid on any maturity date as done in 2016 for the 2010 street notes.

The source of repayment for the Notes is technically revenue derived from the collection of ad valorem property taxes levied within the ten mill limitation, but really is the City general fund. I anticipate that the actual bids for the 2019 notes will be received on May 15. Bids are expected to come in around 1.85% to 1.90% (annual rate). There will be no call provision for early redemption on the notes. Squire, Patton, Boggs will serve as bond counsel for the note issuance. Although Council approval is not required for personal services under \$25,000 the note issuance ordinance includes the retention of bond counsel (Section 14) as a standard convention.

The Finance and Administration Committee is requested to recommend the adoption of the ordinance authorizing the issuance and sale of the Street Improvement Notes, Series 2019 in the principal amount of \$1,600,000. Consistent with City practice, it is also recommended that the 2019 notes be competitively sold through a publically advertised solicitation bidding process.