

November 1, 2010
CITY OF WINDSOR HEIGHTS REGULAR BUSINESS MEETING MINUTES
6:30 P.M. – Community Center
Unabridged version

Prior to the opening of the council meeting, Marketa Oliver, City Treasurer Carrie Brannen and Tionna Pooler from Public Financial Management, gave a presentation regarding Tax Increment Financing and how it has been used by Windsor Heights. The presentation began at 5:30 p.m. and ended at 6:30 p.m.

Item 1: Roll Call

Mayor Jerry Sullivan called meeting to order at 6:35 p.m. Council present: Diana Willits, Steve Peterson, Charlene Butz, David Jenison and Betty Glover. City Administrator Marketa George Oliver, City Treasurer Carrie Brannen, Police Chief Dennis McDaniel, Public Works Director Jason VanAusdall, Community Services Director Josh Heggen, Fire Chief Christopher Cross and City Attorney Matt Brick present.

Item 2: Approval of the Agenda - Roll Call 308

Sullivan noted that item 10 has been moved to go immediately after item 6 in the agenda. Willits moved Peterson seconded approval. Voice vote passed unanimously.

Item 3: Good of the Order

None.

Item 4: Approval of the minutes - Roll Call 309

Jenison moved Butz seconded approval of November 1, 2010 minutes. Voice vote passed unanimously.

Item 5: Public Comment

None.

Item 6: Consent Agenda - Roll Calls 310

Peterson moved Glover seconded approval of the claims and payroll. Voice vote passed unanimously.

Item 7: (Previously item 10 with the rest of the items renumbered appropriately) Resolution fixing date for a meeting on the authorization of a loan agreement and the issuance of not to exceed \$4,350,000 taxable general obligation REFUNDING CAPITAL LOAN notes, SERIES 2011A and providing for publication of notice thereof. (Please note that the resolution originally read \$4,350,000 but was changed to \$3,380,000 prior to adoption.) Roll Call 311

Oliver gave a presentation regarding the city's current debt and the new proposed bonds. She also reviewed questions asked during the last council meeting and the answer to those and other submitted questions. A copy of the presentation is available for review at city hall. Oliver began with a look at an excerpt from the City's FY 2009 audit, which indicated that some action should be taken regarding the deficit balance in the TIF fund. She explained that over the years, the TIF fund has gradually grown to be indebted to the general fund. Oliver indicated that at the previous council meeting, there was a question about what the City's bonds had been used for and when they were issued. In response to this question, she presented an excerpt from the City's budget documents that are submitted annually to the State of Iowa which shows the year of the bond, the amount of the issue and then she added a column to show what the purpose of the bond was. Butz asked why the total exceeded the City's constitutional debt limit. Oliver explained that the total shown on this page was the total of the amount issued, not the total that was outstanding and countable against the City's debt limit. The next slide showed the amount of outstanding principal as of June 30, 2010. The slide showed a summary sheet from a report that is filed annually with the State Treasurer's Office. The report shows principal only for outstanding obligations, which totaled \$13,973,842. The next slide showed the City's current debt model, which reflected a 2003 Interfund Debt Issue and showed it beginning to be repaid in FY 2012. However, that debt model has changed. Oliver presented information as to why that debt model had changed, including loss in valuation related to board of appeals' actions and a change of use from commercial to residential. This means that as of June 30, 2011 (the end of the current fiscal year), the general fund reserves would be sufficient to cover the deficit balance in the TIF fund, but would not leave enough for appropriate operating reserves. In order to address this issue, staff had been working with outside financial advisors to develop a recommendation to the council. The recommendation was to refund the 2003 Interfund Debt Issue into a bonded debt obligation.

Oliver said at the most recent council meeting (October 25th) the question arose as to why the 2003 Interfund Debt Issue was created. Oliver presented a slide that showed the original payment and interest schedule that was certified to the County and State. The debt was issued to return the TIF fund balance back to zero and to codify the debt in the event that any legislative changes were made to the Tax Increment Financing law. It was to protect the investment the City had made in order to ensure that the TIF fund would repay the general fund for support in past years. The next portion of the presentation showed the history of TIF since its use in Windsor Heights and showed how gradually, the TIF fund had become indebted to the general fund. Oliver noted that the question had also been raised by a citizen at the most recent council meeting asking how the public would know about this debt obligation. The next slide listed dates of eight public hearings, which had included this debt obligation and twelve other public meetings where the City's debt was presented and discussed.

Another question that had been raised was the question of whether or not the City has too much debt. In order to benchmark this, Oliver had researched the debt communities with similar valuations to Windsor Heights. Benchmarking against communities with similar valuations is done because valuation is how the constitution and internal debt limits are determined. The average level of outstanding obligations for communities with similar valuation (excluding Windsor Heights) is \$17,880,826 and the median level of outstanding obligations is \$16,816,000. Windsor Heights' outstanding debt is \$13,973,842. Oliver then presented information comparing what percentage of the City's constitutional debt limit Windsor Heights uses in comparison to other Des Moines metropolitan area communities. The average percentage of constitution debt level used in the metro is 70.77%. Windsor Heights currently uses 69.22% of its constitution debt limit. Oliver noted the information comes from the State Department of Management and the State Treasurer's Office.

Oliver explained the City has a constitutional debt limit of \$20,111,410 and an internal debt limit 15,083,557. She explained the constitutional debt limit is based on 5% of the City's total valuation and the internal debt limit is 75% of the amount of the constitutional debt limit. The City's financial advisor typically recommends an internal limit of 85% of the constitutional limit, but Windsor Heights has adopted a more conservative level of 75% of the constitutional debt limit. Butz asked if this calculation takes into account the loss in valuation. Pooler said the calculation was based on the most recent, certified city values and does not assume any growth in values. Oliver noted if you subtracted the value loss and recalculated the constitutional debt limit and internal limit; the City's outstanding obligations would still fall below the limits. Oliver then presented information what the proposed refunding does to the City's outstanding debt obligation. She noted that the refunding kept the City well below its internal and constitutional debt limits and actually amortizes the City's debt a little sooner than is currently planned.

Oliver presented information about how the proposed bonding affects the future levy rate. Over the next three years, there is projected to be a difference between TIF revenues and expenditures. However, the reserve levels will again be stabilized to a point that there will be capacity to carry the fund until FY 2015, when revenues outpace expenditures in the TIF fund. Finally, Oliver noted that while the City's debt levels are related to capital projects and not operational expenses, it is important to still note what the City is doing to reduce expenditures. She presented a list of actions taken within the last 6-12 months that have reduced the City's expenditures by more than \$100,000.

Allen Sydnes, 2012 66th Street, said he does not understand what the rush is to get to market. He thinks people are still confused and suggested an outside independent auditor and financial advisor review everything first. Oliver said the City's independent outside financial advisor and independent outside auditor are in the audience and encouraged Sydnes to ask them questions. They were here specifically as a resource to answer questions that may come up during the presentation. Sydnes asked the Tionna Pooler from Public Financial Advisors if she had any vested interest in the city selling the bonds. She stated she is an independent financial advisor, and gets paid whether the city does the bond items or not. She also explained that the action being considered by the Council now is one step in many that will be needed in order for the bonds to go to market. The goal is to have the process completed by June 1st and at the current schedule, the City will not sell bonds until January. The current process provides a cushion of time if the calendar needs to be adjusted for some reason.

Willits noted she herself is not confused and has a vested interest in these bonds because it is the right thing to do for the city. Sydnes says he believes in TIF because he sees the need for redevelopment. It is more expensive to redevelop than to buy up a corn field. Willits said we are not having trouble with TIF. The city is always challenged to keep itself viable so when the city bonded for Hickman, the council knew it would be tight and have some ramifications. In order to keep our excellent public safety, works, etc and our bond rating, the city needs to bond. It is the right thing to do. Peterson said investors are looking in November for these types of bonds in order to renew investments. He noted how proud of everything the city has done the last several years. Willits noted all the City's independent auditor and financial advisor have looked at it. Glover expressed her frustration of past practice of bonding to purchase a property and making a TIF district without a developer. She said it is like getting a mortgage without a job. She does not think the city should continue that process. Right now the city does not have a whole lot of alternatives. Peterson noted that Hy-Vee and other University projects were done without developers in hand and ready to go. Glover said though we are in a different business climate now. Peterson agreed. Glover said the city needs to be more prudent. Willits agreed and said though the city is not discussing purchasing property today, just refinancing already existing debt. Glover pointed out the city spent a million dollars in December of 2009.

In answer to Mr. Sydnes' question of outside auditor, Peterson noted that any auditor in the state of Iowa work on the same generally accepted accounting procedures and standards, etc. as the State Auditor. He worried another audit is not a good idea because of the added expense that would get the same result. Butz pointed out the city does not use generally accepted accounting practices (GAAP). Dave Ellis, the city auditor, pointed out the city is not on GAAP because it is cash basis, not an accrual basis. Glover said the city should be on the accrual basis. Brannen said that what Council Member Peterson was saying is that no matter what auditor the city uses, they will use the same auditing guidelines to audit the city. The auditors use generally accepted auditing practices. She said the city is on a cash basis because it is a lot easier processes and less expensive process when it comes to doing all the financial reports and auditing procedures. Willits said that she thought after the last study session when accrual versus cash accounting was discussed, everyone thought cash basis was better for the city. Glover said she was thinking about it and thinks at the end of the day, the accrual is better for the city because the city knows exactly where we are in the budget.

Betty Koepsel, 2250 70th Street, said if it was not for the previous council's decisions, the city would not be in such a debt. She does not think that adding more debt will solve the problem. Butz said that this is not new debt. Glover said this is reconstructed current debt.

Sandy O'Brien, 6826 Del Matro, noted her concern for the city's debt level. She also said the city needs to do more than one street a year.

Roll Call 311

Willits moved approval of resolution 10-1101/311. Peterson seconded. Resolution 10-1101/311 fixing date for a meeting on the authorization of a loan agreement and the issuance of not to exceed \$3,380,000 taxable general obligation REFUNDING CAPITAL LOAN notes, SERIES 2011A and providing for publication of notice thereof, passed unanimously on a roll call vote.

Item 8: Continuation of Public Hearing on authorization of Loan Agreement and issuance of Notes to evidence obligation of City thereunder for not to exceed \$475,000 General Obligation Refunding Capital Loan Notes, Series 2011B. Roll Call 312

Sullivan continued public hearing at 7:26 pm. Oliver noted she had received no written or oral comments. Sullivan asked for any further public comment and no one present wished to speak. Sullivan closed the public hearing at 7:27 pm. Jenison moved Butz seconded approval. RC vote passed unanimously.

Item 9: Resolution instituting proceedings to take additional action related to \$475,000 General Obligation REFUNDING Capital Loan Note, Series 2011B. Roll Call 313

Willits move approval, Peterson seconded approval. Roll Call vote passed unanimously.

Item 10: Resolution directing advertisement for sale and approving electronic bidding procedures for General Obligation REFUNDING Capital Loan Notes, Series 2011B in the amount of \$440,000 (amount subject to change). Roll Call 314

Butz moved Glover seconded approval. Roll Call vote passed unanimously.

Item 11: Staff updates:

Chief Cross noted the fire department received an anonymous donation of a kit that can be used to resuscitate animals. Brannen said she is working with Iowa Workforce Development to possibly get a grant for the deconstruction of the city owned buildings on Hickman Road. VanAusdall said the sound wall is nearly complete. He also mentioned Veenstra and Kimm is doing manhole inspections as part of the sewer project.

Item 12: Council member comments:

Jenison asked when the building on University (the Grale Project) is going to be finished. Oliver said the last she heard was December 1st. Butz asked about deer hunting in the city. VanAusdall noted he had harvested 2 deer already. Butz asked if the city could put in a temporary four way stop at college until the Clive University project is finished. McDaniel said the offsetting intersection may pose a problem. Butz said she realizes that, but that something needs to be done. McDaniel said he will look at it. Jenison thanked staff and others for the TIF and bond information shown during the meeting. Willits thanked the police for putting the speed trailer on College. Glover thanked staff for the meeting information on TIF and thanked Oliver for all the timely responses to her questions. Peterson also thanked staff for the speed trailer on College and thinks it has really helped. Willits noted her worry about the extra traffic wear and tear on the road and bridge. VanAusdall noted nothing is currently budgeted for any extra road work on College. He is hoping Clive will be finished soon. Willits asked if there is a weight limit on the bridge. Oliver said the city would look into it.

Item 13: Mayor's inquiries.

Sullivan thanked staff for everything they did with the presentations and thought they were good. Willits think this is good information to use to meet with our legislators.

Item 14: Adjournment - Roll Call 315

At 7:41 p.m. Willits moved Jenison seconded to adjourn to 6:00 p.m. on Monday, November 15, 2010. Roll call vote passed unanimously.

Jerry Sullivan, Mayor

ATTEST:

Marketa George Oliver, City Administrator/Clerk