MAYOR LICASTRO: I'm going to call the Committee of the Whole to order and ask our clerk to call the roll, please.

MS. COOKS: Mr. Benjamin?
MR. BENJAMIN: Here.

MS. COOKS: Ms. Burke-Jones?
MS. BURKE-JONES: Here.

MS. COOKS: Ms. Hoefling?
MS. HOEFLING: Here.

MS. COOKS: Ms. Huffman?
MS. HUFFMAN: Here.

MS. COOKS: Mr. McDonald?
MR. McDoNALD: Here.

MS. COOKS: Mr. Yonchak?
MR. YONCHAK: Here.

MAYOR LICASTRO: Thank you. We have one item on the agenda. It is a discussion with Ryan Callender, our bond counsel and Tim Reidy, our investment banker, on the $2.4 million note and other topics that relate to that as well.

I'm not sure which one you want to lead the discussion. I know we've received late yesterday some documents from Tim. So everyone knows we have a $2.4 million note that I think Council's intention is to roll that over this year, and talk about that. And what we do with it next year is also a topic of conversation.

So who wants to take the lead?

MR. CALLENDER: I can start off with the note and then you've got more of the finance stuff on the bond. So your note is coming due here in August. Typically, Council considers and coordinates sometime in the July, late June, July time frame in order to roll that over. If you want to pay some off, you can pay some off. We're still within the period in which you're okay. You don't have to pay --

MR. McDoNALD: Interest rate?
MR. REIDY: Right to the point. So I do some --

MAYOR LICASTRO: Let me interject. One reason why Council has not paid this down, interest rates in the last four years have been practically nil. I think the last time we rolled it, Tim, the basis points were actually negative. That's not the case now.

MR. REIDY: Virtually.

MAYOR LICASTRO: Virtually. And I think that, if I'm not mistaken, next year we don't have that luxury of not paying anything down. And we'll talk about that when we get there.

By the way, for Councilmembers who don't know, Tim Reidy is our investment banker; Ryan Callender, our bond counsel. You can see by their names who they are.

MR. REIDY: Thank you, Mayor. Thank you, Ryan. So as Ryan mentioned, as you see here on the brief agenda, the note does come due August 11th of this year. Last year's note was sold to investors at a 0.30 percent interest rate, which is about as free as you can get when you're borrowing $2.4 million. That equates to $15,000 in interest cost.

So on August 11th, the Village will be responsible for obviously the note that's coming due, plus $15,000 of interest. Interest rates have changed significantly as I'm sure everyone is aware. If you wouldn't mind flipping to the second page just to give you some indication of what's happened in the financial markets over the course of 2022.

We've certainly seen a tremendous amount of volatility disruption as everyone is aware.
The issues with inflation, supply chain issues, obviously the conflict in Ukraine with Russia, you have the price of oil and all sorts of things affecting the financial markets. So what this chart is showing is bond rates, 20-year bond rates and where they've moved over the course of the last five years. And you'll see the right far right-hand side of the page we've seen a 200 basis point increase in bond rates. 200 basis points equates to two percent. So 100 basis points equal one percent. So a year ago, not even towards the end of last year, 20-year bond rates were around 125. They went up all the way to 325, which is a tremendous move. And really an indication of a lot of dysfunction and concern in the economy. Much of this is driven by the action by the Federal Reserve, what they've taken so far and what they're projected to take over the balance of this year. The Fed has increased the Fed fund rate twice already 25 basis points, then 50 basis points. And next week they have another meeting where it's expected they'll increase another 50 basis points.

So when you see these movements in the market, typically it's because investors are expecting this action by the Fed to happen and so they can getting ahead of the action generally speaking. The third page relates specifically to the note market. So these are one-year duration interest rates. The gold line is the one-year taxable treasury rate. The blue line is the municipal scale, mid one scale. I show this to you because when notes are sold in the State of Ohio, they're priced off the blue line, the one-year municipal scale as the benchmark. This is credit spread based off the benchmark. You'll see on the right-hand side a pretty dramatic increase in interest rates here over the course of the last couple months. It's been a vertical wall of interest rates. Again, another 200 basis points increase in interest rates.

So to answer your question, last year's note was sold at a 0.30. This year obviously the market is moving and it's difficult to say where it will be in a couple months from now, but as of right now, we're a solid 200 basis points higher than last year. I would expect something in the 230, 250 range as far as interest rates. So the cost of carry for the note is definitely increasing.

The Village has been fortunate to be in a low-interest rate environment for many years now. And at least for the time being it seems like that environment is changing. And the cost of this carrying this debt is going to become more of a burden than it has in the past. In addition to that, as Ryan mentioned, next year you will be required to start making mandatory principal payments in addition to the interest rates. As I mentioned, the interest cost this year coming due is $15,000. If the note was rolled another 2.4 million at two and a half percent, the interest cost increases to $60,000. So next year could be upwards of $60,000 plus the principal that might be required to be paid on next year.

Mayor Licastro: For clarity, Tim, is kind, he's the one that really oversees the sale of our note. That's his burden and he's been great.

Mr. Reidy: Thank you.

Mayor Licastro: Trying to find a buyer for us, I think it would be more challenging with higher interest rates, so he's hands on with that. Ryan is a bond counsel and he oversees pretty much everything we do relating to bonds and notes, et cetera. They make a very good team and have done a lot of good work for the Village.

So were you done with your presentation.

Mr. Reidy: I am. The last thing I would stress is the calendar of the note maturing in August. Obviously we require Council approval of any rollover note legislation in advance of the sale of a new note, so we need to be mindful of that.

Mayor Licastro: I think that's Council's intention. So I know that the auditor is the one that mandates when we go past the five-year period, there is a paydown necessary on principal as well as interest. I've heard a number around 10 percent. What actually would that number be next year if, indeed, we still have a $2.4 million note? Can you give us an estimate.

Mr. Callender: Sure. It's actually the Revised Code that requires the paydown.
Essentially you get -- it's a somewhat complicated formula as only the Revised Code can do. But it essentially equals about five years you get of rolling these notes over without paying down the principal, without amortizing. By the time we get to next year, you'll have completed this period. So that's the reason you have to make a principal payment.

At that point, the guidance is that you need to make a payment as if you had issued long-term debt. So it's a little bit nebulous. And always a little bit difficult to advise exactly how much -- there is no advice on exactly or precisely how much that is.

What we want to avoid, as the Mayor has said, is that your auditor coming up and saying you didn't pay enough down. This was not compliant with Chapter 133 of the Revised Code. So 10 percent is a very, very safe number. The auditor will never complain about that.

As we know, as you probably know when you issue bonds, we can structure the amortization a little bit different. It doesn't have to be level debt service. The Revised Code seems to give you some flexibility there.

MR. CALLENDER: So I'm not going to tell you that that's definitely the number. That would hit the safe harbor. You probably could go a little bit lower than that, but again, I wouldn't get into a situation where you were -- if you had actually issued the debt long-term, you're paying less principal this year than any other year.

MR. MATTY: So I understand it, if these interest rates stay the same, then next August or if they get worse, it will be worse, but according to Tim, if it was a 2.5 percent interest, in August the Village would have to pay 60,000 in interest. And to hit the safe harbor situation, we'd have to come up with 240,000 more?

MR. CALLENDER: So I'm not going to tell you that that's definitely the number. That would hit the safe harbor. You probably could go a little bit lower than that, but again, I wouldn't get into a situation where you were -- if you had actually issued the debt long-term, you're paying less principal this year than any other year.

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MR. CALLENDER: So I'm not going to tell you that that's definitely the number. That would hit the safe harbor. You probably could go a little bit lower than that, but again, I wouldn't get into a situation where you were -- if you had actually issued the debt long-term, you're paying less principal this year than any other year. Debt service being principal and interest all inclusive.

So if you actually issued the long-term debt, we can get probably get away with a very -- if the proposal was you're going to issue long-term debt here in August to take that out, we can probably get away with a pretty small amount that first August, August of '23, for your first debt service payment, but, again, the auditor doesn't look very kindly at that if you're kind of playing that game. They're wanting to see you into long-term debt and/or amortizing on a very conservative basis.

MR. MATTY: So I understand it, if these interest rates stay the same, then next August or if they get worse, it will be worse, but according to Tim, if it was a 2.5 percent interest, in August the Village would have to pay 60,000 in interest. And to hit the safe harbor situation, we'd have to come up with 240,000 more?
love a zero interest loan for 20 years.

MR. CALLENDER: That's a loan agreement with the state.

MR. McDONALD: Yes.

MR. CALLENDER: So it's a little bit different than going out to the public.

MAYOR LICASTRO: I think the DOPWIC loans, do you remember what they total?

MS. COOKS: I think the one is $13,500.

We'll be making that payment in July. And then the second one that just came on the books, that's a total of 87,000.

MAYOR LICASTRO: But, again, those are not factored into our loan cap by the Ohio Revised Code. Those are considered other. So the only outstanding debt we have as far as the cap is concerned is the $2.4 million note.

So anything else, sir, before we open it to Council for questions? Everyone will get a chance. Anything as a preface you'd like to offer?

MR. CALLENDER: We're good.

MAYOR LICASTRO: Keith, go ahead.

MR. BENJAMIN: So pretend we're not talking about any other note issuances with
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Mr. Benjamin: I just wanted to be clear that those are our two options.

MAYOR LICASTRO: And for that particular project, the Revised Code also sets the useful life for financing purposes. It may not be the actual useful life for financing purposes. So that particular project was 20 years, so you can amortize that over 20 years, which really does bring the -- that's where you can start to play with the amortization.

MAYOR LICASTRO: Does that become a ballot issue then?

MR. CALLENDER: No. If you're rolling that over, it's an unmoted GO debt just like it is right now as a note.

MAYOR LICASTRO: So even long-term debt can be issued without a ballot box.

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MR. CALLENDER: Absolutely. You need the extra revenue to pay the debt service.

MAYOR LICASTRO: I understand that.

MR. MATTY: Ryan, are we treated the same if we roll it over to a bond? Are we treated the same as a municipality that may owe $20 million or 25 million, when we only owe 2.4, are we treated the same or do we have to pay any penalties or extra costs because the amount is so low compared to others?

MR. CALLENDER: Well, I'll take part of that and hand it over to Tim. I mean, for the most part, you're always kind of judged against your assessed valuation. And so, you know, there's going to be a question of what is the best way to sell, which Tim is going to help you do that. The penalties -- I shouldn't say penalties.

MR. MATTY: Premium?

MR. CALLENDER: The issue is with your issuance cost, how do you sell it to get the best interest rates so that overall you're paying the cheapest amount? It may not be full-blown what you're used to, Dave, with other communities, full-blown OS out to the public market because the cost of that are so great as compared to the size.

MAYOR LICASTRO: Tim.

MR. REIDY: I was just going to add Ryan is correct. Functionally, legally there's no difference between a note and a bond issue for the service garage. A note is truly what we call a variable rate mode, meaning that the rate resets annually. We are now at a point after five years, it will be next year, where we have a reset of the rate every year, but now you're required to make principal payments as it is a bond issue. If you convert it to a bond issue, you would have a single fixed rate bond issue for the duration of the 20-year financing, so you have a little more control from that standpoint.

There was a benefit to being in that variable rate mode in prior years when interest rates were extremely low on notes. Now that the note rates are higher, it's a little more risk.

MR. BENJAMIN: And correct me if I'm wrong, if we were to issue long-term debt next year on the service garage and it sells for two and a half, three percent, four percent, whatever it is, we can always in the future refinance if...

ODOT grant that's issue 200. That's completely separate. It's basically getting a loan for zero percent from the state for road projects. And that money needs to be budgeted and is budgeted every year. You pay down principal every year on that note. It's not a note.

MAYOR LICASTRO: It's not a note.

MS. HUFFMAN: It's a loan.

MAYOR LICASTRO: It's a zero-interest loan, again, each of us would love to have. And the state mandates how much of it we pay down every year. It's a 20-year note. So the one we're paying off this year has been on the books for 20 years. The one we just issued will be amortized for 20 years.

MR. REIDY: Correct. So typically bonds are sold with call provisions, so you have some option to refinance at some point in the future. These are dynamics that we would explore when the Village is ready to enter the market.

MAYOR LICASTRO: So any questions on the note before we sort of morph into a different topic? Gina.

MS. HUFFMAN: So, Keith, you talked about the two options and you mentioned two notes. Were you talking about the DOPWIC notes or were you just talking about the service garage?

MR. BENJAMIN: Only the service garage.

MAYOR LICASTRO: I opened it for clarity. DOPWIC is a whole different animal.

MS. HUFFMAN: You're not talking about that having anything to do with our note?

MAYOR LICASTRO: It has nothing to do with the note or the debt issuance as discussed.

MS. HUFFMAN: So basically the DOPWIC note, which are at about $100,000 will be amortized for 20 years.

MR. BENJAMIN: No. DOPWIC is a state funding source.

MS. HUFFMAN: Absolutely. You need additional revenue to pay the debt service. DOPWIC is District One Public Works Integrating Committee. It takes Issue 2 funds, which are generated by the sale of bonds from the state to allow communities to borrow or receive a grant for sewer, water, road construction, et cetera, et cetera. It's competitive. You have to apply for it. District 1 is Cuyahoga County.

We get about $33 million of that pile of money.
Usually there's about -- I chaired this for eight years for the county. Usually there's about 50 to 65 communities that apply for it. Only 12 or 13 get funded, so it's very competitive and very difficult to get the monies. We did and we have in the past and we just did recently. So but, again, that really is not germane to this conversation. I just am talking about overall debt and I think it's important for Council to know that.

MS. HUFFMAN: So just as a recap, there are line items to our budget. There are line items to our budget, we make payments to what our line items are. Basically, we have two DOPWIC loans. One is coming due because it's been 20 years and we will handle that in --

MR. BENJAMIN: We've been paying that off every year for 20 years and it's going to be paid off this year.

MS. HUFFMAN: So it will end in 2022. And then the $87,000 one will come on and we will start making payments on that?

MAYOR LICASTRO: The state mandates how much you pay down every year. $13,500 is the last payment on a loan that was --

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MS. COOKS: $128,000 something like that. Our payment was normally 20,800 something. And this 13,000 is the last part of that.

MAYOR LICASTRO: Again, I don't mean to confuse, but just it's important to know. I wish we could get more DOPWIC loans, everyone does. So any questions on the note before we sort of morph into a different topic?

Very helpful, gentleman.

Dave, I'm sorry, please.

MR. MATTY: One question. Tim, seeing this chart, which is Ignatius colors.

MR. REIDY: Guilty.

MR. MATTY: How do you sleep at night with what's going on where it's down here at the absolute place we want it to be and a week later it's up in the stars? Is that going to continue as we go at least as far as what you see or is it going to go up, up, up, up, up?

MAYOR LICASTRO: Whatever he says, write this down, because we're going to hold you to it.

MR. MATTY: You've been in this long enough that I'm sure you've seen other ones like this, but is this different?

MR. REIDY: It is different, yeah. I wouldn't say I've seen something specifically like this. We certainly see in that chart the pandemic when the market basically ceased up, where it spiked, but that was over the course of a week and then it rectified itself.

No, I mean, we haven't seen inflation of eight percent since obviously the '70s. So none of this is something that we've seen in an extraordinarily long time. The market is -- I don't know obviously. I suspect the market has moved so far that there's a decent chance that we probably just about moved far enough on interest rates.

Again, investors are always trying to get ahead of everything, so they're forward looking. They're not waiting for the Fed to act and then rates will rise. They're getting ahead of the Fed. If the Fed raises rates less, then you may see a drop in interest rates by virtue of the fact they overshot the target a little bit.

Great question. That's what everyone wants to know is what's the future for that progression. I would suspect -- I can't imagine it continuing too far like it has.

MAYOR LICASTRO: But it's not likely to come down any time soon.

MR. REIDY: I wouldn't think so.

MAYOR LICASTRO: I wrote that down.

MR. BENJAMIN: You're weekly e-mail this week was very depressing.

MR. REIDY: Thank you. (Laughter.)

MAYOR LICASTRO: Don't kill the messenger.

So the Village is engaged in a conversation about public buildings. We've talked about perhaps ballot initiative, a bond issue for a set period of time. I know that we're not there yet, but we kicked around a five or six mill bond issue. I know last year a five mill with lower interest rates would bring in about 10.4 million. And this year because of higher interest rates I think the new rate, the new dollar amount was about 9.6; is that accurate, plus or minus?

MR. REIDY: Over a 30-year amortization.

MAYOR LICASTRO: 30-year amortization.

MR. CALLENDER: Exactly. That's important, because that's in the abstract if you're talking about a 30-year bond.

MAYOR LICASTRO: I'm not trying to put Molnar Reporting Services, LLC (440) 340-6161
1 you in a difficult position. So if this goes forward, if it becomes a bond issue, the five mill will generate more than we need in construction costs. And the difference was to help pay down this now coming due note.

6 If that came to fruition and we had another million or four million or five million of that bond money to pay down the note in '23, what flexibility do we have with the balance of that note going forward?

10 MR. CALLENDER: Can you repeat that?

12 MAYOR LICASTRO: So in an ideal world, if this happens, we'll have enough generated from the five mill, 30-year bond issue to pay the note off completely. If we couldn't do that, if we can only pay off a million of it or whatever it is, what happens to the balance?

16 MR. CALLENDER: Sure. So one of two things. You can continue to move on the way you're doing every year and you pay a portion of it off every year. Obviously that portion is going to be smaller because you've taken a big chunk out of it and turn it into long-term bonds with the voter approval; or you fix that out and we do a different type of bond issuance, but it's Molnar Reporting Services, LLC (440) 340-6161

23 an unvoted general obligation just like your notes are unvoted general obligations right now. And you go ahead and fix that out as a separate bond issuance from the one that's authorized by the voters. So you do have some flexibility there.

29 In fact, to some extent if one of the many considerations for you is, in fact, doing that, because one of the issues with that note is that it is a 20-year line, so it's going to bring down those 30 years a little bit and do an average of everything.

34 MAYOR LICASTRO: Repeat that last statement again, please.

38 MR. CALLENDER: Sure. So the service garage, the project that was paid for with that $2.4 million was a 20-year line according to the Revised Code. So if you throw that whole thing into the bond issuance that we're talking about, that's going to bring the average down off of 30 dollars, whole dollars, that you're able to get out of a particular millage.

44 And so, you know, that's something to consider is how much of that note do you want to put into the bond or do you want to put the full amount into the bond, that's fine, but that's going to affect how much money obviously in two different ways how much money you have left for the other projects.

50 MR. MCDONALD: What does the balance sheet look like? How would that be selling a 30-year and what does the balance sheet look like? What kind of rating would we get? How would that be received.

56 MR. REIDY: I don't have a good answer for you on that yet. That's something we have to work through. If it's a voted issue, if it's a ballot issue and you receive voting approval, typically a voted issue is received more positively from the rate agencies.

62 I think what you're asking is what kind of credit rating you'll receive, like Standard & Poor's. That's a pretty deep analytical analysis as to where the building would fall on that rating scale. There are some headwinds that the Village faces to be honest. And obviously, general fund balances have been pretty narrow. Small communities, such as the Village, are on biannual audits, so it's somewhat of a challenge Molnar Reporting Services, LLC (440) 340-6161

68 for the investment community and the rate agencies, because financials can get pretty stale pretty quick when you're on those cycles. That's not unusual as it relates to villages, but it's a fact of life. So I don't have a strong answer for your question. That's something -- that's a bridge we would cross when we get closer.

76 MAYOR LICASTRO: So if the Village did issue a bond five years for 30-year bond issue property tax and generated the 9.6 million, whatever the projection is based on current interest rates, that money is given to the Village up front and it's paid off over the period of time.

82 MR. CALLENDER: Correct.

86 MAYOR LICASTRO: And is that variable interest? Is that a fixed interest?

90 MR. CALLENDER: It's fixed.

94 MAYOR LICASTRO: Okay. Based on whatever the interest is at the time of issuance.

98 MR. CALLENDER: By law, it must be fixed. I don't want to get too much into the detail. What you might find is that each maturity actually has a different interest rate, Molnar Reporting Services, LLC (440) 340-6161
but they're all fixed. And then you get an average interest rate out of all much those.

MAYOR LICASTRO: So the money once fronted, if you will, doesn't change.

MR. CALLENDER: Correct.

MAYOR LICASTRO: It's paid off over the 20-year or 30-year, whatever the issue.

MR. REIDY: Correct. In practice, you know, the Village might actually choose during construction to do another note issue for the construction period because it does function as a bridge loan. And I said variable, I said that somewhat flippanly. It's a fixed rate note, but the interest rate changes every year because of maturity, so it functions like a variable rate on an annual basis. In practice, it's actually a fixed rate note and a fixed rate bond issue. For a new ballot issue, it could be notes for a year or two during the construction until you finalize construction and then turn into a permanent bond issue.

Those are choices, financial, financing plan choices that can be made as you get closer looking at where interest rates are and what the construction schedule is expected to be.

MAYOR LICASTRO: She knows this thing in her sleep. Okay. These gentlemen are available ongoing. We really appreciate this insight.

It's been pretty complicated stuff. I mean, it is, but it isn't. We have some decisions we need to make and all of it will be in the light of what we can borrow, what we have to pay back, the note, the amount we pay back next year, interest rates, kind of a moving target. We don't have the luxury of continuing to have the low interest rates we've had for years.

MR. MCDONALD: May I ask one more?

MAYOR LICASTRO: Diana, do you have a question?

MS. COOKS: I do not.

MAYOR LICASTRO: That's a key point as opposed to your normal tax levy the Village might suggest.

MAYOR LICASTRO: So is that borrowing money against our loan cap; is that what you're suggesting?

MR. REIDY: Not for a vote issue. I'm just talking about a vote issue.

MAYOR LICASTRO: That we can do without voter approval, which is what we did. Keith.

MR. BENJAMIN: So just throwing out scenario, we issue a 30-year bond at five mills, we generate $9.5 million. What's the estimated annual debt service that the Village is going to have to pay per year every year over the course of that 30 years?

MR. REIDY: So a voted issue is tailored to basically match the revenue source of the property tax levy against the debt service expected on the bonds. So we estimate on a nine and a half million issue a five mill levy would bring in roughly $550,000 a year, and the debt service would be roughly $550,000 a year.

MAYOR LICASTRO: But that's paid for by the taxpayers.

MR. REIDY: Correct, by the annual levy.

MAYOR LICASTRO: But that's the burden per year. Got it.

MAYOR LICASTRO: But it would not be that way -- that would not be the scenario if we issue the debt without voted, correct?

So if the Village just went and issued straight debt for 30 years, nine and a half.

MR. REIDY: You'd have to pay it out of the general fund.

MAYOR LICASTRO: You'd have to pay it out of the general fund.

MR. REIDY: Correct.

MAYOR LICASTRO: Diana, do you have a question?

MR. CALLENDER: That's a key point as opposed to your normal tax levy the Village might
put on the ballot.  The bond levy is going to collect that which is necessary to pay the debt service regardless of what the debt service is. So if the debt service goes down because of refinancing, then the tax goes down.

MAYOR LICASTRO: House Bill 920 does not apply to a bond of this nature.

MR. CALLENDER: Correct.

MAYOR LICASTRO: Okay.  So House Bill 920 was voted into law in the ’70s, introduced by then Legislator George Voinovich.  What it does is it adjusts the rate, the millage to either accrue or offset fluctuations in the valuation. So a property tax never brings in more than it brings in the first year.  It can bring in less if the house statutory and under the guise of House Bill 920.  And if you’re not statutory and have a charter, you can actually collect more than what it brings in the first year.  Am I correct on that?

MR. CALLENDER: There are a lot of fluctuations with it, but yes, that can happen. It's ridiculously complicated.

MAYOR LICASTRO: So a four mill levy really never turns into a 4.5 mill levy.  It is we had one coming off the books, because you have these opportunities every year to roll them over either to another one-year note just like what you've got or to fix them out at this point.  There's always, as Tim has said, you know, a strategy, a financial strategy of when is the right time to fix it out for interest rate purposes.  You can stay in these notes for 20 years.  After 20 years you have to get out of them.

MS. HUFFMAN: Well, I guess what was interesting to me is that that is still an option for any new projects.

MR. CALLENDER: Yes.

MAYOR LICASTRO: It is.  Now, one reason why we were careful to take out a new DOPWIC loan is we had one coming off the books, because you have to have a vehicle to pay it back off.

MAYOR LICASTRO: All right.

MAYOR LICASTRO: So that gives us flexibility.  I'm not sure that unsupported debt makes fiscal sense, but it's an option we have without going to the voters.

MR. CALLENDER: Correct.

MAYOR LICASTRO: All right.

MR. BENJAMIN: So just to clarify, so next month at our July regular meeting of Council, we'll have legislation to consider rolling over the note for one more year on the service garage.  And then we'll have one year till next August, next July, to decide long-term what we're doing.

MR. CALLENDER: For that particular, that's correct.

MR. MATTY: Ryan, does Council also have to in July decide if they want to pay $100,000 off of that 2.4.

MR. CALLENDER: Yes.

MR. MATTY: Or $200,000, that has to be

MAYOR LICASTRO: Yes.
Mr. Callender: Correct.

MR. MATTY: Before you roll it over?

MR. CALLENDER: Before you -- of they want to do it this year, yes, correct. That's correct.

MR. MATTY: So you have two decisions if you wanted to do that.

MR. BENJAMIN: Okay.

MAYOR LICASTRO: Anyone else? Ms. Hoefling?

MS. HOELFLING: Can you explain the refinancing process and if there's penalties to the Village for refinancing?

MR. REIDY: Sure. So you are permitted -- typically bond issues are sold with a call for option of redemption provision that gives you at some point in the future the ability to refinance that debt. When that's refinanced, it's not refinanced with any sort of penalty. It's done with what we call par, so it's just replacing old bonds at a higher interest rates with new bonds at a lower interest rate. At least that's the intention as long as interest rates cooperate.

If we're in an environment where rates are higher, we're required to start making principal payments. We're at a situation, as Ryan illustrated, where we have big time trouble with the auditor. Defaulting on a loan I think you said they would not look kindly.

MR. CALLENDER: Well, if you came and said no principal payments at all in 2023, that would obviously be an illegal note at that time. MR. YONCHAK: That's a question to us whether or not we have the ability to make the payment.

MR. CALLENDER: If we're in an environment where rates are higher, we would obviously be an illegal note at that time.

MAYOR LICASTRO: Right. I understand. Right. And the fact that we have not had to make any payment and have had interest rates of $15,000 and now increase of interest rates, interest dollars of $60,000, plus principal we have to pay down in '23, and they like that 10 percent give or take unless we issue long-term debt.

Anyone else on Council? Anyone else from the audience? Mr. Kesselem.

MR. KESSELEM: Thank you. I wanted to ask a question about a bond note. You said that it's a fixed rate, but every year the rate could change within that; is that correct?

MAYOR LICASTRO: There's bonds and there's notes, two different things.

MR. KESSELEM: What was the scenario you mentioned where it could adjust?

MR. REIDY: So when a bond issue is sold, say the project has a 20-year amortization, so 20-year majority, that means that there is a principal payment every year, years one through 20. And each of those years has its own interest rate that's fixed until it's paid off.

So just like if you were to buy a one-year CD, it would have an interest rate. If you buy a three-year CD, it has a little bit higher. Five-year CD is a little bit higher.

Just like a mortgage 10-year, 15-year mortgage, the further you go out on the amortization, typically there's a little bit higher interest rate, because the investor is borrowing you their money for a longer period of time and they require a high interest rate. When a bond issue is sold, there is a different fixed interest rate.

MR. KESSELEM: Is that a fixed rate?

MR. REIDY: It is a fixed rate, doesn't fluctuate. Once it's sold, it's in existence until it's paid off.

MAYOR LICASTRO: A note is variable. A note is a variable rate. It can change from year to year.

Ms. Meade, you had your hand up.

MS. MEADE: Yes. As far as expenses, we've got principal, we've got interest. Are there legal fees as well every year that get incurred or rolled into this?

MR. CALLENDER: Every year you issue the note, yes.
MR. REIDY: There are expenses to do the note.

MR. MCDONALD: New issues, not with an existing note.

MR. CALLENDER: Just new issues, correct.

MS. MEADE: What does that run roughly?

MR. REIDY: I don't know off the top of my head.

MAYOR LICASTRO: We'll get back to you.

We don't want to guess at that. We'll look at that and get back to you. Yes. Mr. Orel.

MR. OREL: Just out of curiosity, who actually pays -- does the county actually pay off it? They collect the taxes, so they're the ones that actually pay it? How does that actually work?

MR. CALLENDER: It's a great question.

It's actually -- it will be the Village making those payments even if it's an authorized voted bond issue, but those -- if you did the bond issue, those tax dollars would be collected and put immediately into what's referred to as the bond retirement fund of the Village. Those dollars cannot be used for anything, except to pay debt service on debt.

MR. OREL: So that money goes to the Village and then the Village actually pays the state.

MR. CALLENDER: This would be public markets. This would be the general public buying these.

MAYOR LICASTRO: But the dollars are restricted for that use only.

MR. OREL: No, I get that. That's no problem. And what if -- because it has happened in the past, 2008, if property values fall and tax collection falls, what happens in that case?

MR. CALLENDER: For a bond levy, again, the voters are authorizing to pay the debt service with an estimated millage, but it doesn't matter. Whatever the debt service is, that's what you're going to pay.

Where a tax levy, that can change. That can fluctuate depending upon what the tax valuation is and how 920 affects it as the Mayor said.

MAYOR LICASTRO: So if the valuation would drop, the effective rate of the millage in the Village would likely drop as well. What it doesn't do is it never goes above the voted amount if the tax valuation increases.

MR. OREL: But we're always paying the five mills based on the market value or the property taxes of the house, of the homes; is that correct?

MAYOR LICASTRO: I'm not sure I understand the question.

MR. OREL: In other words, five mills is five mills. If a house is priced at $300,000 and then five years later, 10 years later that same house is at $350,000, that's still five mills of $350,000, not of the $300,000.

MR. CALLENDER: No. The actual -- so the tax levy, again, because of 920, if the value of your house increases, you're going to pay very similar tax amount. I want to say the same, but there are other factors that fluctuate just a little bit. But it means the millage is actually going to go down on what you're paying.

MR. OREL: Really.

MR. CALLENDER: With the bond it's the same thing, because you committed to pay the debt service. So to the extent the tax valuation has gone up, all you're committed to do is pay the debt service. That can work the opposite direction, too. So the millage can go up on a bond levy because property values have decreased, so it doesn't matter what the millage is, that's where you're stuck at for the bonds.

MAYOR LICASTRO: So because of House Bill 920, property taxes never really go up. They can go down, but they don't go up. If, again, you're statutory. Other communities, I think Cleveland is not governed by 920. They had some valuation go up, they got more money, but we don't have that luxury.

So basically it's ensued by the General Assembly, it's unvoted taxes. If you voted for a four mill levy and now it's 4.5, then Legislator Voinovich didn't think that was fair. If the increase had to be had, it had to be voted not unvoted. That's why we're governed by 920. All right. Next question.

MR. GALESTOCK: Is it terribly naive to think that it might make sense, since we know the amount we're after, to waterfall out a bond versus a levy what the numbers work out to in practical terms and concrete terms depending upon...
1 which choice Council wants to make with asterisks
2 for market things out of our control, so that
3 people can actually look at the dollars and
4 cents, the timing of them and the impact on the
5 community? It would seem to a make sense to
6 me --

    MAYOR LICASTRO: I'm sorry, waterfall?
7 That term does not resonate with me. Waterfall?
8 MR. GALESTOCK: To cascade down, if we
9 ask for this and under these terms, this happens
10 then, this happens then, this is our exposure,
11 this is the debt number we have to service, so
12 that Council can make an informed decision or the
13 best informed decision based on looking at the
14 actual numbers, how does this play out if you go
15 with this option versus this option.
16    MAYOR LICASTRO: So they'll give us
17 estimates of what a five or six mill levy will
18 produce over a 30-year period or 20-year period
19 for that matter and that money, that is a fixed
20 rate. The money is given to the Village up
21 front.
22 I think we all have to go home and have
23 a very large drink. Ms. Meade.
24
    MS. MEADE: How does the rec levy come
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1 into this, if at all?
2    MAYOR LICASTRO: It doesn't. The rec
3 levy is a different vehicle. That's a five-year
4 levy for operating costs. That is something that
5 has to be approved by the voters. It goes
6 actually collects through this year and then it
7 expires. So if the Council decides to issue
8 ballot initiative or a bond issue, the net would
9 be whatever the bond issue was less the 1.5,
10 because it only collects through this year. We
11 do not have rec levy money coming in for next
12 year.
13 MR. ROBINS: Well, has the decision been
14 made about that by Council?
15 MAYOR LICASTRO: Right now there's
16 nothing on the books to renew it. We're letting
17 it expire.
18    MS. COOKS: It did expire.
19 MAYOR LICASTRO: It did expire. We have
20 enough money in the account to carry the rec
21 programs through next year.
22 MR. ROBINS: I would urge Council to
23 make careful consideration about dropping that
24 renewal, which is no new tax increase to the
25 villagers. And if you wait a couple of years and
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1 then come back, because that money that might be
2 in the fund now won't last more than one year,
3 then it becomes a new levy at that point. So I
4 would really urge.
5    MAYOR LICASTRO: It already is, sir. It
6 has expired.
7    MS. MEADE: Was Council aware of when it
8 expired?
9    MS. COOKS: I reported several times in
10 the past couple years.
11    MS. MEADE: When did it expire?
12    MS. COOKS: 12/31/21.
13    MAYOR LICASTRO: The property tax are
14 collected in arrears, so we get the money through
15 '22.
16    MS. MEADE: Is there anything Council
17 can do if they wanted to?
18    MAYOR LICASTRO: Sure, they can put a
19 new levy on the ballot for rec, but I think
20 they're being prudent and seeing what happens
21 with projects before they make that
22 determination.
23 All right. Is there a motion to
24 adjourn?
25    MS. GOYANES: I still have a comment.
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When I arrived, the man was still there. And I took it upon myself to ask him what he was doing. And I told him that he was frightening the property owner. He told me he was looking for his lost wallet and that the police had said it was okay for him to be there. He was not a resident of Bratenahl. Nobody bothered to inform Michelle, nor did any police come by the house even after the second call to dispatch, which informed her that he was allowed in the park.

So my question to you, Council, is what is it going to take to move the dog park away from Michelle Ward's home and property? Rape? Murder? You have already had multiple break-ins two houses down from her, so I guess that doesn't count. This is a security issue and it is not being addressed. Who is on the security safety committee? Who's the chair?

MAYOR LICASTRO: That committee is in flux.

MS. GOYANES: Who's the chair? There's no chair. Well, we should have a meeting. You now have a 67-year-old unarmed woman doing the police work. That would be me. I don't think this is how you want Bratenahl Village to be portrayed. John, you are always talking about how safety is a priority in this Village and that is why we are here today. It just doesn't seem to apply to Michelle or the other neighbors. Why won't you move this park?

MAYOR LICASTRO: So I know you met with the chief.

MS. GOYANES: I'm not finished.

MAYOR LICASTRO: Sorry.

MS. GOYANES: Is it a money issue or is it spite? If this is a money issue, we can start a go-fund page to move the fence. It would be helpful to find out how much this would cost. In September of 2020, safety committee meeting, John, you were asked by Jim Puffenberger and Rod Taylor to get pricing options for the park, screening, fencing, cameras. I assume that did not happen, because a year later Joe Zalar was asked in the July 2021 Public Improvements meeting to get an estimate, and again in the August meeting. And in the September meeting it was noted that the estimate was outstanding. By October, there was no mention of the dog park or the estimate. So if Joe and John can't find the time to get some

quotes, is there someone who could make those phone calls?

Other communities have closed their dog parks and this is why we have such an influx of nonresidents using the dog park and the fact that Bratenahl's dog park is advertised on the Internet the perfect pit stop off of I-90.

If this fence were moved closer to Village Hall, it would be better policed. Many of the people that use this park do not live in the Village or it's just people that are driving through and need a place to leave their dog. And this all happens 40 feet from Michelle's backyard. I don't think any of us want a park -- you wouldn't want a park on Foster Park, would you? No.

I'm not asking you to close this park. Just move it away from the resident's backyard. Michelle has been asking for relief from the daily bombardment of barking dogs and strangers peering into her yard since 2019. A fence will not help her, a privacy fence. It would have to be 20-feet tall.

You have a nice fence at the -- you put up a nice fence at the end of Bratenahl Road.

portrayed. John, you are always talking about police work. That would be me. I don't think now have a 67-year-old unarmed woman doing the daily bombardment of barking dogs and strangers through and need a place to leave their dog. And this all happens 40 feet from Michelle's backyard. I don't think any of us want a park -- you wouldn't want a park on Foster Park, would you? No.

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You have a nice fence at the -- you put up a nice fence at the end of Bratenahl Road.

MAYOR LICASTRO: Thank you, Ms. Goyanes. MS. GOYANES: You're welcome. Nobody has anything to say? It's not just to you. It's to Council.

MAYOR LICASTRO: Ma'am, your comments are so noted. Council will consider your comments and act accordingly.

Mr. Robins.

MR. ROBINS: Since we're talking about financial issues, I have two issues I'd like to
bring up. I'd like to come back because I was a
Councilmember, some of you may have known. I was
the Council liaison with the Rec Commission, so I
have an emotional investment in our recreation
levy.

And since I've just learned tonight for
the first time that the rec levy renewal is not
going to be on the ballot this fall, this causes
me great concern. Even though we have enough
money to carry us through next year, it still
doesn't take care of contingencies that might
arise.

Now, we have Dave Kozinski, who
volunteers his time as the head of the Rec
Commission. And I would just ask Dave, do you
think we need this, a levy, even if it's a new
levy as opposed to replacement because the
deadline has passed? What do you think, Dave?

MR. KOZINSKI: Prior to you raising your
hand, I raised mine. I would like to appeal to
all the Council people. We all know how much Sue
worked hourly and how often Jim worked hourly.
And I'm in here more so now with the
circumstances we're dealing with.

Throughout the tenure that I've been
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we're broke.
2 MR. KOZINSKI: And I'm not arguing with
you. I'm just acting conservatively that it's
best to have and continue financially with money
in the bank. So I'm asking that you really
evaluate this situation and put this thing on the
ballot in November.
3 MAYOR LICASTRO: Look, Council has a
right to consider a ballot initiative for
whatever purpose. To have the luxury of knowing
this generated enough revenue to carry us through
next year. Indeed, it would be a new levy if
issued or if approved by Council, but it's not
like we're out of money.
4 We have enough -- Ms. Cooks projected we
have enough money to last through '23. What
Council does is up to them, but it's not like
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The community is strong. What we do
here, I've been on the commission and chair for
over 10 years. It's very important to this
community that this levy continues on with this
building and the programming that we have. We
have the Bunny Brunch, the Christmas party,
Easter, Bratenahl Days, it's fundamental to this
community and it has never wavered or failed.
The taxpayers have always backed us.

Now, I know we have the progression to
go further with our buildings and into the
future, but to let this go and fail and not
approach a new ballot in November, like it was
mentioned before, it will not continue as a
renewal, it will be a new tax. That's why
everyone is worried right now. We're going
forward with buildings with a new tax.

The community is strong. What we do
here is strong. I think it's being downplayed
how often this building is being used. It's used
more so in the last year than it ever has. The
gym is generating more revenue than it ever has.
There's basketball groups that are paying six
months in advance.

MR. GALESTOCK: I'd just like to add as
one of the rec commissioners that I agree with


everything he said. I think it's a little
reckless to not seriously consider putting that
on the ballot this fall.

MS. MEADE: If it expired, then it
cannot be renewed, it would have to be a new levy
at this point?

MAYOR LICASTRO: That's correct. But
again, there's enough in the fund to carry us
through next year.

MS. MEADE: It's not sustainable
long-term.

MR. KOZINSKI: NO, it's not. If we're
considering people, how do we explain to these
people, because it would be very irresponsible to
hire somebody and not give them the information.

MAYOR LICASTRO: Look, Council has a
right to consider a ballot initiative for
whatever purpose. To have the luxury of knowing
this generated enough revenue to carry us through
next year. Indeed, it would be a new levy if
issued or if approved by Council, but it's not
like we're out of money.

We have enough -- Ms. Cooks projected we
have enough money to last through '23. What
Council does is up to them, but it's not like

you don't have a rec levy for programming?

MR. BENJAMIN: I agree with what a lot
I'm hearing tonight. This is something that we
need to sit down whether through the Finance
Committee or Committee of the Whole or
Recreation, you know, we need to go through and
figure out what the future looks like.
Can recreation services be funded
through the general fund? What would that dollar
amount look like to make sure that we can pay a
staff person, we can have the events that
residents have come to expect or do we need to go
back on the ballot and ask the residents to fund
the recreation levy.

So how we do that, I'll leave that up to
the chairs of the committees. It may makes sense
to have this discussion in the Committee of the
Whole just so everybody can contribute.
MS. MEADE: And then that has to be
decided by August as well, correct, if you're
going to put something, a new levy on the ballot?

MR. BENJAMIN: Or we also have the
option of putting it on in the spring as well.

MR. ROBINS: Yeah, okay.

MAYOR LICASTRO: Is there a motion to
adjourn?

MS. HUFFMAN: I have one comment.

MAYOR LICASTRO: Yes.

MS. HUFFMAN: So I just want to say, I
take full responsibility for the things that I do
and any oversights. But I want to say to those
of you who are on the Rec Commission that when
things like this occur, and it is true, Ms. Cooks
has said that the levy was going to expire.

Now, it's my oversight that I didn't
say, well, are we going to renew it? And I don't
know who did. But at no time had anyone invited
any -- no one invited me to the Rec Commission to
say you need to come so we can give you the
business because this is going to happen, that
it's going to expire. And if we need to make
sure that we're going to keep operations going,
it needs to be renewed or something else.

MS. MEADE: But wasn't that up on the
rec liaison?

MS. HUFFMAN: It doesn't matter who it
was up to. I'm just saying we need to better
communicate. If you see that there are things
that we're missing, okay, because I think I'm
pretty swift on my feet with some things, but I

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sexual harassment claim along with other allegations. I'm not sure if you know this at Council. There's also an estimated -- Mr. Matty can give you the detail number of $100,000 for Village legal fees.

And then on top of this, our insurance provider said -- well, they dropped us and we had to search for a new insurance provider. And they said by the way, your deductible is going to go from 10,000 to 100,000, but the thing that would concern me for each of you as councilmembers is they dropped the D&O insurance. D&O is commonly referred to as director and officers. So each of you has a potential liability because our insurance company that's covering us now has enough questions about past practices to not want to provide that level of coverage.

MAYOR LICASTRO: Sir, we have public officials liability on this policy.

MR. ROBINS: Okay. Up to what?

MAYOR LICASTRO: I'm not sure what the cap was, but it was included in the policy.

MS. MEADE: Is that what you paid the $111,000 for?

MAYOR LICASTRO: It's part of that premium, yes.

MS. MEADE: And the deductible --

MAYOR LICASTRO: So it's employment practice and public officials liability.

MS. MEADE: And the deductible changed from 10,000 to 100,000 per incident?

MAYOR LICASTRO: That's correct.

MR. ROBINS: Then the premium went up to what was it, 55, 60,000.

MAYOR LICASTRO: From 63,000. Now it's additional 111, but we do have that insurance.

MR. ROBINS: But it's money that you need to be aware of.

MS. MEADE: I heard that Officer Toth has left the Village; is that true? Because she hasn't been here very long either.

MAYOR LICASTRO: She has left.

MS. MEADE: Why did she resign?

MAYOR LICASTRO: She took a job elsewhere. Is there a motion to adjourn now?

MR. McDONALD: So move.

MAYOR LICASTRO: Is there a second?

MS. HOEFLING: Second.

MAYOR LICASTRO: Call the roll, please.

MS. COOKS: Mr. Benjamin?

MR. BENJAMIN: Aye.

MS. COOKS: Ms. Burke-Jones?

MS. BURKE-JONES: Aye.

MS. COOKS: Ms. Hoefling?

MS. HOEFLING: Aye.

MS. COOKS: Ms. Huffman?

MS. HUFFMAN: Aye.

MS. COOKS: Mr. McDonald?

MR. McDONALD: Aye.

MS. COOKS: Mr. Yonchak?

MR. YONCHAK: Aye.

MAYOR LICASTRO: Thank you, Ryan. Thank you, Tim. (Meeting adjourned at 7:39 p.m.)

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CERTIFICATE

I, Nancy L. Molnar, do hereby certify that as such Reporter I took down in Stenotypy all of the proceedings had in the foregoing transcript; that I have transcribed my said Stenotype notes into typewritten form as appears in the foregoing transcript; that said transcript is the complete form of the proceedings had in said cause and constitutes a true and correct transcript therein.

Nancy L. Molnar, Notary Public within and for the State of Ohio