JENNINGS COUNTY COUNCIL MEETING
AUGUST 14, 2018 7:00 P.M.

Josh Yeager Absent

The meeting opened with Mike Kelley leading the pledge to the flag.

Tony Eder made a motion to approve prior minutes; Dave Woodall seconded the motion. Motion passed with a unanimous vote.

Greg Martin, County Park Director, came before the Council to ask permission to transfer funds from his non-reverting fund. $65,000 for Spray Grounds Installation, $8,000 Playground area lighting and $2,000 for spray grounds utility building.

Tony Eder made a motion to allow the transfer of funds of $75,000; Dave Woodall seconded the motion. Motion passed with a unanimous vote.

Next was Kurt Schneider with Johnson-Melloh concerning the upcoming Solar project. Mr. Schneider informed the Council that the Commissioners had signed the agreement at the August 9th meeting and he then asked Andrew Lanam to speak to the Council concerning going forth with financing. Mr. Lanam stated that right now he believes he could get a 4% fixed rate for the term of the loan. Mr. Lanam stated that the first payment would be less around $54,000 and then it would run around $175,000 to $188,000 a year. He believes it will be a $1.2 million savings over 25 years for the county. The costs of the project are estimated $1.5 million.

Howard Malcomb made a motion to allow Andrew Lanam to pursue financing with the interest rate to be no greater than 4.00%. Tony Eder seconded the motion and the vote was unanimous. Motion passed.

Next the Council reviewed the 2019 Property Tax Cap Loss and 2019 Estimated Maximum Levies for the County, Townships, Town, City, School Corp., Public Library and Solid Waste Management.

Dave Woodall made a motion to approve the two schedules and directed the Auditor to use these figures from the DLGF in the letters to the entities. Larry Maschino seconded the motion and the vote was unanimous. Motion passed.

Next a Resolution was introduced concerning transferring the EMA budget into the LIT fund.

Tony Eder made a motion to accept and adopt the Resolution regarding the transfer of the Jennings County Emergency Management Assistance account to the Jennings County Local Income Tax (LIT) Fund. Howard Malcomb seconded the motion and the vote was unanimous. Motion passed.

Auditor Vance presented a transfer of funds request for the Probation Department and Andy Judd. The request was for $1000 to be transferred from Office Equipment line to the Electric Utility line and $200 from the Office Equipment line to the Water Utility line. Howard Malcomb made a motion to allow the transfer request for the Probation Department; Larry Maschino seconded the motion. Vote was unanimous and the motion passed.

Last on the agenda was Jeff Peters, Jail Project Financial Advisor coming before the Council concerning the budget for the upcoming new jail project. Mr. Peters stated that he was here to talk about the scope of the jail project and of course the cost of such a project. Decide an amortization schedule for the project; how long do we want this debt on the books. How do we pay for it? The county has already really taken care of that by going to the legislators and obtained a special income tax rate. We need to look at some options there and then look at the remaining tax rates in the county do we leave them alone or possibly lower them as the new special rate will take care of the debt service payment for the new jail construction. That discussion he would like to do towards the end of his presentation.

Mr. Peters stated first off he wants to verify that $28 million is the amount the engineers and design firms have given the county to go into the construction fund for the project. On top of that we have the cost of capitalized interest and the cost to issue the bond. Capitalized interest; when you build a building under a lease structure you are not allowed to make payments toward that building until the building is able to be occupied. So if construction is going to be 18 months; bond holders want paid every 6 months, you need to have 3 interest payments for $28 million dollars up front and set aside so you can make those payments until you can make the lease payments to pay all this back. Mr. Peters asked if there was anything so far in what he stated incorrect or is there anything to add?

Howard Malcomb inserted here that the people he represents do not want this kind of debt for a jail. He believes that a different plan should be looked at.

Mr. Peters replied that there will be no scenario given tonight that will not raise taxes but the county has this special rate from legislation that allows them to implement that tax for the construction of the jail and this is above and beyond what most units of governments or most counties are allowed. Because of the circumstances, Jennings County has been granted this special tax because of the the amount of income tax it takes for a project this size. Mr. Malcomb stated that the county would have the highest tax rate in the state; Mr. Peters replied he had not checked those schedules. Mr. Malcomb stated that the State pays 3.17 and our rate will be higher than that.

Mr. Malcomb said the Council was told there could be no remonstrance on this and Mr. Peters replied that he would leave that to the legal counsel but there would be public input on the project but he didn't know about a formal remonstrance. Mr. Malcomb referred to Tim Brown; Chairman of the Ways and Means Committee says that's not true that there could be a remonstrance. Mr. Peters stated that he would leave that up to the attorneys and if there is a formal remonstrance filed, he is sure they will have that discussion. Mr. Peters stated he has been involved with remonstrance with units of County Governments and the DLGF usually officiates those and if it happens there will be a big party and a place will be picked where everyone can come in and speak their piece. Mr. Peters stated that you as the unit of government would generally sit down and lay out the parameters; there is an overcrowded jail, a unit we can't expand on and the other things that the construction people have told the county. You as a unit of government has made the decision that you need to go with a new jail and a new location and this is the approximate cost. You lay that out to the DLGF and you lay out here are the parameters on how we would finance it and we considered how this would impact the taxpayers and looked how we could minimize the impact versus the interest cost of the project and the taxpayers will all get up and say their piece as well. No One wants to raise taxes; this is a terribly unpopular thing. This is something all the counties across the state have to deal with except Ohio County because they don't have a jail. The remonstrance isn't a bad thing as it gives both sides a chance to have their say.

Dave Woodall stated that Tim Brown is the author of the bill allowing this special tax rate. In fact Mr. Brown is the one that got the bill pushed through.

Amortization periods; the maximum you can go with this legislation is 25 years. Twenty five years would give you the longest time period and the smallest payment which would give you the smallest tax impact for your taxpayers on the repayment. Mr. Peters would typically say on a project of this magnitude; he can't imagine that you would amortize for any less than 20 years. So if we are in the realm of that 20 to 25 year payback, because these are income tax bonds, the rate used to repay the debt service on this project will need to generate 125 percent or more of the annual payment. They will be taking this out on the open market and sell it to bond holders and they are going to want to see at least 125% debt service coverage plus they will want a property tax back to pledge that if anything happens to the income tax stream in the process of this repayment you will put this on the tax rolls as property tax to make sure this debt is paid back. The 125% coverage pretty much eliminates any reality that you would never have to dip into the property tax base but still you want to provide that security because by doing that in market you will get a much better interest rate which will be lower costs for the entire project and your taxpayers in repayment. It makes sense to make that pledge to get the rate down.

The lowest alternative for the project at 25 years with this 125% coverage would be a tax rate of .55%. The legislation that was passed for you has a maximum rate of .65% and it has to be imposed in increments of .05%. They ran numbers at .50 which was real close .55 covers it. This additional money that is generated this 125%; it stays in the fund to repay these bonds. So if you impose a 25 year debt service repayment schedule, in 19 years you will have accumulated enough money to call those bonds and pay them off. You will have millions of dollars in cash sitting in that fund that you won't have to pay those last 6 years of the debt service; you will just pay it off and call the bonds at that time. So the structure of this deal with the bond call and typically a bond call is after 10 years. So this money will not just sit there and be used for something else; it has a specific purpose used only for the repayment and those monies will allow you to call those bonds in year 19 approximately. These numbers are all based on the most current income data that we have.

The State changed all the income tax distributions, their estimates for 2019 on Friday, August 10th; so all these numbers had to be reworked last night. So a 25 year amortization on the current tax rate of .55 across 19 years would have interest costs of about $19 million dollars. The other end of that scale is if you did a 20 year amortization and you implemented the maximum rate the legislation gave you of .65%, you would accumulate enough funds in 14 years to retire that debt and total interest on that would be approximately $13.5 million dollars. The difference in those two that if you went with the higher rate and shorter amortization period and called it on its first available year, you would save about 5.5 million in interest. Any thoughts on amortization periods, interest expense; we can look at tax impact on just the difference on the .55 rate and the .65 rate but we will be getting into a whole other discussion on income tax rates and their total impact.

Tony Eder asked if he could say what the income would be for an individual taxpayer with a $50,000 annual income. Mr. Peters said he could and he had worked up some numbers if we continue on into the property tax relief part; what those different options are, he can tell them what he has roughed out and then we can work from there. Just give him input and then he can go back and compute from there. It might take a little time but he wanted to get it all out for everyone to think about.

So the County needs to decide and select the amortization period and the rate to be used based on the special legislation. You as a county unit of government implemented public safety, local option income tax in 2015 in order to right size your budget because you had very minimal cash size balances, your budget was insufficient to cover the costs associated with the operating and providing public safety. You corrected that in 2015 and part of that is baked into your normal operating budget going forward. Part of this process, the jail we had discussions with the sheriff based on the new jail what type of additional operating costs he could potentially have and that amount is approximately $150,000 a year additional operating expense. They have built that into a model as well for the funding of this; the model also looks at since you've imposed this tax, you have right sized the general fund and you have started to put back some cash again. One of the things you will get into when they go out to issue bonds to pay for the project is that you will have to get a bond rating. The bond rating company will look at operationally as a unit of government what has the council done from the management and a financial perspective. One they want to see that you will be able to repay the bond with income tax with a property tax backup; don't want you to get into a property tax backup but they also want to make sure that you have adequate cash on hand and your budgets are structural in that they pay for themselves going forward and you won't be jail poor or house poor if we were just people and not be able to meet your annual budgets for your operations and public safety going forward. Taking this all into consideration we have a physical plan and a model that shows that and as part of this bond rating we will send that document to the bond rating agency that shows you have made these decisions, they are funded, operationally you can go forward and here is how everything is going to be paid for.

Attest:

Kay Sue Vance

Kay Sue Vance, Auditor

Mike Kelley

Mike Kelley, President

David Woodall

Dave Woodall, Vice President

Howard Malcomb

Howard Malcomb

Paul Belding

Paul Belding

Tony Eder

Larry Maschino

Larry Maschino

Josh Yeager