

JOINT STEUBEN COUNTY BOARD OF COMMISSIONERS & STEUBEN COUNTY COUNCIL MEETING
October 13, 2015

The Steuben County Commissioners and the Steuben County Council met at 8:00 a.m. on Tuesday, October 13, 2015, in the Commissioners' Room of the Steuben Community Center. Present this day were Commissioners Ronald L. Smith, James Crowl and Lynne Liechty, Council members Rick Shipe, Ruth Beer, Jim Getz, Dan Caruso, Wil Howard, Ken Shelton and Linda Hansen. Also present was Kim Koomler, Auditor and Gary LeTourneau, Communications Director.

Ronald Smith stated that since this was a fiduciary type of meeting, he would give the Chair to Richard Shipe, Steuben County Council President.

Rick Shipe stated that this morning's meeting was called for discussion on the 911 Radio Project funding. Lynne Liechty stated that Motorola and Jeff Peters, Peters Municipal Consultants, were in attendance and she would like them to interact during this conversation as well. Commissioner Liechty said that the County is looking at a zero percent (0%) down payment, balance to finance, \$6,937,446.76. She said that one of the hardest points is when twenty five percent (25%) is put down, then there is a certain period of time to get that fifty percent (50%) down because it is for the equipment. Commissioner Liechty said that the concern is if the County should start the bond after the contract is signed.

Brian Reilly, Motorola, stated that the total contract is \$8.9 Million with \$400,000.00 worth of options for a total of \$9.3 Million. Mr. Riley stated that Gary LeTourneau also asked for an additional ten percent (10%) for a contingency fund, just in case. Brian Reilly said that currently it is ten percent (10%) down with order, fifty percent (50%) upon shipment, which would be a sum of \$6.9 Million. Mr. Reilly said that point is negotiable knowing that there may be some cash flow issues in the near term. He said that the \$6.9 Million was calculated to get a feel for what the total outlay would be between now and May 1. Brian Reilly said assuming that the County is bonding and assuming it will take six (6) months, etc., Motorola wanted to know how much they would be carrying for that six (6) months. That being said, Motorola would offer zero percent (0%) financing for that six (6) months to alleviate any risk or concern about the short term. Mr. Reilly said that if it is not paid off within that six (6) months then there's a 2.74% interest rate that is applied after the six (6) month period. He said that it is set up as quarterly payments; however, the assumption is that it will be paid off with bond funds or some other funding mechanism. Brian Reilly stated that if the bond did not pass and there is a nonappropriation at the time that the payment is due, there is a nonappropriations clause in the lease contract in which Motorola would come and pick up the equipment and the lease would be absolved.

Lynne Liechty asked if the County decided to wait and not do this right away, what the cost would be. Brian Reilly said that built into the \$8.9 Million there is a \$1.9 Million timing incentive included which is over and above the \$2.1 Million QPA price the State Contract affords the County automatically and above the \$788,000.00 trade-in allowance for the current equipment.

Jeff Peters, Peters Municipal Consultants, said he would recommend signing the contract to have an appropriation in place. Mr. Peters said that it does make sense that Motorola would not charge any interest in that interim period until permanent financing is obtained, which should be able to be done within 4-6 months. Jeff Peters stated the funding could be in the form of a General Obligation (GO) Bond or a Lease Rental Agreement and the decision of which to use should be discussed with Bond Counsel. Mr. Peters said that the overall tax rate for Steuben County is very low and the County has very little outstanding debt. Additionally, there is debt that is maturing and being paid off in the near future. He said that from a debt perspective, the taxpayers should be comfortable with acquiring additional assets and infrastructure.

Richard Shipe opened the matter up for discussion. James Crowl asked when the current bond would be paid. Kim Koomler, Auditor, said that she believes it is a three (3) year bond and she thinks they will be paid off in June and December of 2016. Jeff Peters said that no bond proceeds were built into the pay 2016 budget, so the first amount the County will be able to draw on tax revenues is June, 2017. If financing is done now, the County will have to capitalize some interest as shown in the examples that he calculated.

Jeff Peters said that he ran basic numbers to review the process. Mr. Peters said that a GO Bond and a Lease Rental Purchase Agreement are the options and the County has sufficient capacity in the debt cap to go ahead and do a General Obligation Bond if that is preferred. He said with it being a radio project, the County could do a Lease Rental Purchase Agreement and it would not count against the \$20 Million bond cap; however, if the County has future projects that would be applied toward that \$20 Million cap, then a Lease Rental Purchase Agreement would be the better choice for this project.

Mr. Peters said that a GO Bond would be competitively bid, everything would be prepared for bond offering, it would go out to marking on a certain date, everyone sends in their best bid and the best bidder wins. He said that is a good scenario providing the date that is picked for the bond sale turns out to be a good day. Being in the market that we are in, Mr. Peters said that interest rates are still very good so there shouldn't be any bad days but there is some uncertainty. Jeff Peters said that in a Lease Rental Purchase Agreement the County can go out and negotiate. He said in that scenario typically a placement agent is hired and they will shop the local banks as well as a network of banks. The placement agent will then negotiate the actual structure of how much money has to be put back in a bond reserve fund and interest rates. A Lease Rental Purchase Agreement provides a certain process with not as much uncertainty, but may take longer to obtain than the GO Bond. Mr. Peters said that he would advise leaving that decision up to Bond Counsel.

Jeff Peters said that on the example he provided, he looked at estimated uses and laid them out into four (4) columns, GO Bond for a ten (10) year period, a Lease Rental for a ten (10) year period, a GO Bond for fifteen (15) and a Lease Rental for fifteen (15). Mr. Peters took the project cost of \$7.5 Million and looked at an estimated closing date of June 30, 2016. Capitalized interest would be in the interim between when the Bonds are closed and when the first tax receipts are received in June, 2017. Mr. Peters said that the buyers of the Bonds would still expect interest payments in approximately six (6) month intervals.

Mr. Peters reported that capitalized interest on the ten (10) year GO and Lease Rental is about \$175,000.00 on the fifteen (15) year GO it is about \$255,000.00 and a lease rental is about \$260,000.00. Bond Counsel fees are estimated to be about \$40,000.00 for GO Bonds and about \$50,000.00 for Lease Rental. Financial Advisors will be about \$25,000.00 in any scenario; however, in the GO Bond a full Preliminary Official Statement will have to go out with the bond offering and the Lease Rental would require additional items for the lease structure. Bond Rating would be approximately \$15,000.00 on a GO Bond, a Lease Rental may not require an outside rating so that \$15,000.00 would be saved. Local legal council would be approximately \$10,000.00 for any of those transactions. Mr. Peters said with Lease Rental Agreements he recommends going with a Placement Agent because they may be able to get rid of the need for Bond Rating, and their cost on a ten (10) year would be approximately \$32,500.00 and on a fifteen (15) year it would be approximately \$37,500.00. Mr. Peters also said that to round the amounts off to the nearest \$5,000.00 increment they put an extra amount in for other fees.

Jeff Peters reported that the total for a ten (10) year GO Bond is about \$7.77 Million, Lease Rental about \$7.815 Million, fifteen (15) year GO Bond about \$7.850 Million and for a Lease Rental about \$7.9 Million. Mr. Peters said interest rates on the ten (10) year potentially could be about 2.25% depending on what interest rates do in the interim and interest rates on the fifteen (15) year could be up around 3.25%. Estimated annual payments on the ten (10) year GO Bond would be \$872,000.00, ten (10) year Lease Rental \$877,000.00, fifteen (15) year GO Bond \$665,000.00 and a fifteen (15) year Lease Rental \$669,000.00.

Mr. Peters stated that the total interest for each option is \$950,000.00 for a ten (10) year GO Bond, \$955,000.00 for a ten (10) year Lease Rental, \$2.13 Million on a fifteen (15) year GO Bond and \$2.144 Million on a fifteen (15) year Lease Rental.

Jeff Peters said that the tax rates for the ten (10) year is about .027 and for the fifteen (15) year it is about .02. He also calculated the annual tax impact for a \$123,000.00 mortgage homestead to be about \$11.60 for the entire year for the ten (10) year GO Bond and \$11.66 for the Lease Rental. For the fifteen (15) year GO Bond it would be about \$8.85 and for the Lease Rental it would be about \$8.90 for the year.

Jeff Peters said that he looked at the debt that is expiring and the tax impact is about \$5.94 for the year. So if you net the new debt against the old longterm debt set to expire it would be about \$5.64 on the ten (10) year GO Bond, \$5.72 for the Lease Rental, \$2.90 for the fifteen (15) year GO Bond and \$2.95 for the Lease Rental.

Mr. Peters said that if other calculations need to be ran with other numbers, he could do that as well; however, he believes his calculations are where the County would fall in terms of this debt financing.

Richard Shipe said that the current proposal was to use \$2 Million of Major Moves to start the financing and the rest would be bonded. Ronald Smith said that he has no objection to that and that \$2 Million investment would yield about a two percent (2%) interest savings because of the low interest that is received on the Major Moves money.

James Crowl asked if the current radios could be used with the new system. Gary LeTourneau, Communications Director, stated that the old radios will be obsolete with the new system. Mr. LeTourneau said that nothing that is currently owned by the County will go over to the new system. Wil Howard asked if the radios could be reprogrammed and asked why the old radios couldn't accept the frequencies. Brian Reilly, Motorola, said that a few of the radios could be upgraded, but they are at the end of their life expectancy. Mr. Reilly stated that it costs around \$800.00 a unit to upgrade those and a new radio is a couple thousand dollars or so. He also stated that Motorola would not be responsible for the upgraded radios and would not guarantee coverage on the new system. Brian Reilly said that the typical life expectancy is eight (8) years but the radios include a four (4) year extended warranty that covers all parts and labor. In eight (8) years you may have a few that need replaced, but there are a lot of radios out there that are a lot older than eight (8) years old. Mr. Reilly said that he submitted a breakdown of total cost of ownership to Gary LeTourneau, for a twenty (20) year period, but he doesn't believe that the entire fleet of radios would have to be replaced in the next eight (8) years.

Wil Howard asked why the other municipalities are not participating in the purchase of the radio system. James Crowl said that was a great question and when they talked about purchasing a radio system last time, they went to the firemen, the police, rescue, etc., and asked if it was what they wanted. Commissioner Crowl said that eight (8) years ago everyone said the new system was what they wanted and now they say it wasn't. Commissioner Crowl said that he wants a commitment from everyone. Lynne Liechty stated that she has all signatures from the various law enforcement and rescue agencies in the County stating that they support the purchase of the new radio system. James Crowl asked about getting a financial commitment from them as well. Ronald Smith stated doing so would compound the process and that they are all taxpayers and participants in the Steuben County obligation to have an effective communication system. He believes that asking the other municipalities for a financial commitment would delay the process possibly up to four (4) months.

Ruth Beer stated that during the Commissioners' Meeting on September 8, the City of Angola was asked if they were going to commit funds. At that meeting, Mayor Hickman said that the City of Angola might purchase their own radios, but wanted it known that the City doesn't receive 911 funds. Lynne Liechty said that was the point in which it was decided this was a countywide expense. She said that a lot of the smaller townships do not have the money and it is just easier to do it as one commitment from the County and supply the radios and equipment.

Lynne Liechty made a motion to put the ten percent (10%) down, in the amount of \$2 Million. Ronald Smith stated that he will accept that when he gets the Chair back from Mr. Shipe.

James Crowl stated that Council has requested Barnes & Thornburg to look over the contract and asked if it had been done. Lynne Liechty said that has been done. Commissioner Crowl said he thought that Barnes & Thornburg was supposed to come and present their findings to both the Commissioners and the Council in a joint meeting. Lynne Liechty said that a meeting was held with Dan Caruso, Linda Hansen, Jim Getz, Gary LeTourneau, herself and Barnes & Thornburg. Linda Hansen stated that trying to move forward quickly makes them nervous. Ms. Hansen said that Barnes & Thornburg said if the County falls into remonstrance and still gets it, she understands the lack of appropriation will null and void the contract with Motorola, but if there is a battle with moving forward with this project, it could be nine (9) months. Linda Hansen wanted to submit the opportunity with Motorola that the zero percent (0%) financing be for nine (9) months so that the County is not caught between a rock and a hard place and paying interest on something that should be on the County's timing.

Robert Rummel, Vice President of Sales with Motorola, said that they would be willing to extend the interest free for nine (9) months if that is what it will take.

Jim Getz stated that he agrees with Linda Hansen and that the financial portion has to be written into the Contract as well. The Council needs to know the entire deal, know the payments and the entire payment schedule so it can be financed.

Dan Caruso asked about the timing of the remaining 40%, he said that something should be left out until they are completely assured that all of the agencies that have signed on are satisfied that they've got a product performing at the level that they anticipated.

Mr. Caruso also wondered if there were any other long term bonds being considered by the Commissioners in the next two, three or four years and how this would affect that. Dan Caruso suggested buying it down a little further and shortening up the GO Bond to a five (5) or seven (7) year amortization and put just a little more Major Moves money in upfront, just for the possibility of large capital projects.

Richard Shipe relinquished the Chair back to Commissioner Ronald Smith.

Ronald Smith asked Dan Caruso the amount he would like to put down up front. Dan Caruso said he was really happy with the tax impact of what Mr. Peters prepared, but if another \$1.5 Million of Major Moves was put down on this and then ran a seven (7) year amortization, that may put it close to the same tax impact. Mr. Caruso said he is not opposed to the way it has been calculated, he just wants to make sure it is fitting into the long term plan and a seven (7) year amortization would save considerably on interest.

Wil Howard asked Jeff Peters if the total estimated interested included the amount that is capitalized. Mr. Peters said that it was because he capitalized interest to be rolled into the principal amount.

Brian Reilly stated that he emailed the financial department and there are some other minor tweaks to the payment schedule that need to be made. Mr. Reilly said that fifteen percent (15%) at the end is fine so they will ask for fifteen percent (15%) upon execution, thirty percent (30%) upon shipment, thirty five percent (35%) at installation, five percent (5%) upon beneficial use and then fifteen percent (15%) upon final acceptance.

Gary LeTourneau stated that final acceptance is completed when all of the points around the County are tested and if it is not at the ninety five percent (95%) the agreement is not signed until Motorola brings the radios up to speed. Mr. LeTourneau also stated that the final acceptance test will not be done when there is no foliage on the trees. Mr. LeTourneau also said that it is written into the contract.

Dan Caruso stated that he ran an amortization on \$6.5 Million for seven (7 years) at 2.25% and the annual debt payment is almost exactly the same. The total interest on the project was \$531,000.00 as opposed to \$950,000.00.

Richard Shipe said that it would be beneficial, going into the Council meeting, to know what the Commissioners want to put toward the project out of Major Moves so they know the bond obligation.

Lynne Liechty made a motion to contribute \$3 Million out of Major Moves. James Crowl seconded that motion and the motion carried with three (3) ayes.

Linda Hansen stated if it is the County's wish is to eventually go to a single 911 system that is countywide, why is the County investing in a console to the City of Angola? She further stated that if there is going to be an offsite emergency system for 911 it needs to be on County property and under County control. Richard Shipe stated that he believes it is the wish of the State to have the entire County on one PSAP. Gary LeTourneau stated that having it in Angola is not ideal, the only way to get around that would be to locate the center to another area or possibly split centers. The system does include two (2) consoles that are basically laptops and with any wireless connection a backup can be located anywhere. Mr. LeTourneau said that he would recommend talking to the City of Angola regarding the consolidation. Linda Hansen stated that she felt if they insisted on keeping them, they should be paying for it. If the Council and Commissioners feel that the County should have a single 911, then they shouldn't be moving toward separation. If they insist on separation then it is okay if the console is purchased, just not purchased by taxpayers. Gary LeTourneau stated that he will talk to the City of Angola about that concern.

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Dan Caruso stated that he doesn't want the amount changing to affect what the County has to come up with. He said the County can hold back that extra until the next payment stage is needed and then utilize the rest of the appropriation. James Crowl said start with \$2 Million and then down the road put the \$1 Million in. Dan Caruso said ten percent (10%) down to order and it gives the County more time to get the bonding process rolling.

Brian Reilly stated that Motorola is deferring the first payment until six (6) months out so there is no real cash deployed here at all on the County's end until the end of that first cycle.

County Council requested Motorola and Gary LeTourneau stay for the following Council meeting.

STEUBEN COUNTY BOARD OF COMMISSIONERS

Ronald L. Smith, President, South District

James A. Crowl, Vice President, Middle District

Lynne A. Liechty, North District

Attest: _____
Kim Koomler, Auditor

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STEUBEN COUNTY COUNCIL

Rick Shipe, President

Ruth Beer, Vice President

Dan Caruso

Jim Getz

Linda Hansen

Wil Howard

Ken Shelton