MINUTES
FINANCIAL OVERSIGHT COMMITTEE MEETING
MONDAY, NOVEMBER 21, 2016

CALL TO ORDER
Russ Alcorn called the November 21, 2016 Financial Oversight Committee meeting to order.

ROLL CALL
In attendance were committee members Russ Alcorn, Brandon Davis, Tom Franz, Mark Hensley, Hank Hull, Andy Perigo (Alternate); Finance Director Leslie Haase; Dan McCreary, Council Rep.

APPROVAL of MINUTES
Motion by Brandon, second by Hank to approve the November 7, 2016 minutes. Motion passed.

NEW BUSINESS
Dr. Brian Nichols updated the committee on the city data research project for determining criteria for the city comparison study. He stated he was able to find almost all the data the committee was looking for. He sorted them by closest to Joplin's sales tax/revenues to the farthest. Lafayette IN was closest to Joplin: Taxes, franchise fees, revenues, key expenditures, total expenditures and ending fund balance. Dr. Nichols stated he included budgetary data and departmental data in terms of sales taxes, police and fire, streets, parks & rec, information technology, operational data. The key data points that will be used for the comparison metrics are: population, city/metro, city size and annual sales. The list of cities was narrowed to 10.

After some discussion, it was decided to look at other cities' benchmarks. When you see what other cities are doing, you can then compare with Joplin. Once you have all the information that fits this committee's criteria, then it may be beneficial to bring the department heads in and show them the information and allow them some input. Leslie and Brian will work on getting this new information to the committee.

ANY OTHER BUSINESS
Possible Advance Refunding or "Defeasance" of City Hall COPS:
The next item of discussion was the possible advance refunding of City Hall Certificates of Participation that were issued in 2003 for $6,700,000 for the purposes of financing the costs to acquire, construct, renovate, furnish and equip a new city hall, convert the existing city hall to a public safety and justice center, convert the existing public works building for use by the health department, and demolish an existing health department building for retention of city records. At the time of issuance, the certificates were set to mature in June 2023 with interest rates ranging from 3.15% to 4.30%.

In 2012, the City issued $4,400,000 in COPS with interest rates ranging from 2% to 3.125% to refund $4,720,000 of outstanding Series 2003 COPS for the same purposes listed above. The Series

2012 COPS are set to mature in October of 2023. The earliest the Series 2012 COPS can be "called" or prepaid is on October 1, 2019.

The annual debt payment on the Series 2012 COPS ranges from $436,000 in 2017 to $428,300 in 2023. The City currently makes this annual payment by charging ourselves a "rent" payment based on square footage usage of City Hall. For fiscal year 2017, this "rent "payment will be assessed as Follows:

- General Fund $357,680
- CVB Fund $25,2164
- SWM Fund $8,117
- Community Planning Fund $29,378
- Sewer Fund $15,657

This is an added annual expenditure assessed mainly to the general fun. The adopted budget is exactly balanced while granting a 3% raise on the anniversary dates throughout the fiscal year. This already creates an issue for the FY 2018 budget in that there are no provisions for the 3% raise that will be in effect for the entire year in 2018. The total estimated cost of a 3% raise on anniversary dates is $506,000, while 3% for the entire year is approximately $820,000. Therefore, entering the FY2018 budget, we can expect an approximate $314,000 increase in expenditures.

As a result, Leslie began to explore various ideas on how to fund this projected increase in expenditures and create a buffer between revenues and expenditures in the general fund. The objective of the City is to have a balanced budget while maintaining sufficient reserves for emergencies, the replacement of large capital assets and projects and the retirement debt. With this in mind, there is an opportunity to use a portion of the unrestricted fund balance of the general fund to reduce the annual expenditures of the general fund by making an irrevocable deposit of cash now in an amount sufficient to provide for the payment of the 2012 Series COPS.

The City would use available cash reserves (fund balance) to fund an irrevocable escrow account with the trustee bank for the Series 2012 COPS that will fund the principal and interest requirements through October 1, 2018, which is the date when the Series 2012 COPS can be prepaid. At this point in time, the trustee would use the escrow amount to pay off the remaining principal outstanding in the amount of $1,615,000. The total amount of cash needed to accomplish the "defeasance" of the Series 2012 COPS is approximately $2,870,000. This would be a one-time payment from fund balance. It is appropriate to use fund balance for one-time expenditures rather than ongoing, recurring costs.

The immediate benefit to the City is freeing up the annual budget obligation for debt service of $436,000 for the Series 2012 COPS. Additionally, the city's idle funds or the available cash reserves are invested in very low yielding short-term U.S. Government backed obligations, while the interest rates for each maturity date on the Series 2012 COPS increases from 2% in 2017 to 3.125% in 2023. The escrow fund will have the ability to earn a similar yield in the U.S. Government obligations as well, so there will be little or not lost investment earnings.

There is a small cost of the advance refunding or "defeasance" of the Series 2012 COPS estimated at $6,000 for legal, analytical consultation, CPA verification report on the escrow sufficiency and the bank escrow acceptance fee. Since the escrow account is irrevocable, the debt will be removed from the City's financial statements at the point in time the escrow account is established. From a financial statement standpoint, the debt has been paid.

The FY 2017 budget projects an ending unrestricted fund balance of $8,081,779 in the general fund. This is in addition to the ending minimum reserve balance of $5,645,963 projected in the general fund. Finance will have a better idea of the actual projected ending fund balance in December as we continue to post entries in order to close the 2016 fiscal year. As a result, the projected numbers of the "defeasance" of the Series 2012 COPS are based on a February1, 2017 escrow funding date. This will allow time to provide updated fund balance projections.

After discussion, Hank Hull made the motion, second by Brandon Davis, to support the proposal that Leslie presented, which is to use a portion of the unrestricted fund balance of the general fund to reduce the annual expenditures of the general fund by making an irrevocable deposit of cash now in an amount sufficient to provide for the payment of the 2012 Series COPS. Motion carried.

The next meeting was set for Monday, December 19, 2016 at 3:00 pm in the second floor conference room of City Hall.

With no further business to come before the Committee, Brandon made the motion to adjourn with a second by Tom to the meeting adjourned at 4:21 pm.

Respectfully submitted,

Barbara Gollhofer

Barbara Gollhofer, Secretary